

Company Registered No. 00032668

**STEEL BROTHERS AND COMPANY LIMITED**

**DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS  
31 DECEMBER 1996**



# **STEEL BROTHERS AND COMPANY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 1996**

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**STEEL BROTHERS AND COMPANY LIMITED**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**Directors**

T V Lakshmikanthan  
G M K Lodhi  
J A Melrose

**Secretary**

J A Melrose

**Registered Office**

Unit H1  
Tingewick Road  
Buckingham MK18 1GD

**Solicitors**

Butcher Burns  
Beaumont House  
47 Mount Pleasant  
London WC1X 0AE

**Auditors**

Chandler & Georges  
Chartered Accountants  
75 Westow Hill  
Crystal Palace  
London SE19 1TX

**DIRECTORS' REPORT**

The directors present their report and audited financial statements for the year ended 31 December 1996.

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS**

The company owns land and buildings in Myanmar and did not carry out any business in the United Kingdom. No changes are anticipated in its activities in the foreseeable future.

**RESULTS AND DIVIDEND**

The results for the year are set out in the attached account. The directors do not recommend the payment of a dividend.

**DIRECTORS**

The present directors of the company are shown on page 1.

**DIRECTOR'S INTERESTS**

In accordance with the register maintained for the purposes of sections 324 to 328 Companies Act 1985 none of the directors had any interests requiring disclosure.

**AUDITORS**

A resolution for the re-appointment of Messrs Chandler & Georges, Chartered Accountants is to be proposed at the forthcoming Annual General Meeting.

By order to the Board



J A Melrose  
Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBER OF  
STEEL BROTHERS AND COMPANY LIMITED**

We have audited the financial statements on pages 5 to 11.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 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 financial statements.

**Fundamental uncertainty**

In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the recoverability of debtors in full. Details of the circumstances relating to this fundamental uncertainty are described in Note 6. The financial statements do not include any adjustments that would result from failure to recover the debt in full. Our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.



Chandler & Georges  
Chartered Accountants & Registered Auditors

Date: 22/12/97

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1996**

	Note	1996 £'000	1995 £'000
Net operating income	2	32	55
Provision not required		—	<u>160</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		32	215
Tax on profits on ordinary activities	4	<u>(16)</u>	<u>(19)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>16</u>	<u>196</u>

Movements on reserves are set out in note 10.

The company's results are all from continuing operations.

A statement of recognised gains and losses is not shown separately as the company has no recognised gains and losses other than those passing through the profit and loss account.

**RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	1996 £'000	1995 £'000
Profit for the financial year	16	196
Opening shareholders' funds	<u>4079</u>	<u>3883</u>
Closing shareholders' funds	<u>4095</u>	<u>4079</u>

STEEL BROTHERS AND COMPANY LIMITED

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**BALANCE SHEET**  
**31 DECEMBER 1996**

	Note	1996 £'000	1995 £'000
<b>FIXED ASSETS</b>			
Tangible assets	5	<u>1</u>	<u>1</u>
		-	
<b>CURRENT ASSETS</b>			
Debtors	6	4063	4035
Cash at bank	11	<u>52</u>	<u>86</u>
		4115	4121
<b>CREDITORS</b>			
Amounts falling due within one year	7	<u>(21)</u>	<u>(43)</u>
<b>NET CURRENT ASSETS</b>		<u>4094</u>	<u>4078</u>
<b>NET ASSETS</b>		<u>4095</u>	<u>4079</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	10	10
Other reserves	10	4033	4033
Profit and loss account	10	<u>52</u>	<u>36</u>
		<u>4095</u>	<u>4079</u>

Approved by the board on 28/12/97

  
Director



**NOTES TO THE ACCOUNTS**  
**31 DECEMBER 1996**

**1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**Basis of Preparation**

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

The company is exempt from the requirements of Financial Reporting Standard Number 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Galaxy Investments Limited and its cash flows are included within the consolidated cash flow statement of that company.

**Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions.

All assets and liabilities nominated in foreign currencies are translated into sterling at the rates ruling at the end of the financial year and the resulting exchange differences are dealt with in the determination of profit for the financial year.

**NOTES TO THE ACCOUNTS**  
**31 DECEMBER 1996**

**2. NET OPERATING INCOME**

This is stated after (charging)/crediting.

	1996 £'000	1995 £'000
Exchange (loss)/gain	(19)	2
Rental income	52	54
Auditors remuneration	<u>(1)</u>	<u>(1)</u>
	<u>32</u>	<u>55</u>

**3. EMPLOYEES AND DIRECTORS' REMUNERATION**

The company did not employ any staff in 1996 and 1995.

The directors received no fees during 1996 and 1995.

**4. TAXATION**

The charge based on the profit/(loss) for the year comprises:

	1996 £'000	1995 £'000
UK Corporation tax @ 33%	11	14
Less: Double tax relief	(11)	(14)
Overseas tax	<u>16</u>	<u>19</u>
	<u>16</u>	<u>19</u>

**NOTES TO THE ACCOUNTS**  
**31 DECEMBER 1996**

**5. TANGIBLE FIXED ASSETS**

Freehold land  
and buildings  
£'000

Cost	
At 1 January and 31 December 1996	158
Depreciation	
At 1 January and 31 December 1996	<u>157</u>
Net book value at	
31 December 1996	<u>1</u>
31 December 1995	<u>1</u>

**6. DEBTORS**

1996	1995
£'000	£'000

Amounts falling due within one year:

Other debtors	<u>4063</u>	<u>4035</u>
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Other debtors include £3,848,000 due from Securum Industrial Holdings Limited, parent company of Bricom Holdings Limited, and is subject of the Share Sale and Purchase Agreement relating to the issued share capital of Steel Brothers and Company Limited, previously wholly owned by Bricom Holdings Limited.

The Share Sale and Purchase Agreement is conditional upon a dividend in the gross amount of £3,848,000 be declared by Steel Brothers and Company Limited and Bricom Holdings Limited procuring that equivalent dividends are paid within the Bricom Group to Securum Industrial Holdings Limited and that Securum Industrial Holdings Limited utilises such dividends in discharge of its debt due to Steel Brothers and Company Limited.

As at the date of signing of these accounts the terms of the Share Sale and Purchase Agreement have not been given effect to. However in the opinion of the directors the debt of £3,848,000 is fully recoverable within the terms of the Share Sale and Purchase Agreement and no provision is considered necessary.

**7. CREDITORS**

Amounts falling due within one year	1996	1995
	£'000	£'000
Other creditors and accruals	<u>21</u>	<u>43</u>

NOTES TO THE ACCOUNTS  
31 DECEMBER 1996

## 8. PROVISION FOR LIABILITIES AND CHARGES

	1996 £'000	1995 £'000
Balance 1 January	-	160
Transferred to reserves	-	(160)
Balance at 31 December	<u>-</u>	<u>-</u>

## 9. CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised		
4,000,000 ordinary shares of £1 each	2710	4000
Authorised reduction (1290,000 shares)	-	(1290)
Balance at 31 December	<u>2710</u>	<u>2710</u>
Allocated, issued and fully paid ordinary shares of £1 each	10	1300
Transfer to reserves	-	(1290)
Balance at 31 December	<u>10</u>	<u>10</u>

The Company was authorised to reduce its capital by 1,290,000 ordinary shares of £1 each by way of "Special Petition" to the High Court of Justice dated 19 July 1995.

## 10. RESERVES

	Profit & Loss Account £'000	Other Reserves £'000
Balance at 1 January 1996	36	4033
Profit for the year	<u>16</u>	-
Balance at 31 December 1996	<u>52</u>	<u>4033</u>

NOTES TO THE ACCOUNTS  
31 DECEMBER 1996

11. NET ASSETS OVERSEAS

Cash at bank and in hand comprises funds which are not readily remittable, held in the following country:

	1996 £'000	1995 £'000
Myanmar	<u>52</u>	<u>86</u>

The company is unable to obtain permission for the disposal of its properties in Myanmar.

13. ULTIMATE HOLDING COMPANY

The ultimate company is Somerton Trading Group S.A. a company registered in the British Virgin Islands.