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BROWN McFARLANE LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 2000



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Year ended 31 March 2000

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Directors

K E L Brown
 T R W Steele
 D S Shaw
 J Brierley
 D Higgins

Secretary and registered office

D S Shaw, 239 Myreside Street, Glasgow G32 6DR

DIRECTORS' REPORT

The directors submit their report and the audited accounts of the company for the year ended 31 March 2000.

1. Directors' responsibilities

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit or loss for its financial year. In doing so the directors are required to:-

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- ensure that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. Principal activities and business review

The principal activity of the company is steel stockholding and profiling.

Trading conditions in the steel industry have deteriorated over the last two years and remain difficult.

3. Results and dividend

The results for the year are as follows:	£'000
Loss before taxation	538
Taxation	54
Loss for year	<u>484</u>

The directors do not recommend the payment of a dividend.

4. /...

DIRECTORS' REPORT

4. Directors and their interests

Mr D Higgins was appointed a director on 12 January 2000.
Mr R Crawford resigned as a director on 15 February 2000.
There were no other changes in the board of directors during the year.

The interests of Mr K E L Brown, Mr T R W Steele and Mr D Higgins in the shares of A R Brown McFarlane & Company Limited, the ultimate parent company, are disclosed in the accounts of that company.

The interests of the other directors in the shares of the group companies at the beginning and end of the year were as follows:

A R Brown McFarlane & Company Limited
Ordinary shares of £1 each

	31 March 2000	31 March 1999
D S Shaw	200	200

Apart from these interests, no director had an interest in the shares of any company in the group at any time during the year.

5. Future prospects

Demand for steel plate continues to be weak and prospects for the coming year are uncertain.

6. Directors' and officers' liability insurance

The company has provided insurance to cover directors' and officers' liability.

7. Year 2000

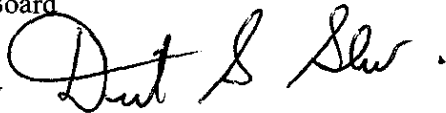
The 1st January has now passed and the company has experienced no major problems with its own systems and equipment or in connection with relationships with third parties, but will continue to monitor potential areas of risk for the foreseeable future. Costs of compliance have not been material in relation to the size of the company's business.

8. Auditors

A resolution to re-appoint Scott-Moncrieff Chartered Accountants as auditors will be submitted at the forthcoming annual general meeting.

By Order of the Board

DAVID S SHAW



Secretary

26 June 2000

REPORT OF THE AUDITORS

TO THE MEMBERS OF BROWN McFARLANE LIMITED

We have audited the accounts on pages 4 to 12.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

25 Bothwell Street
Glasgow G2 6NL

26/6/00

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2000

		2000	1999
	Note	£'000	£'000
TURNOVER	1	11,483	13,537
Cost of sales		(9,629)	(11,346)
GROSS PROFIT		<u>1,854</u>	<u>2,191</u>
Distribution and warehouse costs		(1,076)	(1,023)
Selling and administrative expenses		(1,295)	(1,485)
		<u>(2,371)</u>	<u>(2,508)</u>
OPERATING LOSS		(517)	(317)
Interest payable and similar charges	3	(21)	(37)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(538)	(354)
Tax credit on loss on ordinary activities	5	54	134
TRANSFER FROM RESERVES	13	<u>(484)</u>	<u>(220)</u>

All disclosures relate only to continuing operations.

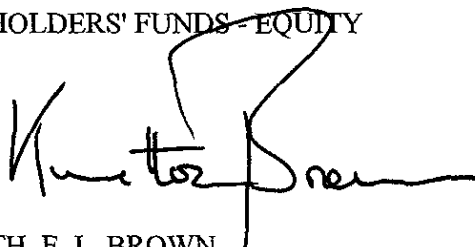
There are no recognised gains or losses other than the loss for the year.

The statement of accounting policies and notes on pages 6 to 12 form part of these accounts

BALANCE SHEET

31 MARCH 2000

		2000	1999
	Note	£'000	£'000
FIXED ASSETS			
Tangible assets	6	827	1,023
CURRENT ASSETS			
Stocks	7	2,251	2,062
Debtors	8	3,145	3,340
Cash at bank and in hand		7	151
		<u>5,403</u>	<u>5,553</u>
CREDITORS: amounts falling due within one year	9	(2,984)	(2,678)
NET CURRENT ASSETS		<u>2,419</u>	<u>2,875</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,246	3,898
CREDITORS: amounts falling due after more than one year	10	(1,319)	(1,430)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	-	(57)
		<u>(1,319)</u>	<u>(1,487)</u>
NET ASSETS		<u><u>1,927</u></u>	<u><u>2,411</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account	13	927	1,411
SHAREHOLDERS' FUNDS - EQUITY	14	<u><u>1,927</u></u>	<u><u>2,411</u></u>



KENNETH E L BROWN

Director

June 26 2000

The statement of accounting policies and notes on pages 6 to 12 form part of these accounts

STATEMENT OF ACCOUNTING POLICIES

(i) Basis of presentation

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

(ii) Turnover

Turnover represents the value of goods despatched and invoiced during the year.

(iii) Tangible fixed assets

Depreciation is provided on all tangible fixed assets in equal annual instalments over the estimated useful lives of the assets and is calculated on the cost of the assets.

The following principal rates are used:

Plant and machinery	10%	-	40%
Motor vehicles	20%	-	33 $\frac{1}{3}$ %
Computer and fittings	15%	-	33 $\frac{1}{3}$ %

(iv) Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

(v) Deferred taxation

Provision is made under the liability method for corporation tax deferred in respect of accelerated capital allowances and other timing differences but only to the extent that it is thought reasonably probable that an actual liability will arise in the foreseeable future.

(vi) Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services.

(vii) Foreign currency

Foreign currency transactions during the year are translated at rates ruling at the time they occur. Foreign currency assets and liabilities are adjusted to the rates ruling at the year end.

(viii) Operating leases

Rentals paid under operating leases are charged to profit and loss account as incurred.

(ix) Hire purchase contracts

The cost of each asset held under a hire purchase contract is included in tangible assets and depreciated over the shorter of the contract term or its useful life. The interest cost is charged over the term of the contract. All future obligations related to hire purchase contracts are included in creditors.

NOTES ON THE ACCOUNTS

Year ended 31 March 2000

1. Turnover

The turnover is attributable to one activity, steel stockholding and profiling.

2. Loss on ordinary activities before taxation	2000	1999
	£'000	£'000

The loss is stated after charging:

Staff costs (note 4)	2,058	2,038
Depreciation of tangible fixed assets		
- owned	142	173
- held under hire purchase contracts	95	74
Auditors' remuneration - audit services	10	10
- non audit services	2	4
Operating leases	56	60
	<u> </u>	<u> </u>
and after crediting:		
Gain on disposal of tangible fixed assets	-	1
	<u> </u>	<u> </u>

3. Interest payable and similar charges

Group companies (receivable)/payable	(7)	14
Hire purchase charges	28	23
	<u> </u>	<u> </u>
	21	37
	<u> </u>	<u> </u>

4. Directors and other employees

Number Number

The average number of persons employed by the company during the year was as follows:

Production and distribution	66	69
Selling and administration	32	38
	<u> </u>	<u> </u>
	98	107
	<u> </u>	<u> </u>

Staff costs comprise £'000 £'000

Wages and salaries	1,888	1,859
Social security costs	134	150
Other pension costs	36	29
	<u> </u>	<u> </u>
	2,058	2,038
	<u> </u>	<u> </u>

Staff costs include redundancy costs - 39

Directors' /

NOTES ON THE ACCOUNTS

Year ended 31 March 2000

4.	Directors and other employees (continued)	2000	1999
		£'000	£'000
	Directors remuneration		
	Directors emoluments	163	170
		<u> </u>	<u> </u>
	Payment upon termination of employment	44	-
		<u> </u>	<u> </u>
		Number	Number
	Number of directors to whom retirement benefits are accruing under:		
	Defined benefit pension scheme	2	3
		<u> </u>	<u> </u>
5.	Tax credit on loss on ordinary activities		
	The taxation credit is made up as follows:	£'000	£'000
	United Kingdom corporation tax at nil (1999: 31%)		
	- current year	-	109
	- prior year	(10)	3
	Group relief	7	13
	Deferred taxation		
	- current year	57	8
	- prior year	-	1
		<u> </u>	<u> </u>
		54	134
		<u> </u>	<u> </u>
6.	/		

NOTES ON THE ACCOUNTS

Year ended 31 March 2000

6.	Tangible fixed assets	Plant and machinery	Motor vehicles	Computer and fittings	Total
	Cost:	£'000	£'000	£'000	£'000
	At 1 April 1999	1,589	454	351	2,394
	Additions	24	-	17	41
	Disposals	(21)	(3)	(6)	(30)
	At 31 March 2000	<u>1,592</u>	<u>451</u>	<u>362</u>	<u>2,405</u>
	Depreciation:				
	At 1 April 1999	838	304	229	1,371
	On disposals	(21)	(3)	(6)	(30)
	Charge for year	136	46	55	237
	At 31 March 2000	<u>953</u>	<u>347</u>	<u>278</u>	<u>1,578</u>
	Net book amount:				
	At 31 March 2000	<u>639</u>	<u>104</u>	<u>84</u>	<u>827</u>
	At 31 March 1999	<u>751</u>	<u>150</u>	<u>122</u>	<u>1,023</u>
	Net book amount of assets held under hire purchase contracts included above:				
	At 31 March 2000	<u>390</u>	<u>85</u>	<u>-</u>	<u>475</u>
	At 31 March 1999	<u>449</u>	<u>126</u>	<u>-</u>	<u>575</u>
				2000	1999
7.	Stocks			£'000	£'000
	Steel held for resale			<u>2,251</u>	<u>2,062</u>
8.	Debtors				
	Trade debtors			3,029	3,105
	Other debtors			23	56
	Prepayments and accrued income			48	57
	Corporation tax recoverable			38	109
	Due by fellow subsidiary undertaking			7	13
				<u>3,145</u>	<u>3,340</u>

9. /

NOTES ON THE ACCOUNTS

Year ended 31 March 2000

9. Creditors: amounts falling due within one year	2000 £'000	1999 £'000
Bank overdraft	100	-
Trade creditors	2,330	2,214
Amounts owed to parent company	-	62
Hire purchase creditor	111	126
Other taxation and social security	322	232
Accruals	121	44
	<u>2,984</u>	<u>2,678</u>

The bank overdraft facility is secured by a bond and floating charge over all of the company's assets.

10. Creditors: amounts falling due after more than one year

Hire purchase contracts repayable:

Between one and two years	71	111
Between two and five years	80	151
	<u>151</u>	<u>262</u>
Loan from parent company	1,168	1,168
	<u>1,319</u>	<u>1,430</u>

The loan from the parent company is interest free and there are no fixed terms of repayment.

11. Deferred taxation

Amounts provided:

At 1 April 1999	57	66
Release for year	(57)	(9)
	<u>-</u>	<u>57</u>
At 31 March 2000	-	57

Comprising:

Accelerated capital allowances	-	57
	<u>-</u>	<u>57</u>

The full potential liability for deferred tax is as follows:

Accelerated capital allowances	-	57
Rolled over gains	-	20
	<u>-</u>	<u>77</u>
	<u>-</u>	<u>77</u>

NOTES ON THE ACCOUNTS

Year ended 31 March 2000

12.	Called up share capital	2000 £'000	1999 £'000
	Authorised, allotted and fully paid 1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
13.	Profit and loss account		£'000
	At 1 April 1999		1,411
	Loss for year		(484)
	At 31 March 2000		<u>927</u>
14.	Reconciliation of movements in shareholders' funds	2000 £'000	1999 £'000
	Loss for year	(484)	(220)
	Opening shareholders' funds	<u>2,411</u>	<u>2,631</u>
	Closing shareholders' funds	<u>1,927</u>	<u>2,411</u>
15.	Ultimate parent company and controlling party		
	The company regarded by the directors as being the company's ultimate parent company is A R Brown McFarlane & Company Limited. At 31 March 2000 Kenneth E L Brown had beneficial, family and trust interests in 28,693 ordinary shares representing in aggregate 55.7% of the total issued share capital of A R Brown McFarlane & Company Limited.		
16.	Related party transactions		
	As permitted under FRS 8, transactions with other companies in the group have not been disclosed as related party transactions.		
17.	Capital commitments	2000 £'000	1999 £'000
	Expenditure contracted for	<u>15</u>	<u>11</u>
18.	Operating lease commitments		
	At 31 March 2000 the company had annual commitments under non-cancellable operating leases as set out below.		
		2000 £'000	1999 £'000
	Operating leases in respect of motor vehicles that expire:		
	Within one year	4	7
	In second to fifth years inclusive	<u>51</u>	<u>44</u>
19.	/		

NOTES ON THE ACCOUNTS

Year ended 31 March 2000

19. Pension commitments

The company, along with other companies in the A R Brown McFarlane Group, participates in pension arrangements providing benefits based on final salary. The assets are held separately from those of the group companies and are invested by professional investment managers.

The contributions are determined by a qualified actuary on the basis of triennial valuations using a modified projected unit method.

Details of the latest actuarial value of the scheme on 1 October 1996 are given in the accounts of A R Brown McFarlane & Company Limited.

20. Contingent liabilities

The company has guaranteed the bank borrowings of the parent company. At 31 March 2000 the borrowings of the parent company were £446,544 (1999: £465,288).