

UES (UK) LIMITED

Registered Number : 48605

REPORT OF THE DIRECTORS FOR THE YEAR ENDED

31ST DECEMBER 1994

The directors present their annual report and the financial statements for the year ended 31st December 1994.

Directors' Responsibilities for the Preparation of the Financial Statements

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss and total recognised gains and losses of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 December 1994. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

Principal Activities

The principal activities of the Company are the processing and merchanting of iron and steel scrap metal, the manufacture and sale of bright steel bars, steel stockholding and the manufacture and sale of seamless high pressure gas cylinders and pressure vessels.

Review of Business

The profit and loss account is set out on page 5. Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained in 1995.



Results and Dividends

A dividend of £10 million (1993: £Nil) was paid in the year out of available reserves. The loss for the year of £7.6 million has been charged to reserves.

Changes in Fixed Assets

The movements in fixed assets during the year are set out in note 8 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 1994 but, in the absence of any recent professional valuations, are unable to quantify such excess.

Directors

The following directors have been directors of the Company for the whole of the year, except where otherwise stated:

D W Ford - Chairman
R C Rutter

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

UES Holdings Limited, the ultimate parent undertaking, 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, research and development projects continue to be 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 £1,030 (1993: £839).


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 re-appoint the Auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By Order of the Board



J R Swynnerton
Company secretary

24th February 1995
Rotherham

REPORT OF THE AUDITORS TO THE MEMBER OF
UES (UK) LIMITED

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 1, 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31st December 1994 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
Sheffield

24th February 1995

UES (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1994

	Notes	<u>1994</u> £M	<u>1993</u> £M
Turnover	2	166.0 =====	138.7 =====
Operating profit/(loss)	3	2.5	(3.7)
Profit on sale of fixed assets		0.1	0.1
Interest receivable less payable	5	- -----	(0.1) -----
Profit/(loss) on ordinary activities before tax		2.6	(3.7)
Tax on profit/(loss) on ordinary activities	6	(0.2) -----	0.2 -----
Profit/(loss) on ordinary activities after tax		2.4	(3.5)
Dividends to equity shareholders	7	(10.0) -----	- -----
Loss for the financial year		(7.6) =====	(3.5) =====

STATEMENT OF MOVEMENTS IN PROFIT AND LOSS ACCOUNT

	<u>1994</u> £M	<u>1993</u> £M
At 1st January 1994	60.3	63.8
Profit/(loss) for the financial year	2.4	(3.5)
Dividends to equity shareholders	(10.0) -----	- -----
At 31st December 1994	52.7 =====	60.3 =====

All results above relate to continuing operations.

The company has no recognised gains or losses for the year other than the above profit and loss account.

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

UES (UK) LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1994

	Notes	<u>1994</u> £M	<u>1993</u> £M
NET ASSETS			
FIXED ASSETS			
Tangible assets	8	16.4	17.9
		-----	-----
CURRENT ASSETS			
Stocks	9	17.6	16.3
Debtors:			
Amounts falling due:			
- within one year	10	37.3	32.5
- after more than			
one year	10	64.5	74.5
Cash at bank and in hand		2.8	1.5
		-----	-----
		122.2	124.8
Creditors - amounts			
falling due within			
one year	11	(73.4)	(71.7)
		-----	-----
NET CURRENT ASSETS		48.8	53.1
		-----	-----
TOTAL ASSETS LESS CURRENT			
LIABILITIES		65.2	71.0
Creditors - amounts			
falling due after			
more than one year	12	(2.5)	(0.7)
Provisions for			
liabilities & charges	13	-	-
		-----	-----
Shareholder's funds		62.7	70.3
		=====	=====
CAPITAL EMPLOYED			
CAPITAL AND RESERVES			
Called up share			
capital	14	10.0	10.0
Profit and loss			
account		52.7	60.3
		-----	-----
Equity shareholder's			
funds	15	62.7	70.3
		=====	=====

The financial statements on pages 5 to 16 were approved by the Board of Directors on 24th February 1995 and were signed on its behalf by:

D W Ford
Chairman



UES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 1994

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) 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 revenue arise.

(c) 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.

(d) Tangible fixed assets

The cost of fixed assets initially acquired is based on the fair value of those 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 lives 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

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.

(e) 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.

(f) 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.

(g) Research and development expenditure

Research and development expenditure is written off as incurred.

(h) 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.

(i) 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.

(j) Post Retirement Benefits

The Company is a member of Group defined benefit pension schemes covering a substantial majority of its employees. The assets of the schemes are independent of the Company's and the Group's finances. The schemes are funded by contributions partly from the employees and partly from the Company at rates determined by independent actuaries.

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. Independent actuarial valuations on a going concern basis are carried out on a triennial basis and any surpluses or deficits disclosed are spread evenly from the date of valuation over the remaining service lives of the Scheme members. Details of the latest actuarial valuation of the principal Group scheme as at 6th April 1993 are disclosed in the accounts of UES Holdings Limited, together with the interim approximate valuation carried out as at 6th April 1994.

The cost of providing other post retirement benefits is recognised on a basis similar to that adopted for pensions.

(k) Cash flow statements

A cash flow statement has not been prepared since the Company is a wholly owned subsidiary of UES Holdings Limited, which company presents a consolidated cash flow statement in its financial statements in accordance with Financial Reporting Standard Number 1.

2. Turnover

The geographical markets supplied by the Company are as follows:

	<u>1994</u> £M	<u>1993</u> £M
United Kingdom	117.0	97.8
Continental Europe	27.9	20.6
North America	14.3	14.7
Rest of the World	6.8	5.6
	-----	-----
	166.0	138.7
	=====	=====

The directors consider that the Company operates in one industrial segment, namely steel. Last year the steel activities were further analysed to show the bright drawing, stockholding, metal recycling and cylinders as separate components.

3. Operating Profit/(Loss)

	<u>1994</u> £M	<u>1993</u> £M
Turnover	166.0	138.7
Change in raw materials and work in progress	1.2	(0.8)
Other operating income	0.4	0.7
Raw materials and consumables	(114.0)	(88.2)
Other external charges	(12.8)	(12.8)
Staff costs (see note 4)	(20.1)	(21.5)
Depreciation	(2.9)	(3.0)
Other operating charges	(15.3)	(16.8)
	-----	-----
Operating profit/(loss)	2.5	(3.7)
	=====	=====

Operating profit/(loss) is stated after charging/(crediting):

	<u>1994</u> £M	<u>1993</u> £M
Rates rebates	(0.5)	-
Profit on other disposals of fixed assets	-	(0.2)
Redundancy and severance costs	0.6	0.7
Reorganisation and restructuring costs	1.5	-
Hire of plant and machinery	0.5	0.4
Remuneration of the Auditors:		
Audit	0.1	0.1
Other UK services	-	0.1
Directors' emoluments for management services including pension contributions	-	-

4. Directors' and Employees Remuneration

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

	<u>1994</u> £'000	<u>1993</u> £'000
Chairman	Nil	Nil
Highest paid director	Nil	Nil

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>1994</u> Number	<u>1993</u> Number
£Nil - £5,000	2	5

The emoluments of the directors are paid by a fellow group undertaking. In the opinion of the directors, the services of the directors are rendered to the Group as a whole and the directors do not think that it is appropriate to make an apportionment and, therefore, no emoluments are disclosed above.

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

	<u>1994</u> £M	<u>1993</u> £M
Aggregate gross wages and salaries	17.7	19.0
Employer's national insurance contributions	1.5	1.5
Employer's pension costs under the Company pension scheme	0.9	1.0
	-----	-----
	20.1	21.5
	=====	=====

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

	<u>1994</u> Number	<u>1993</u> Number
Industrial grades	778	928
Staff	344	386
	-----	-----
	1,122	1,314
	=====	=====

5. Interest Receivable Less Payable

	<u>1994</u> £M	<u>1993</u> £M
Other interest receivable	0.1	-
Finance leases	(0.1)	(0.1)
	----	----
	-	(0.1)
	=====	=====

6. Taxation

	<u>1994</u> £M	<u>1993</u> £M
On profit/(loss) for the year:		
Corporation tax (charge)/credit at 33.0% (1993: 33.0%)	(0.1)	0.1
Deferred taxation	-	0.1
	----	----
	(0.1)	0.2
Prior year under provision	(0.1)	-
	----	----
	(0.2)	0.2
	=====	=====

Unabsorbed taxation losses available for set off against the future profits of the trades in which they arose are estimated to amount to approximately £14 million (1993: £16 million).

7. Dividends to Equity Shareholders

	<u>1994</u> £M	<u>1993</u> £M
Ordinary shares: £1 per share paid	10.0	-
	=====	=====

8. Tangible Fixed Assets

	<u>Land and Buildings</u> £M	<u>Plant and Machinery</u> Owned £M	<u>Leased</u> £M	<u>Total</u> £M
<u>Cost</u>				
At 1st January 1994	5.4	40.7	1.3	47.4
Additions	0.1	1.6	-	1.7
Disposals	(0.2)	(0.9)	-	(1.1)
	----	----	----	----
At 31st December 1994	5.3	41.4	1.3	48.0
	=====	=====	=====	=====
<u>Depreciation</u>				
At 1st January 1994	(1.2)	(28.0)	(0.3)	(29.5)
Operating charge for year	(0.1)	(2.7)	(0.1)	(2.9)
Disposals	-	0.8	-	0.8
	----	----	----	----
At 31st December 1994	(1.3)	(29.9)	(0.4)	(31.6)
	----	----	----	----
Net book value at 31st December 1994	4.0	11.5	0.9	16.4
	=====	=====	=====	=====

Land and buildings at 31st December 1994 comprised:

	<u>Freehold Land and Buildings</u> £M	<u>Long Leasehold</u> £M	<u>Total</u> £M
Cost	5.0	0.3	5.3
Accumulated Depreciation	(1.3)	-	(1.3)
	-----	-----	-----
Net book value at 31st December 1994	3.7	0.3	4.0
	=====	=====	=====
9. <u>Stocks</u>		<u>1994</u> £M	<u>1993</u> £M
Raw materials		5.4	6.0
Work in progress		2.1	2.4
Finished goods		9.4	7.1
Stores and spares		0.7	0.8
		-----	-----
		17.6	16.3
		=====	=====
10. <u>Debtors</u>		<u>1994</u> £M	<u>1993</u> £M
Amounts falling due within one year:			
Trade debtors		34.2	28.4
Taxation recoverable		0.6	0.6
Other debtors		1.7	2.6
Pre-payments and accrued income		0.5	0.5
Amounts owed by Group undertakings		0.3	0.4
		-----	-----
		37.3	32.5
		=====	=====
Amounts falling due after more than one year:			
Other debtors		0.7	0.7
Amounts owed by Parent undertaking		63.8	73.8
		-----	-----
		64.5	74.5
		=====	=====

11. Creditors - Amounts Falling due Within One Year

	<u>1994</u> £M	<u>1993</u> £M
Overdrafts and bank loans	-	0.1
Obligations under finance leases	0.3	0.3
Trade creditors and bills of exchange payable	14.9	14.4
Amounts owed to fellow subsidiary undertakings	52.5	49.7
Corporation tax	0.1	0.1
Other taxation and social security	0.6	0.4
Other creditors	4.0	5.9
Accruals and deferred income	1.0	0.8
	-----	-----
	<u>73.4</u>	<u>71.7</u>
	=====	=====

12. Creditors - Amounts Falling due After More than One Year

	<u>1994</u> £M	<u>1993</u> £M
Obligations under finance leases	0.2	0.4
Other creditors	2.3	0.3
	-----	-----
	<u>2.5</u>	<u>0.7</u>
	=====	=====

13. Provisions for Liabilities and Charges

There are no provisions for liabilities and charges and there is no potential liability or provision for deferred taxation at 31st December 1994 (1993: Nil).

14. Called up Share Capital

	<u>1994</u> £M	<u>1993</u> £M
Ordinary £1 shares - Authorised, issued and fully paid	10.0	10.0
	=====	=====

15. Reconciliation of Movement in Shareholder's Funds

	<u>1994</u> £M	<u>1993</u> £M
Profit/(loss) for the financial year	2.4	(3.5)
Dividends to equity shareholders	(10.0)	-
Opening equity shareholder's funds	70.3	73.8
	-----	-----
Closing equity shareholder's funds	<u>62.7</u>	<u>70.3</u>
	=====	=====

16. Obligations under Finance Leases

The capital element of future lease payments, to which the Company is committed under finance leases, is as follows:-

	<u>1994</u> £M	<u>1993</u> £M
Within one year	0.3	0.3
One to two years	0.2	0.3
Two to five years	-	0.1
	----	----
	0.5	0.7
Obligations payable within one year	(0.3)	(0.3)
	----	----
Obligations payable after one year	0.2	0.4
	====	====

17. Financial Commitments

	<u>1994</u> £M	<u>1993</u> £M
Capital expenditure:		
- sanctioned but not contracted	0.4	0.4
- sanctioned and contracted for	-	0.2
	----	----
Sanctioned and outstanding at 31st December 1994	0.4	0.6
	====	====

The minimum payments which the Company is committed to make in 1995 under operating leases are as follows:

	<u>1994</u>		<u>1993</u>	
	<u>Property</u>	<u>Plant</u>	<u>Property</u>	<u>Plant</u>
	£M	£M	£M	£M
Leases which expire:				
Within one year	0.4	0.3	0.1	0.1
Two to five years	0.1	-	0.3	0.2
Over five years	0.7	-	0.8	-
	---	---	---	---
	1.2	0.3	1.2	0.3
	===	===	===	===

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

18. Contingent Liabilities

There are contingent liabilities amounting to £0.3 million for the Company comprising guarantees given and bills discounted in the normal course of business from which no losses are expected to arise.

19. Ultimate Parent Undertaking

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