

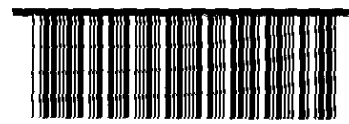
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BROWN McFARLANE LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 2002

Company number : SC 121113



SCT S6U4QG1K 0439
COMPANIES HOUSE 06/12/02

BROWN McFARLANE LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 2002

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Directors

K E L Brown

J Brierley

D Higgins

Secretary and registered office

D Higgins, 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 2002.

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 marketplace remained difficult during the year but by concentrating on the more buoyant sectors and focussing on margin both turnover and volume increased. This, together with the effects of the restructuring announced last year enabled the business to return to profit.

3. Results and dividend

The results for the year are as follows:

	£'000
Profit before taxation	131
Taxation	78
Profit for year	<u>209</u>

The directors do not recommend the payment of a dividend.

4. /...

DIRECTORS' REPORT

4. Directors and their interests

Mr D S Shaw resigned from the board on 30 June 2002. The other directors served throughout the year.

The interests of Mr K E L Brown 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 2002	31 March 2001
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 in the marketplace continues to be weak with some sectors stronger than others. Substantial uncertainty also exists on the supply side with steel producers continuing to rationalise their capacity and further mergers are likely. The impact on the company is not likely to be clear for some time.

6. Directors' and officers' liability insurance

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

7. 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 HIGGINS

Secretary

13 September 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Brown McFarlane Limited for the year ended 31 March 2002 set out on pages 5 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from 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 financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SCOTT-MONCRIEFF

Chartered Accountants
Registered Auditor

25 Bothwell Street
Glasgow
G2 6NL

13 September 2002

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2002

		2002	2001
	Note	£'000	£'000
TURNOVER	1	13,768	12,448
Cost of sales		(11,514)	(10,565)
GROSS PROFIT		2,254	1,883
Distribution and warehouse costs		(885)	(950)
Selling and administrative expenses		(1,179)	(1,105)
		(2,064)	(2,055)
OPERATING PROFIT (LOSS)		190	(172)
Exceptional item	2	-	(233)
		190	(405)
Interest payable and similar charges	3	(59)	(37)
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	131	(442)
Tax credit on profit on ordinary activities	6	78	-
TRANSFER TO (FROM) RESERVES	13	209	(442)

All disclosures relate only to continuing operations.

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

The statement of accounting policies and notes on pages 7 to 13 form part of these accounts

BALANCE SHEET

31 MARCH 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	7	618	650
CURRENT ASSETS			
Stocks	8	2,897	2,094
Debtors	9	3,602	3,802
Cash at bank and in hand		77	5
		<u>6,576</u>	<u>5,901</u>
CREDITORS: amounts falling due within one year	10	(4,303)	(3,818)
NET CURRENT ASSETS		<u>2,273</u>	<u>2,083</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,891	2,733
CREDITORS: amounts falling due after more than one year	11	(1,197)	(1,248)
NET ASSETS		<u><u>1,694</u></u>	<u><u>1,485</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account	13	694	485
SHAREHOLDERS' FUNDS - EQUITY	14	<u><u>1,694</u></u>	<u><u>1,485</u></u>



DAVID HIGGINS

Director

13 September 2002

The statement of accounting policies and notes on pages 7 to 13 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	14%	-	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

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. *Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.*

(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 2002

1. Turnover

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

2.	Exceptional Item	2002 £'000	2001 £'000
	The exceptional item relates to the net cost associated with the closure of the Glasgow warehousing operation.		
	Redundancy and relocation costs	-	(202)
	Other associated expenses	-	(36)
	Profit on disposal of assets	-	5
		<u>-</u>	<u>(233)</u>

3. Interest payable and similar charges

Group companies payable	44	13
Hire purchase charges	15	24
	<u>59</u>	<u>37</u>

4. Profit (Loss) on ordinary activities before taxation

The profit (loss) is stated after charging:

Staff costs (note 5)	1,827	1,852
Depreciation of tangible fixed assets		
- owned	95	114
- held under hire purchase contracts	74	80
Auditors' remuneration - audit services	10	10
- non audit services	4	4
Operating leases	48	56
Loss on disposal of tangible fixed assets	1	-
	<u></u>	<u></u>
and after crediting:		
Gain on disposal of tangible fixed assets	-	8
	<u></u>	<u></u>

NOTES ON THE ACCOUNTS

Year ended 31 March 2002

5.	Directors and other employees	2002 Number	2001 Number
	The average number of persons employed by the company during the year was as follows:		
	Production and distribution	64	69
	Selling and administration	26	28
		<u>90</u>	<u>97</u>
	Staff costs comprise	£'000	£'000
	Wages and salaries	1,628	1,678
	Social security costs	140	127
	Other pension costs	59	47
		<u>1,827</u>	<u>1,852</u>
	Directors' remuneration		
	Directors' emoluments	<u>111</u>	<u>144</u>
	Pension contributions to a defined contribution scheme	<u>10</u>	<u>-</u>
	Payment upon termination of employment	<u>34</u>	<u>15</u>
		Number	Number
	Number of directors to whom retirement benefits are accruing under:		
	Defined benefit pension scheme	<u>2</u>	<u>2</u>
	Defined contribution scheme	<u>2</u>	<u>-</u>
6.	Tax credit on profit (loss) on ordinary activities	£'000	£'000
	The taxation (charge) credit is made up as follows:		
	United Kingdom corporation tax	-	-
	Deferred taxation	78	-
		<u>78</u>	<u>-</u>

The deferred taxation credit comprises the creation of a deferred tax asset due to the availability of taxation losses recoverable.

NOTES ON THE ACCOUNTS

Year ended 31 March 2002

6.

Tax credit on profit (loss) on ordinary activities (cont'd)

£'000
2002

£'000
2001

Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below.

Profit (loss) on ordinary activities before taxation

131

(442)

Tax on profit (loss) at the standard rate of corporation tax of 20%

26

(88)

Effect of:

Expenses not deductible for tax purposes

5

3

Depreciation for period in excess of capital allowances

6

-

Capital allowances in excess of depreciation

-

(5)

Utilisation of tax losses

(37)

70

Group relief

-

20

Current tax charge for the year

-

-

7.

Tangible fixed assets

Plant and
machinery
£'000

Motor
vehicles
£'000

Computer
and fittings
£'000

Total
£'000

Cost:

At 1 April 2001

1,443

344

350

2,137

Additions

126

-

37

163

Disposals

(133)

(12)

-

(145)

At 31 March 2002

1,436

332

387

2,155

Depreciation:

At 1 April 2001

922

265

300

1,487

On disposals

(108)

(11)

-

(119)

Charge for year

118

20

31

169

At 31 March 2002

932

274

331

1,537

Net book amount:

At 31 March 2002

504

58

56

618

At 31 March 2001

521

79

50

650

Net book amount of assets held under hire purchase contracts included above.

At 31 March 2002

272

52

-

324

At 31 March 2001

331

68

-

399

NOTES ON THE ACCOUNTS

Year ended 31 March 2002

	2002 £'000	2001 £'000
8. Stocks		
Steel held for resale	2,897	2,094
9. Debtors		
Trade debtors	3,462	3,716
Other debtors	10	7
Prepayments and accrued income	52	35
Corporation tax recoverable	-	38
Deferred taxation	78	-
Due by fellow group companies	-	6
	<u>3,602</u>	<u>3,802</u>

The deferred tax asset has been recognised at 20% on the basis that budgets prepared by the directors indicate that the tax losses will be recoverable in the foreseeable future.

10. Creditors: amounts falling due within one year		
Bank overdraft	978	557
Trade creditors	2,888	2,828
Hire purchase creditor	51	71
Other taxation and social security	282	293
Amount due to parent company	38	-
Accruals	66	69
	<u>4,303</u>	<u>3,818</u>

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

11. Creditors: amounts falling due after more than one year		
Hire purchase contracts repayable:		
Between one and two years	29	51
Between two and five years	-	29
	<u>29</u>	<u>80</u>
Loan from parent company	1,168	1,168
	<u>1,197</u>	<u>1,248</u>

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

NOTES ON THE ACCOUNTS

Year ended 31 March 2002

12.	Called up share capital	2002 £'000	2001 £'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 2001		485
	Profit for year		<u>209</u>
	At 31 March 2002		<u>694</u>
14.	Reconciliation of movements in shareholders' funds		
	Profit (loss) for year	209	(442)
	Opening shareholders' funds	<u>1,485</u>	<u>1,927</u>
	Closing shareholders' funds	<u>1,694</u>	<u>1,485</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 2002 Kenneth E L Brown had beneficial, family and trust interests in 37,608 ordinary shares representing in aggregate 73% 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	2002 £'000	2001 £'000
	Expenditure contracted for	<u>8</u>	<u>12</u>
18.	Operating lease commitments		
	At 31 March 2002 the company had annual commitments under non-cancellable operating leases as set out below.		
		2002 £'000	2001 £'000
	Operating leases in respect of motor vehicles that expire:		
	Within one year	9	2
	In second to fifth years inclusive	<u>39</u>	<u>36</u>
19.	/		

NOTES ON THE ACCOUNTS

Year ended 31 March 2002

19. Pension commitments

Prior to 31 March 2001 the company operated pension arrangements providing benefits based on final pensionable salary. The assets are held separately from those of the group companies and are administered by professional investment managers. The contributions were determined by a qualified actuary on the basis of triennial valuations using a modified projected unit method.

Details of the most recent actuarial valuation of the scheme on 1 October 1999 are given in the accounts of A R Brown McFarlane & Company Limited.

On the basis of actuarial advice received, the directors requested the trustees of the defined benefit scheme to wind up the scheme with effect from 31 March 2001 and the company took a contributions holiday in the year under review. The winding-up procedure has now commenced and no further contributions to the scheme are payable by the company.

In the opinion of the directors, compliance in respect of the defined benefit scheme with FRS 17 is not in the interests of the shareholders since the scheme is overfunded, in process of being wound up and provision of the prescribed information will be at substantial cost. The directors consider that non compliance with FRS 17 does not affect the true and fair view given by these accounts.

From 1 April 2001, a new defined contribution scheme has been made available to all eligible group employees and company contributions in the year amounted to £59,004.

20. Contingent liabilities

The company has guaranteed the bank borrowings of the parent company. At 31 March 2002 the borrowings of the parent company were £325,546 (2001: £648,454).