

STEEL BROTHERS AND COMPANY LIMITED

Company Registered No. 00032668

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS
31 DECEMBER 1998**



STEEL BROTHERS AND COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

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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

75 Westow Hill
London SE19 1TX

Solicitors

Butcher Burns
Beaumont House
47 Mount Pleasant
London WC1X OAE

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 1998.

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.

As stated in note 12 to the accounts the Company declared and distributed "in specie" a dividend of £3,980,920 on 30 April 1999.

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

20.04.2000

**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 MEMBERS OF
STEEL BROTHER AND COMPANY LIMITED**

We have audited the financial statements on pages 5 to 9.

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. 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.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chandler & Georges
Chartered Accountants & Registered Auditors

28-04-2000

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	1998 £'000	1997 £'000
Net operating loss	2	<u>(4)</u>	<u>(2)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4)	(2)
Tax on profits on ordinary activities	4	—	—
LOSS FOR THE FINANCIAL YEAR		<u>(4)</u>	<u>(2)</u>

As a result of contractual difficulties with the tenants, no rent was received or provided for by the Myanmar branch.

Movements on reserves are set out in note 9.

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

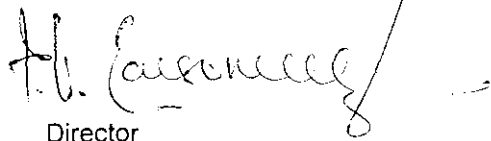
	1998 £'000	1997 £'000
Loss for the financial year	(4)	(2)
Opening shareholders' funds	<u>4093</u>	<u>4095</u>
Closing shareholders' funds	<u>4089</u>	<u>4093</u>

BALANCE SHEET
31 DECEMBER 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	5	<u>1</u>	<u>1</u>
CURRENT ASSETS			
Debtors	6	4061	4062
Cash at bank	10	<u>28</u>	<u>41</u>
		4089	4103
CREDITORS			
Amounts falling due within one year	7	<u>(1)</u>	<u>(11)</u>
NET CURRENT ASSETS		<u>4088</u>	<u>4092</u>
NET ASSETS		<u>4089</u>	<u>4093</u>
CAPITAL AND RESERVES			
Called up share capital	8	10	10
Other reserves	9	4033	4033
Profit and loss account	9	<u>46</u>	<u>50</u>
		<u>4089</u>	<u>4093</u>

Approved by the board on

20-04-2000



Director

NOTES TO THE ACCOUNTS
31 DECEMBER 1998**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 Somerton Trading Group S A 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.

2. NET OPERATING(LOSS)/ INCOME

This is stated after (charging)/crediting.

	1998 £'000	1997 £'000
Exchange loss	(2)	(1)
Auditors' remuneration	<u>(2)</u>	<u>(1)</u>
	<u>(4)</u>	<u>(2)</u>

3. EMPLOYEES AND DIRECTORS' REMUNERATION

The company did not employ any staff in 1998 and 1997.

The directors received no fees during 1998 and 1997.

4. TAXATION

Due to continuing trading losses, the company had no liability to UK Corporation tax or the overseas tax for the years 1998 & 1997.

NOTES TO THE ACCOUNTS
31 DECEMBER 1998

5. TANGIBLE FIXED ASSETS

Freehold land
and buildings
£'000

Cost

At 1 January and 31 December 1998

158

Depreciation

At 1 January and 31 December 1998

157

Net book value at
31 December 1998

1

31 December 1997

1

6. DEBTORS

1998
£'000

1997
£'000

Debtors (Note 12)

4061

4062

7. CREDITORS

Amounts falling due within one year

1998
£'000

1997
£'000

Other creditors and accruals

1

11

8. CALLED UP SHARE CAPITAL

1998
£'000

1997
£'000

Authorised

4,000,000 ordinary shares of £1 each

2710

2710

Balance at 31 December

2710

2710

Allocated, issued and fully paid
ordinary shares of £1 each

10

10

NOTES TO THE ACCOUNTS
31 DECEMBER 1998

9. RESERVES

	Profit & Loss Account £'000	Other Reserves £'000
Balance at 1 January 1998	50	4033
Loss for the year	(4)	—
Balance at 31 December 1998	<u>46</u>	<u>4033</u>

10. NET ASSETS OVERSEAS

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

	1998 £'000	1997 £'000
Myanmar	<u>28</u>	<u>41</u>

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

11. ULTIMATE HOLDING COMPANY

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

12. POST BALANCE SHEET EVENTS

Debtors include a non-interest bearing loan of £3,980,920 due from Securum Industrial Holdings Limited, parent company of Bricom Holdings Limited (the "Loan"). On 30 April 1999 Securum Industrial Holdings Limited issued to the Company unsecured interest free Loan Stock Instrument (the "Loan Stock") for the principal amount of £3,980,920 in substitution of the Loan. Following the issue of the Loan Stock and of the Loan Stock Certificate, the Company declared and paid the dividend of £3,980,920 by a distribution "in specie" of the transfer of the Loan Stock to its immediate parent company, Bricom Holdings Limited.