

238801

OSBORN-MUSHET TOOLS LIMITED
(Formerly Osborn Steel Stockholders Limited)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 1986

The directors submit their report and the audited accounts for the year ended 31st December 1986. On 3rd December 1986, the company changed its name to Osborn-Mushet Tools Limited. On the same date, Osborn-Mushet Tools Limited, a fellow subsidiary of Aurora plc, changed its name to Osborn Steel Stockholders Limited.

Results and dividends

Details of the profit for the financial year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend.

Principal activities and review of the business

The company continues to trade as a factor of special steels. The level of business during the year was satisfactory.

Directors

The following directors have held office during the whole or the year ended 31st December 1986, except as otherwise indicated:

A L Wallis
A M Falconer
I G Runciman
I D Gale (appointed 1st January 1986)

On 1st January 1987, Mr A M Falconer resigned from the board and Mr J M H Dadswell, Mr J B Matchett and Mr B Summerson were appointed as directors. In accordance with the Articles of Association, none of the directors are required to retire.

Directors' interests in shares

According to the register required to be kept by Section 325 of the Companies Act 1985 the notifiable interests of the directors of the company at 31st December 1986 in the shares or debentures of the ultimate holding company, Aurora plc, or its subsidiaries were as follows:

| | <u>At 31st December 1986</u> | | <u>At 1st January 1986 (or subsequent date of appointment)</u> | |
|---|------------------------------|----------------|--|----------------|
| | <u>Fully paid</u> | <u>Options</u> | <u>Fully paid</u> | <u>Options</u> |
| Ordinary shares of 10p each in Aurora plc: | | | | |
| I D Gale | 1,000 | 53,313 | 1,000 | - |

The options to subscribe for ordinary shares of 10p each in Aurora plc have been granted at various dates and are not normally exercisable until three years after the grant of the option, at prices which range from 67p to 70p per share.



Close company

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970, as amended, and there has been no change in this respect since 31st December 1986.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

B SUMMERSON

Secretary

SHEFFIELD

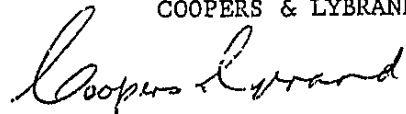
6th February 1987

REPORT OF THE AUDITORS TO THE MEMBERS OF
OSBORN-MUSHET TOOLS LIMITED

We have audited the accounts set out on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

COOPERS & LYBRAND



SHEFFIELD

Chartered Accountants

6th February 1987

OSBORN-MUSHET TOOLS LIMITED
(Formerly Osborn Steel Stockholders Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1986

| | Notes | <u>1986</u> £ | <u>1985</u> £ |
|--|-------|--------------------|------------------|
| Turnover | 2 | 732,673 | 891,633 |
| Change in stocks of finished goods and work in progress | | (61,320) | (87,309) |
| Other operating income | | - | 441 |
| | | <u>671,353</u> | <u>804,765</u> |
| Raw materials and consumables | | (531,813) | (645,359) |
| Other external and operating charges: | | | |
| Provisions for bad and doubtful debts | | 12,629 | 83,733 |
| Audit fee | | (1,250) | - |
| Other items | | (30,409) | (63,659) |
| Staff costs | 3(b) | (22,871) | (21,761) |
| Depreciation of tangible fixed assets | 6 | (777) | (802) |
| | | <u>96,862</u> | <u>156,917</u> |
| Operating profit | | | |
| Interest receivable and similar income: | | | |
| Interest receivable from group companies | | 27,801 | 16,466 |
| Interest payable and similar charges: | | | |
| Hire purchase interest | | - | (44) |
| | | <u>124,663</u> | <u>173,339</u> |
| Profit on ordinary activities before taxation | | | |
| Tax on profit on ordinary activities | 4 | (52,504) | (40,409) |
| | | <u>72,159</u> | <u>132,930</u> |
| Profit on ordinary activities after taxation | | | |
| Extraordinary items | 5 | 17,766,238 | 51,987 |
| | | <u>£17,838,397</u> | <u>£184,917</u> |
| Retained profit for the year | | | |

STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

| | | |
|---|----------------|----------------------|
| Deficit at 1st January 1986 | (17,752,483) | (17,937,400) |
| Retained profit for the year | 17,838,397 | 184,917 |
| | <u>£85,914</u> | <u>£(17,752,483)</u> |
| Retained profits/(deficit) at 31st December 1986 | | |

The notes on pages 7 to 11 form part of these accounts.

Auditors' report page 3.

OSBORN-MUSHET TOOLS LIMITED
(Formerly Osborn Steel Stockholders Limited)

BALANCE SHEET - 31st DECEMBER 1986

| | Notes | 1986 | | 1985 | |
|---|-------|----------------|-----------------|----------------|----------------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 6 | - | - | 777 | |
| Investments | 7 | - | - | - | |
| | | | | <u>777</u> | |
| CURRENT ASSETS | | | | | |
| Stocks | 8 | 31,622 | | 92,942 | |
| Debtors | 9 | 417,311 | | 366,675 | |
| Cash at bank and in hand | | - | | 9,957 | |
| | | <u>448,933</u> | | <u>469,574</u> | |
| CREDITORS: Amounts falling due within one year | 10 | (313,019) | | (560,501) | |
| NET CURRENT ASSETS/(LIABILITIES) | | | 135,914 | | (90,927) |
| Total assets less current liabilities | | | 135,914 | | (90,150) |
| CREDITORS: amounts falling due after more than one year | 10 | - | | (17,612,333) | |
| | | | <u>£135,914</u> | | <u>£(17,702,483)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | | | | | |
| Ordinary shares of £1 each | | | | | |
| Authorised, issued and fully paid | | | 50,000 | | 50,000 |
| Profit and loss account | | | 85,914 | | (17,752,483) |
| | | | <u>£135,914</u> | | <u>£(17,702,483)</u> |

These accounts were approved by the board on 6th February 1987.

I D GALE)
I G RUNCIMAN) Directors

I D Gale
I G Runciman

The notes on pages 7 to 11 form part of these accounts.

Auditors' report page 3.

OSBORN-MUSHET TOOLS LIMITED
(Formerly Osborn Steel Stockholders Limited)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st DECEMBER 1986

| | <u>1986</u> | | <u>1985</u> | |
|--|--------------|---------------------|-------------|-----------------|
| | £ | £ | £ | £ |
| <u>SOURCE OF FUNDS</u> | | | | |
| Profit on ordinary activities before taxation | | 124,663 | | 173,339 |
| Extraordinary profit | | 17,766,238 | | 51,987 |
| Adjustment for items not involving the movement of funds: | | | | |
| Depreciation of tangible fixed assets | | 777 | | 802 |
| Total generated by operations | | <u>17,891,678</u> | | <u>226,128</u> |
| <u>APPLICATION OF FUNDS</u> | | | | |
| Taxation paid | (49,646) | | - | |
| Purchase of tangible fixed assets | - | | (1,579) | |
| Decrease in creditors falling due after more than one year | (17,612,333) | | (72,133) | |
| | | <u>(17,661,979)</u> | | <u>(73,712)</u> |
| INCREASE IN WORKING CAPITAL | | <u>£229,699</u> | | <u>£152,416</u> |
| Made up as follows: | | | | |
| (Decrease) in stocks | (61,320) | | (87,309) | |
| Increase/(decrease) in debtors excluding taxation recoverable | 45,087 | | (2,618) | |
| Decrease in creditors falling due within one year, excluding bank overdraft and current taxation payable | 255,889 | | 230,542 | |
| | | <u>239,656</u> | | <u>140,615</u> |
| Movement in net liquid funds: | | | | |
| Cash at bank and in hand | (9,957) | | 9,957 | |
| Bank overdraft | - | | 1,844 | |
| | | <u>(9,957)</u> | | <u>11,801</u> |
| | | <u>£229,699</u> | | <u>£152,416</u> |

Auditors' report page 3.

OSBORN MUSHET TOOLS LIMITED
(Formerly Osborn Steel Stockholders Limited)

NOTES TO THE ACCOUNTS - 31st DECEMBER 1986

1. Principal accounting policies

As in previous years, the accounts are prepared in accordance with the historical cost convention. The following is a summary of the more important accounting policies of the company, which have been applied consistently.

(a) Foreign exchange

Assets and liabilities expressed in foreign currencies are stated at the rate of exchange 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 for the year.

(b) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis. In the case of work in progress and finished goods, cost comprises direct expenditure together with production overheads calculated on the basis of a normal level of activity. Net realisable value is the value at which the stocks and work in progress can be realised in the normal course of business. Provision is made for obsolescent, slow-moving and defective stocks.

(c) Deferred taxation

Provision is made for deferred taxation under the liability method at the rates of tax for the years in which the liabilities to taxation are expected to arise, except to the extent that any tax reduction can reasonably be expected to continue for the foreseeable future.

2 Turnover

8.

Turnover represents the invoiced amount of goods and services during the year, stated net of trade discounts and valued added tax.

Geographical analysis of turnover:

| | <u>1986</u> £ | <u>1985</u> £ |
|-------------------|------------------|------------------|
| United Kingdom | 71,712 | 39,531 |
| Africa | 216,780 | 302,143 |
| Australia | 206,357 | 170,141 |
| North America | 75,544 | 234,281 |
| Rest of the World | 162,280 | 145,537 |
| | <u>£732,673</u> | <u>£891,633</u> |

3 Information regarding directors and employees

(a) None of the directors of the company received any emoluments for their services to the company during the year (1985 - £Nil).

(b) Employment costs of all employees, including executive directors:

| | <u>1986</u> £ | <u>1985</u> £ |
|--|------------------|------------------|
| Gross wages and salaries | 19,707 | 18,610 |
| Employer's national insurance | 1,251 | 1,346 |
| Employer's pension contributions under the company's pension schemes | 1,913 | 1,805 |
| | <u>£22,871</u> | <u>£21,761</u> |

(c) The average number of persons, including executive directors, employed by the company during the year is analysed below:

| | | |
|--------------|---|---|
| Distribution | 3 | 3 |
|--------------|---|---|

4 Tax on profit on ordinary activities

The charge for taxation comprises:

| | | |
|---|----------------|----------------|
| UK Corporation tax payable at a rate of 36.25% (1985: 41.25%) on the profit of the year | 37,812 | 40,409 |
| Adjustment to prior year corporation tax | 14,692 | - |
| | <u>£52,504</u> | <u>£40,409</u> |

5 Extraordinary items

| | <u>1986</u> £ | <u>1985</u> £ |
|---|--------------------|------------------|
| Movement on provisions for losses on closure of steel manufacturing activity | 140,177 | 51,987 |
| Waiver of group financing loan | 17,626,061 | - |
| | <u>£17,766,238</u> | <u>£51,987</u> |

No taxation liabilities arise in respect of the above items.

6 Tangible fixed assets

| | £ |
|---|--------------|
| Plant and machinery, at cost | |
| At 1st January 1986 and 31st December 1986 | 4,157 |
| Depreciation | |
| At 1st January 1986 | 3,380 |
| Depreciation charge | 777 |
| At 31st December 1986 | <u>4,157</u> |
| Net book value | |
| At 31st December 1986 | £ Nil |
| At 31st December 1985 | <u>£ 777</u> |

7 Investments held as fixed assets

| | Shares in <u>subsidiary</u> £ |
|--|-------------------------------------|
| At 1st January 1986 and 31st December 1986 | |
| Cost | 3,008 |
| Less: amounts written off | (3,008) |
| Net book value | <u>£ -</u> |

The company owns the whole of the authorised and issued share capital of Osborn Steels GmbH, a company incorporated in the Federal Republic of Germany. The shareholding consists of two shares of differing amounts, each of which is 25% paid in, the minimum proportion required by German law. The subsidiary has ceased to trade and is in the course of being liquidated.

The company is a wholly owned subsidiary of Aurora plc. In accordance with Section 229(2) of the Companies Act 1985, consolidated accounts are not presented. In the opinion of the directors, the value of the company's investment is not less than the amount at which it is stated in the balance sheet.

8 Stocks

| | <u>1986</u> £ | <u>1985</u> £ |
|-------------------------------------|------------------|------------------|
| Work in progress | 1,410 | 42,872 |
| Finished goods and goods for resale | 30,212 | 50,070 |
| | <u>£31,622</u> | <u>£92,942</u> |

9 Debtors

| | <u>1986</u> £ | <u>1985</u> £ |
|---|------------------|------------------|
| Trade debtors | 82,630 | 100,740 |
| Amounts owed by holding company and fellow subsidiary companies | 312,456 | 200,467 |
| Corporation tax recoverable | 5,549 | - |
| Other debtors | 16,676 | 65,468 |
| | <u>£417,311</u> | <u>£366,675</u> |

10 Creditors

(a) Summary of creditors

| | <u>Notes</u> | <u>Amounts falling due within one year</u> | | <u>Amounts falling due after more than one year</u> | |
|---|--------------|--|------------------|---|--------------------|
| | | <u>1986</u> £ | <u>1985</u> £ | <u>1986</u> £ | <u>1985</u> £ |
| Trade creditors | | 146,552 | 206,658 | - | - |
| Amounts owed to holding company and fellow subsidiary companies | | 114,163 | 40,993 | - | 17,612,333 |
| Current taxation | (b) | 48,816 | 40,409 | - | - |
| Other taxes and social security costs | | 451 | 421 | - | - |
| Other creditors | | 3,037 | 272,020 | - | - |
| | | <u>£313,019</u> | <u>£560,501</u> | <u>£ -</u> | <u>£17,612,333</u> |

(b) Current taxation

Current taxation includes group relief payable and corporation tax payable and is due on a date to be determined when the Aurora plc group taxation position for 1986 is finalised.

(c) Reservation of title

Included in creditors are amounts totalling £67,018 (1985: £85,857) in respect of goods purchased on terms which include reservation of title by suppliers under their normal conditions of sale.

11 Provisions for liabilities and charges

There is no potential liability to deferred taxation at either 31st December 1986 or 31st December 1985.

12 Capital commitments

There were no outstanding contracts or approvals by the directors for capital expenditure at 31st December 1986 (1985 - £Nil).

13 Guarantees and other financial commitments(a) Banking and leasing and hire purchase guarantees:

The company, jointly and severally with certain other group companies, has guaranteed all outstanding obligations to Barclays Bank PLC and Citicorp International Bank Limited. These obligations are secured by fixed and floating charges on the undertaking and assets of the company. The obligations of the holding company and fellow subsidiaries guaranteed under these arrangements at 31st December 1986 are set out below.

| | <u>1986</u> | <u>1985</u> |
|---|-----------------|-------------------|
| Bank loans and overdrafts | <u>£660,935</u> | <u>£5,327,418</u> |
| Future rentals under finance lease and hire purchase contracts | <u>£67,959</u> | <u>£231,061</u> |

In addition, as a result of the above arrangements, the company has guaranteed any obligations of fellow group companies to Barclays 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 by the fellow group companies concerned.

(b) Contingent liabilities

The company has, in the normal course of business, entered into indemnities, documentary credits and negotiations which at 31st December 1986 amounted to £18,363 (1985: £44,183).

In the opinion of the directors, no loss will arise in connection with the above matters.

14 Ultimate holding company

The ultimate holding company is Aurora plc, which is incorporated in Great Britain.

Auditors' report page 3.