



UNITED ENGINEERING STEELS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31ST DECEMBER 1992

Registered Number: 1992636



UNITED ENGINEERING STEELS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED

31ST DECEMBER 1992

The directors present their annual report and the financial statements for the year ended 31st December 1992.

Principal activities

The principal activities of the company are the manufacture of steel and forgings, and the re-rolling of engineering steels. The company produces a wide range of steel products including billets, slabs, bars and rods together with forged components for the automotive, agricultural, marine, petrochemical and aerospace industries.

Review of business

The profit and loss account is set out on page 4. In January 1993, the closure of the Darlaston forging plant was announced and the closure costs have been treated as an extraordinary item - see note 8 to the financial statements. The 1992 level of business was affected by the economic recession but the directors consider that the results and the year end financial position were satisfactory in these conditions. The directors expect the present level of activity to persist for some time.

Dividends and reserves

The directors do not recommend the payment of a dividend for the year (1991: £20.0 million). The deficit for the year of £11.1 million (1991: Deficit £28.1 million) has been charged against reserves.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements. The directors are of the opinion that the market value of the company's properties is in excess of their book values at 31st December 1992 but, in the absence of any recent valuation, are unable to quantify any such excess.

Directors

The following directors were directors of the company during the whole year, except where otherwise stated:

D W Ford CBE	- Chairman	- Appointed 24th July 1992
		Chairman from 24th July 1992
I F Donald		- Resigned 24th July 1992,
		Chairman to 24th July 1992
G R Mackenzie	- Chief Executive	- Executive
D W Allen		- Executive,
		Resigned 31st January 1993

The directors have no notifiable interest in shares or debentures of the company or the parent undertaking, UES Holdings Limited, that require to be disclosed under the Companies Act 1985.

#### Insurance of directors

The company maintains insurance for the directors and officers in respect of their duties as directors and officers of the company.

#### Research and development

The company's management recognises the emphasis which needs to be placed on research and development activities to enhance the competitive position of the company's products and processes in their respective market places. For this reason, substantial research and development is undertaken by the company.

#### Employee involvement

The policy of the directors is to encourage the involvement of all employees in the development and performance of the company. There are regular meetings at all plants between management, employees and trade union representatives.

#### Disabled persons

All job applications, including those received from disabled persons, are given full consideration. Selection is on the basis of ability and, where necessary, disabled applicants are given appropriate training to enable them to meet the requirements of the job. Efforts are made to enable employees who become disabled during employment to continue their careers with the company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

#### Charitable donations

Contributions made by the company during the year for charitable purposes amounted to £23,800 (1991: £29,234).

#### Taxation status

The company is not a close company within the definition of Section 414 of the Income and Corporation Taxes Act 1988 and there has been no change in this respect since the end of the financial year.

#### Auditors

A resolution to reappoint the Auditors, Coopers & Lybrand, will be proposed at the annual general meeting. Until 1st June 1992, the firm practised in the name of Coopers & Lybrand Deloitte.

By order of the board



A R Love  
Secretary

2nd March 1993  
Rotherham

UNITED ENGINEERING STEELS LIMITED  
REPORT OF THE AUDITORS TO THE MEMBERS OF  
UNITED ENGINEERING STEELS LIMITED

We have audited the financial statements on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1992 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

Coopers & Lybrand  
Chartered Accountants and Registered Auditors

2nd March 1993  
Sheffield

**UNITED ENGINEERING STEELS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 1992**

		<u>1992</u>	<u>1991</u>
	<u>Notes</u>	£M	£M
Turnover	2	490.6	493.5
		=====	=====
Operating loss	3	(7.0)	(5.3)
Dividends receivable from subsidiary undertakings		-	6.4
Exceptional items	5	(3.9)	-
Amounts written off against:			
- loans to subsidiary undertakings		(0.5)	(1.0)
- investments in subsidiary undertakings		(0.1)	(6.3)
Interest receivable less payable	6	2.2	4.0
		-----	-----
Loss on ordinary activities before tax		(9.3)	(2.2)
Tax on loss on ordinary activities	7	0.2	4.5
		-----	-----
(Loss)/profit on ordinary activities after tax		(9.1)	2.3
Extraordinary items	8	(2.0)	(10.4)
		-----	-----
Loss attributable to shareholders		(11.1)	(8.1)
Dividends	9	-	(20.0)
		-----	-----
Deficit for the year		(11.1)	(28.1)
		=====	=====

Movements on profit and loss account are set out in note 19.

UNITED ENGINEERING STEELS LIMITED  
BALANCE SHEET AS AT 31ST DECEMBER 1992

		<u>Notes</u>	<u>1992</u>	<u>1991</u>
			£M	£M
NET ASSETS	FIXED ASSETS			
	Tangible assets	10	322.2	329.0
	Investments in subsidiary undertakings	11	0.3	—
			-----	-----
			322.5	329.0
			-----	-----
	CURRENT ASSETS			
	Stocks	12	82.9	86.8
	Debtors:			
	Amounts falling due:			
	Within one year	13	127.3	122.2
	After more than one year	13	15.7	145.6
	Land held for resale	14	0.8	0.8
	Cash at bank and in hand		42.9	45.6
			-----	-----
			269.6	404.0
	Creditors - amounts falling due within one year	15	(133.9)	(264.0)
			-----	-----
	Net current assets		135.7	137.0
			-----	-----
	TOTAL ASSETS LESS CURRENT LIABILITIES		458.2	466.0
	Creditors - amounts falling due after more than one year	16	(2.9)	(0.2)
	Provisions for liabilities and charges	17	(1.5)	(0.3)
			-----	-----
			453.8	464.9
			=====	=====
CAPITAL EMPLOYED	CAPITAL AND RESERVES			
	Called up share capital	18	462.1	462.1
	Profit and loss account	19	(8.3)	2.8
			-----	-----
			453.8	464.9
			=====	=====

The financial statements on pages 4 to 15 were approved by the board of directors on 2nd March 1993 and were signed on its behalf by:

G R Mackenzie

Director

UNITED ENGINEERING STEELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1992

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(b) Consolidated accounts

In accordance with Section 228 of the Companies Act 1965, the company is not required to submit group accounts as the whole of the issued share capital is held by UES Holdings Limited, a company registered in England and Wales.

(c) Investments in subsidiary and associated undertakings

The company's interests in subsidiary and associated undertakings are stated at cost less provision for any permanent diminution in value.

(d) Foreign exchange

Assets and liabilities expressed in foreign currencies are stated at the exchange rates ruling at the balance sheet date or, where appropriate, at the rates of matching forward contracts or transactions. The exchange differences arising are reflected in the profit and loss account.

The sterling value of export sales orders is protected by means of forward exchange contracts. Profits or losses arising from these contracts are accounted for in the financial period in which the related sales revenues arise.

(e) Turnover

Turnover, all of which is derived from the United Kingdom, represents the invoiced value of goods and services charged to external customers excluding value added taxes.

(f) Tangible fixed assets

The cost of the fixed assets initially acquired is based on the fair value of these assets at the date of acquisition. Subsequent additions are included at cost, including any incidental expenses of acquisition.

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected remaining useful economic life of the assets concerned. The principal asset lives used for this purpose are:

	<u>Years</u>
Freehold buildings	25 to 50
Leasehold land and buildings	
- Industrial	25
- Office	50
(or at rates based on the life of the lease where shorter than period stated)	
General plant and machinery	10 to 15
Steel plant, presses and hammers	25

No depreciation is charged on freehold land or capital work in progress. In general, depreciation is not charged on fixed assets purchased during the year but a full year's depreciation is charged on fixed assets sold in the year. For significant individual projects, depreciation is charged from the date of commissioning.

(g) Finance and operating leases

Assets subject to finance leases are recorded as fixed assets and are depreciated over the useful life of the asset or the term of the lease, if shorter. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the primary lease period. Rentals paid in respect of operating leases are charged to the profit and loss account as incurred.

(h) Government Grants

Government grants received in respect of specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's life. Other revenue grants are credited to the profit and loss account when received.

(i) Research and development expenditure

Research and development expenditure is written off as incurred.

(j) Stocks

Stocks of raw materials are valued at cost, or, if they are to be realised without processing, at the lower of cost and net realisable value. Process stocks, stores, spares and loose plant and tools are valued at the lower of cost and estimated net realisable value after appropriate provisions for slow moving or obsolete stock. In general, cost is determined on a first in first out basis. Cost of process stocks comprises direct expenditure, including production overheads, calculated on the basis of a normal level of activity.

(k) Deferred taxation

Provision is made for deferred taxation only to the extent that there is a reasonable probability that such tax will become payable in the foreseeable future.



3. Operating loss

	<u>1992</u> £M	<u>1991</u> £M
Turnover	490.6	493.5
Change in process stocks	(0.1)	(15.6)
Own work capitalised	0.3	0.7
Other operating income	7.1	6.9
Raw materials and consumables	(172.7)	(174.8)
Other external charges	(98.4)	(87.5)
Staff costs (see note 4)	(126.4)	(125.0)
Depreciation	(23.3)	(22.4)
Other operating charges	(84.1)	(81.1)
Operating loss	(7.0)	(5.3)

Operating loss is stated after charging/(crediting):

	<u>1992</u> £M	<u>1991</u> £M
Loss/(profit) on sale of fixed assets	0.5	(1.2)
Hire of plant and machinery	9.8	8.8
Research and development expenditure	1.8	2.2
Remuneration of the auditors	0.2	0.2
Directors' emoluments for management services including pension contributions	-	0.1
Currency variations	(0.7)	(1.0)

Remuneration of the company's auditors for provision of non-audit services during the year amounted to £0.8 million.

4. Directors' and employees remuneration

The emoluments of the Chairman and of the highest paid director, excluding pension contributions, were:

	<u>1992</u> £000	<u>1991</u> £000
Chairman	Nil	Nil
Highest paid director	Nil	87

The emoluments of directors of the company serving at any time in the year, excluding pension contributions, were within the following ranges:

<u>Scale</u>	<u>Directors</u> <u>1992</u> Number	<u>1991</u> Number
£ Nil - £5,000	4	7
£85,001 - £90,000	-	1

In the opinion of the directors, the services of the directors are rendered to the ultimate holding undertaking and are disclosed in the accounts of that undertaking.

At 31st December 1992, one officer had an housing loan outstanding from the company amounting to £5,332 (1991: £7,332), which carries interest at 7½ per annum. This loan was made prior to the formation of the company in connection with the relocation of this employee and was in accordance with the terms normally provided to senior employees on relocation. The loan is secured by a mortgage.

Employment costs of the company, including executive directors, were as follows:

	<u>1992</u> £M	<u>1991</u> £M
Aggregate gross wages and salaries	112.7	111.8
Employer's national insurance contributions	8.5	8.8
Employer's pension contributions under the company pension scheme	5.2	4.7
	-----	-----
	126.4	125.0
	=====	=====

The average number of persons, including executive directors, employed by the company during the year was as follows:

	<u>1992</u> Number	<u>1991</u> Number
Industrial grades	4,411	5,116
Staff	2,101	2,333
	-----	-----
	6,512	7,449
	=====	=====

5. Exceptional items

	<u>1992</u> £M	<u>1991</u> £M
Reorganisation and restructuring costs	4.0	-
Anti-dumping defence costs and professional fees	1.7	-
Profit on disposal of surplus fixed assets	(1.8)	-
	---	---
	3.9	-
	===	---

6. Interest receivable less payable

	<u>1992</u> £M	<u>1991</u> £M
Receivable on short term deposits	2.3	2.5
Transfer from extraordinary items	-	2.0
Payable on:		
Short term borrowings and overdrafts	(0.1)	(0.3)
Loans from group undertakings	-	(0.2)
	---	---
	2.2	4.0
	===	---

7. Taxation

	<u>1992</u> £M	<u>1991</u> £M
On loss for the year:		
Current taxation credit at 33.0% (1991: 35.0%)	0.2	3.2
Prior year overprovision	-	1.3
	---	---
	0.2	4.5
	===	---

The taxation credit for the year arises from the surrender of group relief. The balance of the losses for the year is carried forward and is available for relief against the future profits of the company's trade.

8. Extraordinary items

	1992 £M	1991 £M
Costs of closure of discontinued operations:		
Redundancy payments to employees on closure	1.0	3.1
Write down of fixed assets to estimated realisable value and other closure costs	1.0	6.3
Loss on disposal of associated undertakings	-	1.0
	2.0	10.4

9. Dividends

	1992 £M	1991 £M
Final dividend £Nil (1991: 4.33p share)	-	20.0

10. Tangible fixed assets

Cost	Land and buildings £M	Plant and machinery Owned £M	Leased £M	Capital work in progress £M	Total £M
At 1st January 1992	62.2	326.3	12.6	18.6	419.7
Additions	0.8	12.4	-	7.0	20.2
Disposals	(0.3)	(3.6)	-	-	(3.9)
Reclassifications	0.5	16.2	-	(16.7)	-
At 31st December 1992	63.2	351.3	12.6	8.9	436.0
<u>Depreciation</u>					
At 1st January 1992	(10.8)	(75.2)	(4.7)	-	(90.7)
Charge for the year					
Operating	(2.3)	(20.3)	(0.7)	-	(23.3)
Exceptional	(0.2)	(0.2)	-	-	(0.4)
Extraordinary	-	(0.3)	-	-	(0.3)
Disposals	-	0.9	-	-	0.9
Reclassifications	-	0.8	(0.8)	-	-
At 31st December 1992	(13.3)	(94.3)	(6.2)	-	(113.8)
Net book value at:					
31st December 1992	49.9	257.0	6.4	8.9	322.2
At 1st January 1992	51.4	251.1	7.9	18.6	329.0

Land and buildings at 31st December 1992 comprised:

	<u>Freehold land and buildings</u> £M	<u>Long Leasehold</u> £M	<u>Total</u> £M
Cost	62.7	0.5	63.2
Accumulated depreciation	(13.2)	(0.1)	(13.3)
	----	----	-----
Net book value:			
At 31st December 1992	49.5	0.4	49.9
	=====	=====	=====
At 1st January 1992	51.0	0.4	51.4
	=====	=====	=====

11. Investments in subsidiary undertakings

	£M
Cost	
At 1st January 1992	0.4
Additions	0.4
	----
At 31st December 1992	0.8
	----
Provisions	
At 1st January 1992	(0.4)
Provisions made during year	(0.1)
	----
At 31st December 1992	(0.5)
	----
Net Book Value	
At 31st December 1992	0.3
	=====
At 1st January 1992	-
	=====

The company directly holds 100% of the equity shares of the following undertakings:

	<u>Country of Incorporation</u>
UES Deutschland GmbH	Germany
UES France SA	France
UES Italia SRL	Italy
UES Iberica SA	Spain
UES Sales, Incorporated	United States of America

All the above subsidiary undertakings act as overseas outlets for the company's UK manufacturing activities.

12. Stocks

	<u>1992</u> £M	<u>1991</u> £M
Raw materials	15.2	16.2
Process stocks	42.3	42.5
Stores and spares	14.2	14.1
Loose plant and tools	11.2	12.0
	-----	-----
	82.9	84.8
	=====	=====

13. Debtors

	<u>1992</u>	<u>1991</u>
	£M	£M
Amounts falling due within one year		
Trade debtors	27.1	31.7
Taxation recoverable	4.9	4.8
Other debtors	5.7	2.6
Prepayments and accrued income	0.9	0.7
Amounts owed by group undertakings:		
Fellow subsidiaries	83.0	82.3
Subsidiaries	5.7	0.1
	-----	-----
	127.3	122.2
	=====	=====
Amounts falling due after more than one year		
Amounts owed by group undertakings:		
Parent company	5.7	137.9
Fellow subsidiaries	10.0	7.7
	-----	-----
	15.7	145.6
	=====	=====

14. Land held for resale

Land held for resale is included in current assets at directors' estimate of net realisable value.

15. Creditors - amounts falling due within one year

	<u>1992</u>	<u>1991</u>
	£M	£M
Overdrafts and bank loans	-	0.1
Trade creditors and bills of exchange payable	74.1	63.2
Amounts owed to fellow subsidiary undertakings	8.1	136.2
Other taxation and social security	6.7	9.9
Other creditors	43.5	33.1
Accruals and deferred income	1.5	1.5
Dividends payable	-	20.0
	-----	-----
	133.9	264.0
	=====	=====

An amount of £5.9 million (1991: £0.7 million) is included in other creditors, which represents the excess of the accumulated pension cost over the payment of contributions to pension funds.

16. Creditors - amounts falling due after more than one year

	<u>1992</u>	<u>1991</u>
	£M	£M
Other creditors	2.9	-
Accruals and deferred income	-	0.2
	-----	-----
	2.9	0.2
	=====	=====

17. Provisions for liabilities and charges

	<u>Deferred</u>	<u>Other</u>	<u>Total</u>
	<u>Taxation</u>	<u>£M</u>	<u>£M</u>
	£M		
At 1st January 1992	-	0.0	0.0
Charge for the year	-	0.6	0.6
	-----	-----	-----
At 31st December 1992	-	1.5	1.5
	=====	=====	=====

In accordance with the accounting policy set out in note 1(k), no provision is required for deferred taxation in the company at 31st December 1992 (1991: Nil). The full potential deferred taxation liability of the company at 31st December 1992 can be summarised as follows:

	<u>1992</u> £M	<u>1991</u> £M
Accelerated capital allowances	60.2	95.3
Other timing differences	(9.3)	(5.3)
Unrelieved losses	(10.0)	(6.2)
	----	----
	40.9	83.8
	=====	=====

18. Called up share capital

	<u>Authorised</u> <u>1992 &amp; 1991</u> £M	<u>Issued and</u> <u>fully paid</u> <u>1992 &amp; 1991</u> £M
Ordinary £1 shares	400.0	334.0
Capped participation shares of £1 each	100.0	93.1
5% non-cumulative redeemable convertible capped participation preference shares of £1 each	35.0	35.0
	-----	-----
	535.0	462.1
	=====	=====

The capped participation shares enjoy the same rights as ordinary shares subject to a maximum dividend distribution of £1 per share in any financial year.

In any year, preference shares can be redeemed up to a maximum of one third of the dividends paid on the ordinary and capped participation shares. Providing the relevant conditions are met a 5% non-cumulative dividend is payable in priority to other dividends and the preference shares can also participate equally with the other shares in any excess of dividends declared over 5%.

Under certain circumstances, the capped participation shares can be converted into ordinary shares and the preference shares can be converted into ordinary or capped participation shares.

19. Profit and loss account

	<u>1992</u> £M	<u>1991</u> £M
At 1st January	2.8	32.9
Deficit for the year	(11.1)	(28.1)
Goodwill written off	-	(2.0)
	-----	-----
At 31st December	(8.3)	2.8
	=====	=====

At 31st December 1992, cumulative goodwill written off directly to reserves amounted to £52.6 million (1991: £52.6 million).

20. Financial Commitments

	<u>1992</u>	<u>1991</u>
	£M	£M
Capital Expenditure:		
- Sanctioned but not contracted	6.4	4.4
- Sanctioned and contracted for	5.3	8.4
	----	----
Sanctioned and outstanding at 31st December	11.7	9.8
	=====	=====

The minimum payments which the company is committed to make in 1992 under operating leases are as follows:

	<u>Plant and Equipment</u>	
	<u>1992</u>	<u>1991</u>
	£M	£M
Leases which expire:		
Within one year	0.3	0.4
Two to five years	1.8	1.6
Over five years	-	-
	----	----
	2.1	2.0
	=====	=====

The company has entered into forward exchange contract commitments in the normal course of business.

21. Contingent Liabilities

There are contingent liabilities amounting to £2.2 million (1991: £2.1 million) for the company comprising guarantees given and bills discounted in the normal course of business from which no losses are expected to arise.

22. Ultimate parent undertaking

The directors regard UES Holdings Limited, a company registered in England and Wales, as the company's ultimate parent undertaking.