ANI Edgar Allen Limited
(formerly ANI Bradken Limited)

Registered Number Scotland 6624

DIRECTORS

P W F Wilson	(resigned 27 August 1999)
D E Hammond	
A J Sheehan	(resigned 27 August 1999)
R A Laird	
G Newman	
C Murphy	
G Castan	(appointed 27 August 1999)
G Smorgon	(appointed 27 August 1999)

SECRETARY

P W F Wilson	(resigned 27 August 1999)
C Murphy	(appointed 27 August 1999)

AUDITORS
Ernst & Young
George House
50 George Square
Glasgow
G2 1RR

BANKERS
HSBC plc
Church Street Branch
17 Church Street
PO Box 50
Sheffield
S1 1HH

REGISTERED OFFICE
Whitburn Road
Bathgate
West Lothian
EH48 2RB

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 1999.

PRINCIPAL ACTIVITY
The principal activity of the company is railway engineering and steel founders.

RESULTS AND DIVIDENDS
Details of the loss for the year are as shown in the profit and loss account. The directors do not recommend the payment of a dividend in respect of the year ended 30 June 1999.

REVIEW OF THE BUSINESS
On 1 July 1998 the company acquired the track work business and related assets, of the Edgar Allen Engineering division of Aurora Group Limited.

This acquisition has increased turnover by 46% and has strengthened the company's position in the UK rail market.

The acquisition resulted in a year of restructuring. Significant exceptional costs were incurred.

The general engineering foundry business has been affected in the year by the strength of sterling and the weakness of the petrochemical sector.

FUTURE DEVELOPMENTS
The revised structure of the business and current market base has positioned the company to benefit from projected upturns in the petrochemical and railway markets.

DIRECTORS
The directors who served throughout the year are as listed on page 1.

Under the provisions of the Articles of Association directors do not retire by rotation.

CHANGE OF NAME
The company changed its name from ANI Bradken Limited to ANI Edgar Allen Limited on 16 September 1998.

DIRECTORS' INTERESTS
According to the register maintained as required under the Companies Act 1985, none of the directors had any interests in the shares of the company. The ultimate holding company of ANI Edgar Allen Limited is Smorgon Steel Group Limited which is incorporated in Australia. Under statutory instrument 85/802 the directors of ANI Edgar Allen Limited are not required to disclose their interests in the shares of that holding company.

EVENTS SINCE THE BALANCE SHEET DATE
The whole of the issued share capital of ANI Edgar Allan Limited was sold to ANI Corporation (UK) Limited on 31 July 1999.

EMPLOYEE INVOLVEMENT
It is the company's policy that employees should be kept as fully informed as is practicable about the performance and prospects of the company. The methods of communication and consultation vary and range from regular contact to formal works/staff meetings.

EMPLOYMENT OF DISABLED PERSONS
The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. Where employees become disabled, the company endeavours to continue to employ them, provided there are duties which they can perform, bearing in mind the handicap or disability. As far as possible, training, career development and promotion is available to handicapped and disabled persons where this is in their own as well as the group's best interest.

YEAR 2000
As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved.

By order of the Board

C Murphy
Secretary

30 September 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts comply with the Companies Act. 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.

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of ANI Edgar Allen Limited
(formerly ANI Bradken Limited)

We have audited the accounts on pages 6 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and on the basis of the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility 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 which 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 affairs of the company at 30 June 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
Glasgow

30 September 1999

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 1999

	Notes	*1999* *£000*	*1998* *£000*
TURNOVER	2	15,012	10,304
Change in stocks of finished goods and work in progress		469	(336)
Other operating income		5	6
		15,486	9,974
Raw materials and consumables		6,070	3,469
Staff costs	3	5,001	2,913
Depreciation and other amounts written off tangible fixed assets		517	343
Other operating charges and other external charges		4,221	3,182
Exceptional items	4	*611*	-
		16,420	9,907
OPERATING (LOSS)/PROFIT	5	(934)	67
Income from other fixed asset investments	6	5	4
Interest receivable and similar income		1	2
Interest payable and similar charges	7	(3)	(4)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(931)	69
Tax on (loss)/profit on ordinary activities	8	26	(1)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	18	(957)	70

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 June 1999

	1999 *£000*	*1998* *£000*
(Loss)/profit for the financial year	(957)	70
Unrealised surplus on revaluation of freehold land and buildings	-	252
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(957)	322

ERNST & YOUNG

BALANCE SHEET
at 30 June 1999

	Notes	*1999* *£000*	*1998* *£000*
FIXED ASSETS			
Tangible assets	9	3,624	3,257
Investments	10	125	125
		3,749	3,382
CURRENT ASSETS			
Stocks	11	1,644	806
Debtors	12	4,551	2,741
Cash at bank and in hand		2,540	2,148
		8,735	5,695
CREDITORS: amounts falling due within one year	13	6,774	2,782
NET CURRENT ASSETS		1,961	2,913
TOTAL ASSETS LESS CURRENT LIABILITIES		5,710	6,295
CREDITORS: amounts falling due after one year			
Obligations under finance leases	14	259	335
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	54	-
Other provisions	16	501	107
TOTAL ASSETS LESS LIABILITIES		4,896	5,853
EQUITY SHAREHOLDERS' FUNDS			
Called up share capital	17	6,707	6,707
Revaluation reserve	18	2,237	2,237
Profit and loss account	18	(4,048)	(3,091)
		4,896	5,853

C Murphy
Director

30 September 1999

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 30 June 1999

1. ACCOUNTING POLICIES

Accounting convention
The accounts are prepared under the historical cost convention, as adjusted for the revaluation of certain fixed assets. The accounts have been prepared in accordance with applicable accounting standards.

Foreign currencies
Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year end rates of exchange. All resulting exchange differences are dealt with in the profit and loss account in the period in which they arise.

Depreciation
Freehold land is not depreciated. The cost or revalued amount of other fixed assets less estimated residual value, is written off by equal annual instalments over their expected useful lives as follows:

Freehold buildings	-	15 years
Plant and equipment	-	2 to 20 years
Motor vehicles	-	4 years
Computer equipment	-	3 years

Stocks
Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of work in progress and finished goods cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. The allocation of manufacturing fixed overheads takes into account the normal level of production.

Leasing commitments
Certain items of plant and equipment are financed by leasing agreements that give rights approximating to ownership ("finance leases"). These are included in the balance sheet as fixed assets at cost less depreciation and the capital element of future rentals is treated as a liability. The interest element is charged to the profit and loss account over the period of the finance leases in proportion to the balance of capital repayments outstanding. Liabilities under hire purchase contracts are accounted for on a basis similar to that adopted for finance leases and are included in the balance sheet under that heading.

Deferred taxation
Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

Pension scheme arrangements
Contributions to separately administered pension funds are charged to the profit and loss account to spread the costs of pensions over the employees working lives with the company. The regular pension costs are attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected working lives of employees.

1. **ACCOUNTING POLICIES** (continued)

Related party transactions

Related Party Transactions with group companies have not been disclosed in accordance with the exemptions available for subsidiary undertakings contained in Financial Reporting Standard 8 "Related Party Disclosures".

Research and development

All research and development costs are expensed to the profit and loss account in the year incurred.

2. **TURNOVER**

Turnover represents the invoiced amount of goods and services supplied during the year and derived from the company's ordinary activities, all of which are continuing, stated net of trade discounts and value added tax.

An analysis of turnover by geographical market is given below:

	1999 *£000*	*1998* *£000*
United Kingdom	8,869	6,393
Other European countries	1,022	1,033
Rest of the World	5,121	2,878
	15,012	10,304

3. **STAFF COSTS**

Employment costs of all employees, including executive directors:

	1999 *£000*	*1998* *£000*
Wages and salaries	4,466	2,631
Social security costs	346	204
Other pension costs	189	78
	5,001	2,913

The average number of persons, including executive directors, employed by the company during the period is analysed below:

	1999 *No.*	*1998* *No.*
Staff	69	38
Manual workers	192	114
	261	152

4. EXCEPTIONAL ITEMS

	1999 £000	1998 £000
Rationalisation costs	129	-
Year 2000 costs	52	-
Warranty costs	430	-
	611	-

5. OPERATING PROFIT

(a) This is stated after charging/(crediting):

	1999 £000	1998 £000
Hire of plant and machinery	162	116
Depreciation of tangible fixed assets	518	343
Profit on disposal of tangible fixed assets	(5)	(6)
Auditors' remuneration - audit	18	13
- non audit services	18	-
Research and development	93	-

(b) Directors' remuneration

	1999 £000	1998 £000
Emoluments	191	148

	1999 No.	1998 No.
Members of defined benefit pension schemes	3	3

6. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	1999 £000	1998 £000
Net rental income	5	4

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £000	1998 £000
Finance lease contracts	(3)	(4)

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8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1999 *£000*	*1998* *£000*
Corporation tax at 30.75% (1998 - 31%)	-	2
Overprovision in previous years	(2)	(3)
Deferred tax	28	-
	26	(1)

There is no provision for taxation on the results for 1998 due to the availability of tax losses brought forward. There is no tax credit on the results for 1999 as the tax losses are being surrendered for nil consideration.

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings	*Plant and equipment*		
		Purchased	*Leased*	*Total*
	£000	*£000*	*£000*	*£000*
Cost or valuation:				
At 1 July 1998	1,976	3,378	1,324	6,678
Inter group transfers in	-	2,375	27	2,402
Additions	87	104	-	191
Disposals	-	(77)	-	(77)
Inter group transfers out	-	(2)	-	(2)
At 30 June 1999	2,063	5,778	1,351	9,192
Depreciation:				
At 1 July 1998	-	2,470	951	3,421
Inter group transfers in	-	1,674	27	1,701
Charge for the period	131	302	85	518
Disposals	-	(70)	-	(70)
Inter group transfers out	-	(2)	-	(2)
At 30 June 1999	131	4,374	1,063	5,568
Net book value:				
At 30 June 1999	1,932	1,404	288	3,624
At 1 July 1998	1,976	908	373	3,257
Cost or valuation at 30 June 1999 comprises:				
Cost	96	4,480	1,351	5,927
Valuation	1,967	1,298	-	3,265
	2,063	5,778	1,351	9,192

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9. TANGIBLE FIXED ASSETS (continued)

Revaluation of plant and equipment, on an open market value for existing use basis, took place in 1984.

Revaluation of freehold land and buildings, on an open market value for existing use basis, took place in 1998.

Included within plant and equipment are assets under construction amounting to £26,718 which are not depreciated.

On the historical cost basis, freehold land and buildings and plant and equipment would have been included as follows:

	Freehold land and buildings £000	*Plant and equipment £000*
Cost:		
At 1 July 1998	436	2,078
At 30 June 1999	524	4,480
Cumulative depreciation based on cost:		
At 1 July 1998	-	1,170
At 30 June 1999	6	4,139

10. FIXED ASSET INVESTMENTS

	1999 £000	*1998 £000*
Shares in subsidiary undertaking at cost	125	125

Particulars of subsidiary undertaking:

Name	*Description of shares*	*Proportion of shares held*	*Country of registration*
Bonnington Castings Limited	Ordinary shares of £1 each	100%	Scotland

Primrose & Company Limited is a wholly owned subsidiary undertaking of Bonnington Castings Limited. Both of these companies are dormant.

The directors are of the opinion that the aggregate value of investments in subsidiary undertaking is not less than the amount at which they are included in the accounts.

NOTES TO THE ACCOUNTS
at 30 June 1999

11. STOCKS

	1999	*1998*
	£000	*£000*
Raw materials and consumables	537	168
Work in progress	1,002	564
Finished goods and goods for resale	105	74
	1,644	806

12. DEBTORS

	1999	*1998*
	£000	*£000*
Amounts falling due within one year:		
Trade debtors	3,666	1,610
Amounts owed by holding company and fellow subsidiary undertakings	630	1,061
Other debtors	213	57
Prepayments and accrued income	42	13
	4,551	2,741

13. CREDITORS: amounts falling due within one year

	1999	*1998*
	£000	*£000*
Trade creditors	1,839	1,416
Amounts owed to subsidiary undertakings	339	339
Amounts owed to holding and fellow subsidiary undertakings	3,827	336
Amounts owed to fellow subsidiary undertakings under finance leases	76	94
Corporation tax	-	2
Other taxes and social security costs	99	121
Other creditors	256	211
Accruals and deferred income	338	263
	6,774	2,782

14. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:-

	1999	*1998*
	£000	*£000*
Amounts payable:		
within one year	79	98
within two to five years	222	276
in more than five years	40	67
	341	441
Finance charges allocated to future periods	6	12
	335	429

Finance leases are analysed as follows:

	1999	*1998*
	£000	*£000*
Current obligations	76	94
Non-current obligations	259	335
	335	429

All the above agreements are through fellow subsidiary undertakings.

15. DEFERRED TAXATION

	Provided		*Not provided*	
	1999	*1998*	*1999*	*1998*
	£000	*£000*	*£000*	*£000*
Accelerated capital allowances	54	-	-	-

In addition there are losses available for carry forward of approximately £900,000. These losses are available for offset against future profits of the non trackwork business.

16. OTHER PROVISIONS

Summary of movements in the year:

	1998	*Charge to profit and loss account*	*Provision utilised during year*	*1999*
	£000	*£000*	*£000*	*£000*
Provision for stock and other rectification costs	107	460	(66)	501

17. CALLED UP SHARE CAPITAL

	1999 and 1998	
	Authorised	*Allotted and fully paid*
	£000	*£000*
Ordinary shares of £1 each	6,750	6,707

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share capital	*Revaluation reserve*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*
At 30 June 1997	6,707	1,985	(3,161)	5,531
Disposal of assets	-	252	-	252
Retained profit for the year	-	-	70	70
At 30 June 1998	6,707	2,237	(3,091)	5,853
Retained loss for the year	-	-	(957)	(957)
At 30 June 1999	6,707	2,237	(4,048)	4,896

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(a) Banking guarantee

The company, jointly and severally with certain other group companies, has guaranteed all outstanding obligations of an intermediate holding company, Firth Rixson Aurora Limited, and certain UK subsidiaries, to Midland Bank plc. The obligations guaranteed under these arrangements at 30 June 1999 amounted to £1,385,204 (1998 - £269,728).

In addition the company, jointly and severally with certain other group companies, has guaranteed all outstanding obligations of an intermediate holding company, Firth Rixson Aurora Limited, and certain UK subsidiaries, to Midland Bank plc which may arise under indemnities, documentary credits and negotiations, commitments under forward foreign exchange contracts and bills of exchange discounted, all of which have been entered into in the normal course of business. The obligations guaranteed under these arrangements at 30 June 1999 amounted to £2,588,067 (1998 - £1,018,319).

(b) Operating lease commitments

At 30 June 1999 the company had an annual commitment under non-cancellable lease contracts expiring within one year of £26,502 (1998 - £20,092), within the next two to five years of £14,800 (1998 - £15,386) and expiring after five years of £Nil (1998 - £Nil) all in respect of plant and machinery.

(c) Capital commitments

Amounts contracted for but not provided in the accounts amounted to £3,726 (1998 - £18,088).

(d) Reservation of title

Included within stocks and work in progress at the year end were amounts of £493,769 (1998 - £153,250) which were subject to reservation of title.

20. RELATED PARTIES

The company is a wholly owned subsidiary undertaking of Smorgon Steel Group Limited. In accordance with FRS 8, related party transactions within the group are not presented as the consolidated financial statements of the Smorgon Steel Group Limited group are publicly available.

21. ULTIMATE HOLDING COMPANY

The ultimate parent undertaking and parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Smorgon Steel Group Limited, incorporated in Victoria, Australia, and the parent undertaking of the smallest such UK group is the ANI Corporation (UK) Limited, registered in England and Wales.

Copies of the accounts of Smorgon Steel Group Limited are available from Group Floor, 650 Lorimer Street, Port Melbourne, Victoria 3207, Australia.

22. CONSOLIDATED ACCOUNTS

No cash flow statement is presented as the company is a wholly owned subsidiary of Smorgon Steel Group Limited for which accounts are publicly available. In accordance with Section 228 of the Companies Act 1985, consolidated accounts are not presented.

23. PENSION SCHEME ARRANGEMENTS

Aurora Schemes

A number of the company's employees are contributing members to Group pension schemes, either the Aurora Pension Plan or the Aurora Retirement and Life Assurance Plan. The schemes are of the defined benefit type. Details of the latest actuarial valuations of the schemes are dealt with in the accounts of Firth Rixson Aurora Limited.