

2000

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1987

1 The directors submit their report and the audited accounts for the year ended 31 December 1987.

Change of name

2 On 5 August 1987, 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

3 Details of the profit for the financial year are set out in the profit and loss account on page 4. The directors recommend the payment of a dividend of £52,176 in respect of the year ended 31 December 1987.

Principal activities and review of the business and future developments

4 The principal activity of the company continues to be the manufacture of engineers' cutting tools. During the year, the company acquired the assets and undertaking of Osborn Steel Stockholders Limited. Both the level of business and the year-end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Tangible fixed assets

5 The movements in tangible fixed assets are set out in note 9 to the accounts. In the opinion of the directors the market value of the company's land and buildings is not significantly different from the book value at which these assets are included in the balance sheet.

Directors

6 The following directors have held office during the whole of the year ended 31 December 1987, except as otherwise indicated:

I G Runciman	- (Chairman)
I D Gale	- (Managing Director)
J M H Dadswell	- resigned 1 January 1987, re-appointed 31 August 1987
A M Falconer	- resigned 1 January 1987
J B Matchett	- resigned 1 January 1987
B Summerson	- resigned 1 January 1987, re-appointed 31 August 1987
A L Wallis	

7 In accordance with the Articles of Association, none of the directors is required to retire.

Employee involvement

8 Communication meetings are held periodically with employee representatives to discuss sales, production activities, new developments etc and inform on parent group position and activities. At these meetings, senior executives can be questioned about matters related to sales and production which concern the employees.

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

Directors' interests in shares

9 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 31 December 1987 in the shares or debentures of the ultimate holding company, Aurora plc, or its subsidiaries were as follows:

	<u>At 31 December 1987</u>		<u>At 1 January 1987</u> <u>(or subsequent date</u> <u>of appointment)</u>	
	<u>Fully</u> <u>paid</u>	<u>Options</u>	<u>Fully</u> <u>paid</u>	<u>Options</u>
Ordinary shares of 10p each in Aurora plc:				
I D Gale	1,000	53,313	1,000	53,313
J M H Didswell	-	6,567	-	6,567
B Summerson	4,000	11,044	3,000	11,044

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.

As permitted by Statutory Instrument, the register does not include details of shareholdings of directors who are also directors of the holding company.

Employment of disabled persons

10 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 are available to handicapped and disabled persons where this is in their own as well as the company's best interests.

Close company

11 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 31 December 1987.

Auditors

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

BY ORDER OF THE BOARD
B Summerson

SHEFFIELD

5 February 1988

Secretary

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

We have audited the accounts set out on pages 4 to 16 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 31 December 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.



COOPERS & LYBRAND

Chartered Accountants

SHEFFIELD

5 February 1988

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
Turnover	2	9,594,052	9,770,075
Change in stocks of finished goods and work in progress		(503,382)	(115,393)
Other operating income		3,238	18,617
		<hr/> 9,093,918	<hr/> 9,673,299
Raw materials and consumables		(2,915,484)	(2,613,912)
Other external charges		(618,329)	(656,050)
Staff costs	4(b)	(3,542,527)	(3,816,414)
Depreciation and other amounts written off tangible fixed assets		(496,742)	(411,983)
Other operating charges		(1,343,899)	(1,235,135)
		<hr/> 176,937	<hr/> 939,805
Operating profit			
Interest receivable and similar income	5	1,451	-
Interest payable and similar charges	6	(23,515)	(18,947)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	154,873	920,858
Tax on profit on ordinary activities	7	(50,521)	(332,825)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		104,352	588,033
Extraordinary item	8	1,000,000	-
		<hr/>	<hr/>
Profit after taxation and extraordinary items		1,104,352	588,033
Proposed dividend of £1.04 per share (1986: £5.88)		(52,176)	(294,017)
		<hr/>	<hr/>
Retained profit for the year		£1,052,176	£294,016
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

Retained profit at 1 January 1987	945,366	651,350
Retained profit for the year	1,052,176	294,016
	<hr/>	<hr/>
Retained profit at 31 December 1987	£1,997,542	£945,366
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 7 to 16 form part of these accounts.

Auditors' report page 3.

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

BALANCE SHEET - 31 DECEMBER 1987

	Notes	<u>1987</u>		<u>1986</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets:	9		2,606,930		2,735,128
CURRENT ASSETS					
Stocks	10	2,624,229		3,162,007	
Debtors	11	2,745,226		2,046,242	
Cash at bank and in hand		12,928		19,266	
		<u>5,382,383</u>		<u>5,227,515</u>	
CREDITORS: amounts falling due within one year	12	(3,789,969)		(4,757,755)	
NET CURRENT ASSETS			1,592,414		469,760
Total assets less current liabilities			<u>4,199,344</u>		<u>3,204,888</u>
CREDITORS: amounts falling due after more than one year	12		(1,233,659)		(1,241,440)
PROVISIONS FOR LIABILITIES AND CHARGES	13		(101,678)		(151,617)
			<u>£2,864,007</u>		<u>£1,811,831</u>
CAPITAL AND RESERVES					
Called up share capital	14		50,000		50,000
Revaluation reserve	15		816,465		816,465
Profit and loss account	15		1,997,542		945,366
			<u>£2,864,007</u>		<u>£1,811,831</u>

These accounts were approved by the board on 5 February 1988.

I D GALE)
B SUMMERSON) Directors

[Handwritten signatures]

The notes on pages 7 to 16 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 31 DECEMBER 1987

	<u>1987</u>		<u>1986</u>	
	£	£	£	£
<u>SOURCE OF FUNDS</u>				
Profit on ordinary activities				
before taxation		154,873		920,858
Extraordinary item		1,000,000		-
		<u>1,154,873</u>		<u>920,858</u>
Adjustment for items not involving				
the movement of funds:				
Depreciation	496,745		411,983	
Profit on sale of tangible				
fixed assets	(3,238)		(14,810)	
		<u>493,507</u>		<u>397,172</u>
Total generated from operations		1,648,380		1,318,031
Funds from other sources:				
Sale proceeds of				
tangible fixed assets		9,545		20,039
Corporation tax repaid		10,758		-
Increase in creditors falling				
due after more than one year		-		459,989
		<u>1,668,683</u>		<u>1,798,059</u>
Total source of funds				
<u>APPLICATION OF FUNDS</u>				
Tax paid	21,011		605,414	
Dividends paid	294,017		352,733	
Purchase of tangible fixed assets	374,854		851,922	
Decrease in creditors falling				
due after one year	7,781		-	
		<u>(697,663)</u>		<u>(1,810,069)</u>
Total application of funds				
INCREASE/(DECREASE) IN WORKING CAPITAL		<u>£971,020</u>		<u>£(12,010)</u>
Made up as follows:				
Decrease in stocks	(537,778)		(152,964)	
Increase/(decrease) in debtors,				
excluding corporation tax				
recoverable	699,659		(518,209)	
Decrease in creditors				
falling due within one year,				
excluding bank overdraft, current				
taxation payable and proposed dividend	780,601		701,036	
		<u>942,482</u>		<u>29,863</u>
Movement in net liquid funds:				
Cash at bank and in hand	(6,338)		18,180	
Bank overdraft	34,876		(60,053)	
		<u>28,538</u>		<u>(41,873)</u>
		<u>£971,020</u>		<u>£(12,010)</u>

Auditors' report page 3.

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

NOTES TO THE ACCOUNTS - 31 DECEMBER 1987

1 Principal accounting policies

As in previous years, the accounts are prepared in accordance with the historical cost convention, modified by the revaluation of land and buildings. 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 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 for the year.

(b) Tangible fixed assets

The cost or revalued amounts of buildings and leasehold land are amortised over a period of 40 years or the remaining term of the lease if less. Freehold land is not depreciated. Plant and equipment is depreciated on the straight line method at rates expected to write off the cost or valuation of the assets concerned over their useful lives. The principal annual rates used for this purpose are:

	%
Plant and equipment	10 - 20
Motor vehicles	25

Regional development grants are deducted from the cost of the assets to which they relate. Interest relief grants are credited to profit and loss account in the year of receipt.

(c) Stocks

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.

(d) Finance leases and hire purchase contracts

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 profit and loss account over the period of the finance lease in proportion to the balance of capital repayments outstanding.

Liabilities under hire purchase contract are accounted for on a basis similar to that adopted for finance leases and are included in the balance sheet under that heading.

(e) 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.

(f) Pension Scheme arrangements

Payments are made to pension funds and charged in the accounts, based on actuarial advice. Pension funds are valued regularly by actuaries and no material deficiencies are indicated at 31 December 1987.

2 Turnover

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

Geographical analysis of turnover:

	<u>1987</u> £	<u>1986</u> £
United Kingdom	5,526,482	5,935,085
Other European countries	1,602,949	1,513,416
North America	1,318,275	1,628,013
Rest of the World	1,146,356	693,561
	<u>£9,594,062</u>	<u>£9,770,075</u>

3 Profit on ordinary activities before taxation

This is stated after charging/(crediting):

	<u>1987</u> £	<u>1986</u> £
Directors' remuneration for management including pension contributions (note 4)	90,083	99,236
Ex gratia payment to former director	12,000	-
Depreciation of tangible fixed assets	496,745	411,983
Profit on sale of fixed assets	(3,238)	(14,810)
Auditors' remuneration:		
This year	8,975	8,300
Underprovision of previous years	500	-
Hire of plant and machinery	7,416	(3,279)
Exceptional items:		
Redundancy costs	98,968	50,116
Employment grants	(11,663)	(5,632)

4	<u>Information regarding directors and employees</u>	<u>1987</u>	<u>1986</u>
(a)	Particulars of the remuneration of directors, excluding pension contributions:		
	Emoluments of the Chairman	£Nil	£Nil
	Emoluments of the highest paid director	£31,250	£30,979
	Number of other directors whose remuneration was within the ranges:		
	£Nil - £5,000	2	2
	£15,001 - £20,000	2	1
	£20,001 - £25,000	1	2
(b)	Employment costs of all employees, including executive directors:	<u>1987</u>	<u>1986</u>
		£	£
	Gross wages and salaries	3,163,169	3,407,075
	Employer's national insurance	291,913	315,786
	Employer's pension contributions under the company's pension schemes	87,445	93,553
		<u>£3,542,527</u>	<u>£3,816,414</u>
(c)	The average number of persons, including executive directors, employed by the company during the year is analysed below:		
	Staff	132	140
	Manual workers	279	320
		<u>411</u>	<u>460</u>
5	<u>Interest receivable and similar income</u>	<u>1987</u>	<u>1986</u>
		£	£
	Interest receivable from group companies	586	-
	Inland Revenue - repayment supplement	865	-
		<u>£1,451</u>	<u>£Nil</u>
6	<u>Interest payable and similar charges</u>	<u>1987</u>	<u>1986</u>
		£	£
	Finance leases and hire purchase agreements	920	1,357
	Interest payable to group companies	22,595	17,590
		<u>£23,515</u>	<u>£18,947</u>

7 Tax on profit on ordinary activities

The charge for taxation comprises:

	<u>1987</u> £	<u>1986</u> £
UK Corporation tax payable at a rate of 35% (1986: 36%)	108,490	383,972
Transfer from deferred taxation	(49,939)	(42,546)
	<u>58,551</u>	<u>341,426</u>
Under/(over) provision of previous years:		
Corporation tax	(8,030)	6,712
Deferred taxation	-	(15,313)
	<u>£50,521</u>	<u>£332,825</u>

8 Extraordinary item

	<u>1987</u> £	<u>1986</u> £
Waiver of group financing loan	£1,000,000	£ Nil

9 Tangible fixed assets

(a) Summary of movements in the year

	<u>Land and buildings</u> <u>Freehold</u> £	<u>Plant and equipment</u> <u>Purchased</u> £	<u>Leased</u> £	<u>Total</u> £
Cost or valuation				
At 1 January 1987	1,030,756	2,122,973	2,137,381	5,291,110
Additions	-	64,743	307,054	371,797
Inter-group transfers	-	638	-	638
Disposals	-	(143,429)	(12,448)	(155,877)
At 31 December 1987	<u>1,030,756</u>	<u>2,044,925</u>	<u>2,431,987</u>	<u>5,507,668</u>
At Cost	12,006	2,044,925	2,431,987	4,488,918
At valuation - 1977	1,018,750	-	-	1,018,750
	<u>1,030,756</u>	<u>2,044,925</u>	<u>2,431,987</u>	<u>5,507,668</u>
Depreciation				
At 1 January 1987	211,688	1,738,584	605,710	2,555,982
Charge for the year	21,751	143,704	331,290	496,745
Inter-group transfers	-	3,888	-	3,888
Disposals	-	(143,429)	(12,448)	(155,877)
At 31 December 1987	<u>233,439</u>	<u>1,742,747</u>	<u>924,552</u>	<u>2,900,738</u>
Net book value				
At 31 December 1987	<u>£797,317</u>	<u>£302,178</u>	<u>£1,507,435</u>	<u>£2,606,930</u>
At 31 December 1986	<u>£819,068</u>	<u>£384,389</u>	<u>£1,531,671</u>	<u>£2,735,128</u>

(b) Additions to leased plant and equipment in the year includes £11.27% in respect of assets in the course of construction at 31 December 1987, which have not been depreciated.

- (c) The historical cost and related depreciation of freehold land and buildings included at a valuation is:

	<u>1987</u> £
Historical cost	342,522
Depreciation based on cost	(92,026)
Historical cost net book value: At 31 December 1987	<u>£250,496</u>
At 31 December 1986	<u>£259,079</u>

- (d) The 1977 valuation comprises a professional valuation carried out on an open market existing use basis. The valuation was incorporated in the accounts for the year ended 30 September 1977.

10 Stocks

	<u>1987</u> £	<u>1986</u> £
Raw materials and consumables	235,155	269,556
Work in progress	989,526	1,199,814
Finished goods and goods for resale	1,399,548	1,692,637
	<u>£2,624,229</u>	<u>£3,162,007</u>

There was no material difference between the historical and replacement costs of the stocks shown above.

11 Debtors

	<u>1987</u> £	<u>1986</u> £
Amounts falling due within one year:		
Trade debtors	1,937,710	1,796,128
Amounts owed by group companies	713,683	147,390
Other debtors	3,000	9,531
Prepayments and accrued income	80,728	82,413
Corporation tax recoverable	10,105	10,780
	<u>£2,745,226</u>	<u>£2,046,242</u>

12 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>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
		£	£	£	£
Bank loans and overdrafts		31,474	66,350	-	-
Obligations under finance leases and hire purchase contracts	(b)	9,392	25,873	1,421	6,786
Trade creditors	(c)	794,128	711,651	-	-
Bills of exchange payable		26,685	16,445	-	-
Amounts owed to holding company and fellow subsidiary companies		2,212,283	3,038,452	-	-
Amounts owed to fellow subsidiaries under finance leases	(b)	287,345	246,583	1,232,238	1,234,654
Current taxation	(d)	190,718	101,186	-	-
Other taxes and social security costs		130,974	157,674	-	-
Other creditors		32,737	34,571	-	-
Accruals		22,057	54,953	-	-
Proposed dividend		52,176	294,017	-	-
		<u>£3,789,969</u>	<u>£4,757,755</u>	<u>£1,233,659</u>	<u>£1,241,440</u>

(b) Obligations under finance leases and hire purchase contracts

	<u>Due after more than one year</u>			<u>Sub- total</u>	<u>Due within one year</u>	<u>Total</u>
	<u>Five years or more</u>	<u>Two to five years</u>	<u>One to two years</u>			
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
External finance leases and hire purchase contracts						
Capital element	-	-	1,421	1,421	9,392	10,813
Future finance charges	-	-	32	32	445	477
	<u>-</u>	<u>-</u>	<u>1,453</u>	<u>1,453</u>	<u>9,837</u>	<u>11,290</u>
Due to fellow subsidiaries under finance lease contracts						
Capital element	269,854	692,405	269,979	1,232,238	287,345	1,519,583
Future finance charges	3,996	23,415	14,121	41,532	17,810	59,342
	<u>273,850</u>	<u>715,820</u>	<u>284,100</u>	<u>1,273,770</u>	<u>305,155</u>	<u>1,578,925</u>
Total future rentals at 31 December 1987	<u>£273,850</u>	<u>£715,820</u>	<u>£285,553</u>	<u>£1,275,223</u>	<u>£314,992</u>	<u>£1,590,215</u>
Total future rentals at 31 December 1986	<u>£336,994</u>	<u>£682,493</u>	<u>£268,391</u>	<u>£1,287,878</u>	<u>£291,178</u>	<u>£1,579,056</u>

(c) Trade creditors

Included in trade creditors are amounts totalling £207,766 (1986: £201,186) due in respect of goods for which title does not pass until payment is made.

(d) 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 1987 is finalised.

13 Provisions for liabilities and charges

The potential liabilities to deferred taxation and the amounts provided in the accounts in accordance with the company's accounting policy described in note 1(e) are set out below:

	<u>1987</u>		<u>1986</u>	
	<u>Total</u> <u>potential</u> <u>liability</u> £	<u>Provided</u> <u>in the</u> <u>accounts</u> £	<u>Total</u> <u>potential</u> <u>liability</u> £	<u>Provided</u> <u>in the</u> <u>accounts</u> £
Accelerated capital allowances	118,152	118,152	147,108	147,108
Finance leases	(6,627)	(6,627)	13,565	13,565
Potential taxation liabilities on surplus on revaluation of properties	191,473	-	172,923	-
	<u>302,998</u>	<u>111,525</u>	<u>333,596</u>	<u>160,673</u>
Less:				
Losses and charges	(9,847)	(9,847)	(9,056)	(9,056)
	<u>£293,151</u>	<u>£101,678</u>	<u>£324,540</u>	<u>£151,617</u>

14 Called up share capital

Authorised, issued
and fully paid
1987 and 1986

Ordinary shares of £1 each

£50,000

15 Reserves

	<u>Revaluation</u> <u>reserve</u> £	<u>Profit and</u> <u>loss account</u> £	<u>Total</u> £
Balance at 1 January 1987	816,465	945,366	1,761,831
Retained profit for the year	-	1,052,176	1,052,176
Balance at 31 December 1987	<u>£816,465</u>	<u>£1,997,542</u>	<u>£2,814,007</u>

16 Capital commitments

	<u>1987</u> £	<u>1986</u> £
Capital expenditure contracted for but not provided in the accounts	26,000	-
Capital expenditure authorised but not yet contracted for	17,000	46,000
Authorised capital expenditure outstanding	<u>£43,000</u>	<u>£46,000</u>

17 Guarantees and other financial commitments

(a) Samuel Osborn Debenture Stock

The company, together with certain other group companies, has guaranteed the repayment of moneys due under a trust deed constituting and securing the £2,000,000 7 3/4% Debenture Stock 1993/98 of the intermediate holding company, Samuel Osborn & Co Limited. The undertaking and assets of the company are subject to a floating charge as security for this guarantee. At 31 December 1987 and 1986 the principal and interest outstanding in respect of this Debenture Stock amounted to £2,064,583.

(b) Banking guarantees

The company has guaranteed all outstanding obligations of Aurora plc to Barclays Bank PLC. The obligations guaranteed under these arrangements at 31 December 1987 amount to £Nil (1986: £660,935).

In addition, as a result of the above arrangements, the company has guaranteed any obligations of Aurora plc 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 Aurora plc.

(c) Operating lease commitments

At 31 December 1987 the company had annual commitments under non-cancellable lease contracts for agreements expiring:

	<u>Plant and machinery</u> £	<u>Land and buildings</u> £
During the next year	957	-
In the second to fifth year inclusive	1,752	3,890
Over five years from the balance sheet date	2,751	23,215
	<u>5,460</u>	<u>27,105</u>

Lease commitments on land and buildings are subject to periodic rent reviews.

(d) Other commitments

At 31 December 1987, commitments under forward foreign exchange contracts amounted to £331,736 (1986: £31,424).

(e) Contingent liabilities

The company has, in the normal course of business, entered into indemnities, documentary credits and negotiations which at 31 December 1987 amounted to £40,118 (1986: £23,382).

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

18 Ultimate holding company

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