

Directors and Officers

Directors	T. Harrison DL BSc(Eng) Hon D Eng FEng FIMechE FIMarE	Chairman
	B. Baker LLB	
	J. R. Baker MA CEng FIMechE MICE	
	C. W. Beaumont	Finance Director until his death on 11th January 1993
	P. L. Lockton CBE	
	R. H. Maudslay BSc CEng FIEC	Appointed 15th June 1992
	A. D. J. Perkins BSc	Appointed 1st November 1992
Secretary	H. D. Cone FCIQ	
Registered Office	NEI House Regent Centre Newcastle upon Tyne NE3 3SB	
Auditors	KPMG Peat Marwick 1 Puddle Dock London EC4V 3PD	
Registrars	Independent Registrars Group Ltd Broseley House Newlands Drive Witham Essex CM8 2UL	
Principal Bankers	Barclays Bank PLC Lloyds Bank Plc National Westminster Bank PLC	

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NEI is an engineering company engaged in the design, manufacture, construction, commissioning and servicing of capital plant for the energy conversion and materials handling industries. Markets served are power generation, steel making, construction and process plant, defence, underground mining, transport, shipbuilding and offshore.

The Company operates worldwide, both in manufacturing and project management, its substantial UK manufacturing base being complemented by production facilities in North America, South Africa and Australasia. Approaching half of the Company's output worldwide is for markets outside the United Kingdom.

NEI is committed to optimising the performance of its core businesses both through organic growth and selective acquisition. A high priority is placed on the continuous development of the Company's product base through a programme of value engineering and substantial and ongoing investment in capital plant.

Electrical power generation and transmission

In June 1992 Rolls-Royce plc and Westinghouse Electric Corporation announced an alliance covering technology transfer and marketing collaboration. The agreement will enhance the two organisations' competitive and strategic positions in the worldwide land based power generation business.

Our major operating companies saw market growth in India and the Far East. Parsons Turbine Generators won a £70 million contract for two 250MW steam turbine generators to be installed at the new coal-fired Budge Budge power station being built by CESC of Calcutta. The Rihand power station was officially handed over to the Indian government by Baroness Chalker, Minister of State for Overseas Development.

Parsons Turbine Generators also secured an order worth £100 million to supply three 250MW steam turbine generators for the Pulau Seraya power station, owned by the Public Utilities Board of Singapore.

In Malaysia, the Connaught Bridge 100MW combined cycle power station project is now producing electricity – on time and to budget. Parsons Turbine Generators is responsible for this complete £70 million turnkey project, converting the power station to combined cycle operation.

Exports to Malaysia also helped make an excellent year for Reyrolle, who secured orders both in the UK and abroad and who finished the year by winning a Northern Business Award. The largest single order was for £20 million from Tenaga Nasional Berhad of Malaysia for 13 substations.

In the Middle-East, Peebles Electric has been helping in the rebuilding of Kuwait following the Gulf War, by supplying 26 high voltage electric motors for the Mina Abdula Oil Refinery.

International Combustion (ICL) received contracts from both National Power and PowerGen for on-site equipment and services. At National Power's Deeside power station ICL is providing waste heat recovery steam generators.

Low emissions combustion equipment is

being supplied to Georgia Power in the USA and further advanced work on low NOx burner systems will continue following an extension to a European research project, part funded by the EEC.

Nuclear engineering

NEI companies have been actively involved in the work on the new Sizewell B nuclear power station. NEI Control Systems is providing the primary protection system, control systems installation and process sampling equipment.

At the Torness nuclear power station in Scotland, Thompson Nuclear Engineering secured a £20 million contract to supply an irradiated fuel dismantling cell; a major item of equipment which weighs more than 1,000 tonnes.

Materials handling

Clarke Chapman has been installing new equipment at Coulport and Faslane naval submarine bases in Scotland. The two Coulport cranes are used for weapons handling and are almost certainly the most highly computerised, sophisticated and safe cranes in the world. At Faslane, three large dockside cranes designed to the most exacting safety standards are being installed along with a large Syncrolift shiplift system designed to raise Trident submarines out of the water for servicing.

Clarke Chapman is also building a coal-handling terminal for PowerGen at Liverpool under a £40 million contract – the first turnkey project of its kind handled by this company. It includes unloading, conveying and stacking equipment for the coal, together with the civil site works for the new dock.

With the decline in the UK mining industry it has been a difficult year for NEI Mining Equipment. However, we continue to reduce our reliance on British Coal and have achieved important export business, including a large order from China.

Overseas

NEI Pacific in Australia and New Zealand achieved notable successes including the supply of switchgear to Brunei via Reyrolle Pacific. Continuing depression in South Africa adversely affected our interests in this market.

Report of the Directors

Principal Activities	NEI is an engineering company engaged in the design, manufacture, construction commissioning and servicing of capital plant for the energy conversion and materials handling industries. Markets served are power generation, steel making, construction and process plant, defence, underground mining, transport, shipbuilding and offshore.
Development and Future Prospects of the Business	<p>A consideration of the development and activities of the Company during 1992 and its future prospects are contained in the Business Review on page 1</p> <p>During the year ended 31st December 1992 the Group achieved a turnover of £946m (1991 - £994m) and a profit on ordinary activities before taxation of £6.9m (1991 - £20.1m). The taxation charge amounted to £3.3m (1991 - £2.7m). The analysis of turnover and profits by business class and geographical area is given in note 1 to the Accounts on page 9.</p>
Dividend	An interim dividend for 1992 of £1.4m, exclusive of the associated tax credit, was paid on the 11th January 1993 and a final dividend of £7.0m, exclusive of the associated tax credit, is recommended to be paid on 5th July 1993 to the holders of the ordinary shares of the Company on the Register at the close of business on the 11th May 1993.
Employees	<p>The Company is committed to good communications throughout its organisation and has continued its previous practice of keeping employees informed on matters affecting them as employees and on the various factors affecting the Company's general business situation. This is achieved through formal and informal meetings.</p> <p>Employee representatives at local and national level are consulted regularly on a wide range of matters affecting the Company's current and future situation.</p> <p>The NEI Employee Sharesave Option Scheme was introduced in 1981. Options granted to subscribe for Ordinary Shares of 25p each in Northern Engineering Industries plc, pursuant to the Scheme were released in exchange for the grant of an option to subscribe for Ordinary Shares of 20p each in Rolls-Royce plc, as detailed in their letter to option holders dated 19th July 1989.</p> <p>The fifth anniversary of the seventh grant of options occurred in July 1992 and many participants exercised the options granted to them in 1987 to purchase shares in the ultimate holding company. The fifth anniversary of the eighth grant of options occurs in 1993 when participants will be able to exercise options granted to them in 1988.</p> <p>Employees were invited to participate in the Rolls-Royce Sharesave Scheme and options were granted on 30th October 1992 to subscribe for Ordinary Shares of 20p each in Rolls-Royce plc.</p> <p>The Company maintains pension schemes for the majority of employees in the UK and overseas. The assets of the schemes are kept independent of the Company's finances and are administered by Trustees. The most recent actuarial valuations indicated that the assets of the principal schemes were sufficient to meet the cost of benefits payable as and when they fall due.</p> <p>Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the respective applicant. In the event of members of staff becoming disabled, every effort is made to ensure that appropriate re-training is provided if necessary. The training, career development and promotion opportunities of disabled persons are, as far as possible, identical with those of other employees, and the Company makes every effort to employ disabled persons.</p> <p>The EEC Code of Conduct in regard to the employment of African workers is adhered to by the Company's South African subsidiary undertakings, and the relevant report has been submitted to the Department of Trade. Copies of the report are available on written request to the Company Secretary.</p>
Education and Training	<p>The Company continues to recognise the importance for its future competitiveness of the development of the skills of its employees and substantial investment continues to be made in training including provision for the extension of skills to cater for continuing improvement in flexibility of operation. Close working relationships appropriate to the needs of the individual businesses are being maintained with educational institutions at all levels, the Engineering Training Authority, Training and Enterprise Councils and the Training, Enterprise and Education Directorate of the Department of Employment.</p> <p>The Company's active involvement in Youth Training in the UK continued throughout the year, principally at Hebburn and Derby, the trainees involved being additional to normal intake. The NEI Training Centre, Management Training Unit at Heaton, together with the Manufacturing Training Unit there, continued to provide a developing service for both inhouse training and for non-NEI companies locally.</p> <p>The Company's policy of developing Management and Professional Engineering talent continued and links with higher education included research projects and management education through an in-company MBA at Newcastle University.</p> <p>The average number of the Company's employees in the UK receiving full-time training was some 461.</p>
Share Capital	<p>The authorised and issued share capital of the Company is shown in note 19 to the Accounts on page 16.</p> <p>Following the offer for the Company's shares by Rolls-Royce plc becoming effective on the 15th May 1989 these shares became delisted on 19th December 1989. Listing remains in force for the Company's preference shares.</p> <p>At an extraordinary general meeting held on the 6th January 1993, ordinary and preference shareholders approved the cancellation and repayment of the 3% cumulative redeemable preference shares, the 5.375% cumulative preference shares and the 11% cumulative preference shares of the Company (the 'preference shares'). It was announced on the 12th February 1993 that the Court had declined to confirm the cancellation and repayment of the preference shares. The Company is considering whether or not to lodge an appeal against the Court's decision. The cancellation and repayment is conditional upon the Court's confirmation being obtained. A further announcement will be made to shareholders.</p>

Acquisitions Disposals On 11th February 1992 the Company purchased the 31% of NEI Combustion Engineering Limited that it did not already own for a cash consideration of £8.9m.
On 31st December 1992 the Group's investment in NEI (USA) Holdings Company was sold to a fellow subsidiary undertaking.

Board of Directors It is with great regret that the Directors record the death of Mr. C. W. Beaumont on 11th January 1993.
In addition to the Directors listed on the inside front cover Dr. R. Hawley served as a Director until 14th June 1992.
Mr. R. H. Maudslay was appointed as a Director of the Company with effect from 15th June 1992.
Mr. A. D. J. Perkins was appointed as a Director of the Company with effect from 1st November 1992.
Mr. P. L. Lockton resigned as a Director of the Company with effect from 31st December 1992 to take over the responsibilities of Managing Director, Rolls-Royce (India) Limited.
In accordance with the Articles of Association Mr. R. H. Maudslay and Mr. A. D. J. Perkins retire and, being eligible, offer themselves for re-appointment.

Directors' Interests None of the Directors had any interest in the shares of the Company.
The beneficial interests of the Directors holding office on 31st December 1992 in the share capital of the Company's ultimate holding company were as follows:-

	Rolls-Royce plc Ordinary Shares		Options over Rolls-Royce plc Ordinary Shares			
	1 1 92	31.12.92	NEI Executive Share Option Scheme (1985)	NEI Employee Sharesave Option Scheme	Rolls-Royce Executive Option Scheme	Rolls-Royce Sharesave Scheme
T. Harnson†	21,811	21,811	56,451	-	423,700	-
B. Baker	1,030	1,080	-	3,651	223,300	5,172
J. A. Baker	-	-	75,280	-	-	-
C. W. Beaumont (deceased)	-	-	-	-	242,300	5,400
R. H. Maudslay*	-	-	-	-	151,200	10,936
P. L. Lockton	-	-	-	-	222,100	-
A. D. J. Perkins‡	3,938	3,938	-	-	237,700	3,600

†Member of the Rolls-Royce plc Board of Directors

*Appointed 15 06 92

‡Appointed 01 11 92

There has been no change to the Directors' interests shown above up to 11th March 1993

At no time during the year has any Director had any interest in a contract with the Company, being a contract of significance in relation to the Company's business.

Donations Educational £14,000
Charitable £43,000

Insurance for Officers During the year the Company maintained insurance cover for its Officers against liabilities in relation to the Company

Research and Development The Company and its subsidiary undertakings devote a substantial amount of time and effort to research and development activities which are more particularly referred to in the Business Review section of this Annual Report.

Tangible Fixed Assets Movements in tangible fixed assets during the year are set out in note 10 to the Accounts on pages 11 and 12.

The professional valuation of the Group's land and buildings in the UK at 31st December 1987 has been updated to the end of 1992 and suggests a value marginally greater than the figure shown in the accounts.

'Close Company' The 'close' company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Ultimate Holding Company The Company's ultimate holding company is Rolls-Royce plc which is incorporated in England.

Accounts The Group's audited statutory accounts are set out on pages 5 to 18 and page 20.

Auditors At the Company's last Annual General Meeting KPMG Peat Marwick were re-appointed as auditors of the Company. A resolution concerning their re-appointment as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
H. D. Cone, Secretary

11th March 1993



Notice of Meeting

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Company will be held at NEI House, Regent Centre, Newcastle upon Tyne at 10.00am on 10th May 1993.

BUSINESS

To receive and consider the reports of the Directors and Auditors, and the accounts for the year ended 31st December 1992.

To declare a final dividend on the ordinary shares.

To re-appoint Directors.

To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

By order of the Board
H. D. Cone
Secretary



Newcastle upon Tyne
11th March 1993

Only the holders of the ordinary shares are entitled to attend and vote at the meeting. A member so entitled may appoint a proxy or proxies to attend and vote in his place, and such proxy need not be a member of the Company. A proxy form is enclosed herewith.

There will be available for inspection by members at the Registered Office of the Company during normal business hours from the date of this notice and at NEI House, Newcastle upon Tyne for at least fifteen minutes prior to and during the meeting:

a) Particulars of transactions of Directors and their family interests in shares and loan stock of the Company and its subsidiary undertakings and,

b) Copies of particulars of contracts of service (unless expiring or determinable without payment of compensation within one year) of Directors with the Company or with any of its subsidiary undertakings.

Report of the Auditors KPMG Peat Marwick

To the Members of Northern Engineering Industries plc

We have audited the financial statements on pages 5 to 18 and page 20 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31st December 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Peat Marwick
Chartered Accountants
Registered Auditors
London

11th March 1993

Accounting Policies

(a) Accounting convention

The accounts have been prepared under the historical cost convention adjusted for the revaluation of certain freehold and leasehold properties as disclosed in note 10 and have been prepared in accordance with applicable accounting standards. As provided by Section 228(7) Companies Act 1985 a separate profit and loss account dealing with the results of the Company has not been presented.

(b) Basis of consolidation

i) Subsidiary undertakings

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertakings (together "the Group"), the financial years of which end on 31st December.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from or to their effective dates of acquisition or disposal, respectively. The differences between the purchase consideration and the fair values of the underlying net assets at the dates of acquisition are taken to reserves.

ii) Associated undertakings

Where the Group exercises significant influence over the financial and operating policy decisions of its associated undertakings, as defined within the Companies Act 1985, the attributable share of the results of these companies is included on the basis of their latest audited accounts which are made up to the dates specified on page 20; certain associated undertakings have been excluded on the grounds that their inclusion would be of no real value in view of the insignificant amounts involved.

(c) Turnover

Turnover excludes intra-group transactions, sales made by associated undertakings and value added tax, and with the exception of long term contracts represents the invoice value of goods despatched and services rendered. Long term contracts are included in turnover on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

(d) Stocks and work in progress

Stocks and work in progress are generally valued at the lower of cost and net realisable value. The cost of work in progress includes an appropriate proportion of production and administration overheads, substantially all of which are related directly or indirectly to contracts. Full provision is made for estimated losses to completion.

Progress payments received and recoverable where in excess of recorded turnover are deducted and, to the extent that such payments exceed the value of work in progress on any contract, the excess is included in current liabilities. The amount by which recorded turnover of long term contracts is in excess of payments on account is classified as 'amounts recoverable on contracts' and is separately disclosed within debtors.

(e) Depreciation and amortisation

Depreciation and amortisation are provided at various rates designed to write off the cost or the revalued amount of tangible fixed assets in equal annual amounts over their anticipated useful lives. No depreciation is provided in respect of freehold land or on assets in course of construction.

(f) Leased plant and equipment

Where plant and equipment is acquired by leasing arrangements which give rights approximating to ownership (finance leases), the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided at rates designed to write off this cost in equal annual amounts over the shorter of the period of the leases or the anticipated useful lives of the assets. The capital element of future rentals is treated as a liability and the interest element is charged to profit and loss account over the period of the leases in proportion to the balances outstanding.

(g) Foreign currencies

Assets and liabilities in foreign currencies other than those covered by foreign exchange contracts are translated into sterling at the rates of exchange ruling at the end of each financial year. Profit and loss items in foreign currencies are translated into sterling at the average exchange rates for the financial year. Exchange differences on trading transactions are dealt with in arriving at the profit on ordinary activities before taxation. Exchange differences arising on the re-translation of the net assets of overseas subsidiary undertakings at the commencement of the year and on their retained profits for the year are dealt with through reserves.

(h) Deferred taxation

Provision is made for deferred taxation arising from timing differences between taxation allowances and the related accounting treatment only to the extent that the Directors consider that a liability is likely to arise as a result of the reversal of such timing differences within the foreseeable future.

(i) Research and development

Fixed assets used in research and development are depreciated on the basis described in (e) above. All other expenditure on research and development is written off in the year in which it is incurred.

Consolidated Profit and Loss Account for the year ended 31st December 1992

Notes	1992 £m	1991 £m
1 Turnover	946.0	994.2
Cost of sales	883.5	916.5
	<hr/>	<hr/>
Gross profit	62.5	77.7
Commercial, marketing and product support costs	0.6	1.2
General and administrative costs	13.4	16.6
	<hr/>	<hr/>
Operating profit	48.5	59.9
3 Associated undertakings	0.5	0.3
Research and development (net)	(8.8)	(8.5)
	<hr/>	<hr/>
1 Profit before interest	40.2	51.7
4 Net interest and similar charges	8.0	11.4
	<hr/>	<hr/>
Profit on ordinary activities before exceptional items and taxation	32.2	40.3
5 Exceptional items	25.3	20.2
	<hr/>	<hr/>
6 Profit on ordinary activities before taxation	6.9	20.1
7 Taxation	3.3	2.7
	<hr/>	<hr/>
Profit on ordinary activities after taxation	3.6	17.4
Net loss attributable to minority interests in subsidiary undertakings	7.2	7.6
	<hr/>	<hr/>
Profit for the financial year	10.8	25.0
8 Dividends	8.6	13.6
	<hr/>	<hr/>
9 & 21 Transferred to the reserves	2.2	11.4
	<hr/>	<hr/>

Balance Sheets 31st December 1992

Notes	Consolidated		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Fixed assets	138.9	137.8	110.7	97.1
10 Tangible assets	-	-	185.8	186.2
11 Investments in subsidiary undertakings	8.3	9.2	0.3	0.4
11 Other investments	147.2	147.0	296.8	283.7
Current assets	121.4	146.8	82.6	93.4
12 Stocks and contract work in progress	243.7	283.0	197.0	202.9
13 Debtors	25.4	22.7	25.0	22.1
14 Short term deposits	43.1	25.2	25.3	18.9
Cash at bank and in hand	433.6	477.7	329.9	337.3
15 Creditors: due within one year	372.1	409.6	288.5	307.3
Net current assets	61.5	68.1	41.4	30.0
Total assets less current liabilities	206.7	215.1	338.2	313.7
16 & 17 Creditors: due after more than one year	8.0	23.7	155.9	147.5
18 Provisions for liabilities and charges	40.0	22.4	30.0	19.6
Net assets	160.7	169.0	144.3	146.6
Capital and reserves	64.7	64.7	64.7	64.7
19 Called up share capital	25.1	25.1	25.1	25.1
21 Share premium account	4.0	4.0	4.0	4.0
21 Capital redemption reserve	19.0	18.9	15.0	15.8
21 Revaluation reserve	2.8	2.6	-	-
21 Other non-distributable reserves	31.8	28.7	35.5	37.0
21 Profit and loss account	147.4	144.0	144.3	146.6
Shareholders' funds	13.3	25.0	-	-
Minority interests	160.7	169.0	144.3	146.6

The accounts on pages 5 to 18 and page 20 were approved by the Board of Directors on 11th March 1993 and signed on its behalf by:

Dr. T. Harrison Chairman
Mr. A. D. J. Perkins Managing Director

T. Harrison
A. D. J. Perkins

Consolidated Statement of Cash Flows for the year ended 31st December 1992

Notes	1992 £m	1991 £m
27 Net cash flow from operating activities	101.0	57.3
Returns on investments and servicing of finance		
Interest received	4.8	4.5
Interest paid	(12.0)	(14.7)
Interest element of finance lease	(0.5)	(1.2)
Dividends paid to minority shareholders	(0.1)	(1.0)
Dividends received from associated undertakings	0.1	0.2
Dividends paid	(9.1)	(26.7)
Net cash outflow from returns on investments and servicing of finance	(17.1)	(38.9)
Taxation		
Corporation tax paid	(4.2)	(4.3)
Investing activities		
Disposal of business	8.2	—
Payments to acquire tangible fixed assets	(10.4)	(23.8)
Purchase of fixed asset investments	—	(0.1)
Receipts from sale of tangible fixed assets	7.8	3.4
Receipts from sale of investments	—	3.7
Purchase of minority's interest	(5.6)	—
Net cash outflow from investing activities	(9.0)	(16.8)
Net cash inflow before financing	70.7	(2.7)
Financing		
Repayment of loan capital	—	(0.5)
Principal payments under finance leases	(1.9)	(2.5)
Net cash outflow from financing	(1.9)	(3.0)
27 Increase in cash and cash equivalents	68.8	(5.7)

Notes to the Accounts

		Turnover		Profit before interest		Net assets	
		1992 £m	1991 £m	1992 £m	1991 £m	1992 £m	1991 £m
1	Analysis of turnover and profit						
	Analysis by business class						
	Power Engineering	707.7	732.2	43.9	42.3	99.8	150.1
	General Engineering	238.3	262.0	(3.7)	9.4	43.8	68.6
		946.0	994.2	40.2	51.7	143.6	218.7
	Geographical analysis of turnover into specified markets						
	United Kingdom	515.5	531.8				
	Africa	133.8	185.8				
	North America	33.2	39.0				
	Australasia	41.3	49.7				
	Middle East	113.1	64.1				
	Western Europe	30.9	26.7				
	Asia	59.5	83.6				
	Others	18.7	13.5				
		946.0	994.2				
	Analysis by geographical origin						
	United Kingdom	753.3	738.1	39.5	41.3	97.0	148.7
	Africa	118.4	166.6	(1.3)	8.3	39.0	58.7
	North America	15.9	27.5	(0.4)	1.1	0.4	6.8
	Australasia	45.3	59.5	1.7	1.1	(1.1)	4.8
	Others	13.1	2.5	0.7	(0.1)	8.3	(0.3)
		946.0	994.2	40.2	51.7	143.6	218.7
	Analysis of turnover into overseas markets						
	Direct exports	234.1	208.5				
	Indirect exports	9.2	12.4				
		243.3	220.9				
	Sales by overseas subsidiary undertakings	194.2	250.8				
	UK sales to overseas subsidiary undertakings	(7.0)	(9.3)				
	Total overseas	430.5	462.4				
2	Staff numbers and costs	Employees					
	The average number of employees (including Directors) employed by the Group during the year was as follows -						
	United Kingdom					12,963	14,634
	Overseas					5,456	6,884
						18,419	21,518
	Actual number of persons employed at 31st December 1992					16,282	19,770
						£m	£m
	The aggregate payroll costs of these persons were as follows -						
	Wages and salaries					265.2	276.3
	Social security costs					21.0	20.9
3	Associated undertakings					4.5	9.2
						290.7	306.4
						1992 £m	1991 £m
	Share of profits of unlisted associated undertakings					0.5	0.3
Dividend income from associated undertakings amounted in the case of unlisted companies to £0.1m (1991 - £0.2m).							

		1992 £m	1991 £m
4	Net interest payable and similar charges		
	Interest payable –		
	On bank loans and overdrafts and other loans wholly repayable within five years		
	By instalments	0.1	0.1
	Otherwise than by instalments (1991 – £3.7m payable to parent company)	11.9	14.6
	On finance leases	0.8	1.2
		12.8	15.9
	Other interest receivable (including £1.6m payable by parent company)	4.8	4.5
		8.0	11.4
5	Exceptional items		
	Alignment of NEI's accounting practices with the Rolls-Royce Group	–	(2.1)
	Rationalisation and redundancy costs	29.0	10.3
	Provision against fixed asset investment	0.7	0.5
	Provision in respect of businesses in South Africa	–	11.5
	Profit on sale of NEI (USA) Holdings Company to fellow subsidiary (after write back of goodwill of £2.5m previously written off against reserves)	(4.4)	–
		25.3	20.2
6	Profit on ordinary activities before taxation		
	Profit on ordinary activities before taxation is arrived at after charging –		
	Depreciation of owned tangible fixed assets	14.7	13.4
	Depreciation of tangible fixed assets held under finance leases	1.5	2.0
	Hire of machinery and equipment (operating leases)	2.5	1.1
	Hire of other assets (operating leases)	1.9	2.1
	Directors' emoluments (Note 24)	1.0	1.1
	Auditors' remuneration	0.5	0.5
	Other fees paid to Auditors	0.1	0.1
7	Taxation		
	The charge is based on the profit for the year and comprises –		
	United Kingdom		
	Advance corporation tax	(2.8)	(9.5)
	Corporation tax at 33% (1991 – 33.25%)	5.7	10.5
	Double taxation relief	(0.6)	(0.7)
	Overseas taxation	1.0	2.4
		3.3	2.7
8	Dividends		
	Ordinary –		
	Interim	1.4	4.4
	Final	7.0	9.0
		8.4	13.4
	Preference –		
	3% cumulative redeemable preference shares of £1 each	0.1	0.1
	11% cumulative preference shares of £1 each	0.1	0.1
	5.375% cumulative preference shares of £1 each	–	–
		0.2	0.2
		8.6	13.6

		1992 £m	1991 £m
9 Retained profit for the financial year	Result for the financial year of the Company	6.3	28.0
	Dividends paid and payable	(8.6)	(13.6)
	Retained – Company	(2.3)	14.4
	– Subsidiary undertakings	4.3	(3.0)
	– Associated undertakings	0.2	–
		2.2	11.4

The Directors do not consider that the impact of acquisitions during the year on the retained profit was material

10 Tangible fixed assets		Land and Buildings			Plant and machinery £m	Total £m
		Freehold £m	Long leasehold £m	Short leasehold £m		
	Consolidated –					
	Cost or valuation at 1st January 1992	42.1	12.1	2.9	246.9	304.0
	Currency adjustments	1.4	–	–	3.7	5.1
	Additions	0.7	–	–	21.3	22.0
	Disposals	(2.0)	(0.1)	(0.3)	(20.7)	(23.1)
	Transfers from/to fellow subsidiary undertakings	(0.1)	0.1	–	(0.6)	(0.6)
	Balance carried forward	42.1	12.1	2.6	250.6	307.4
	Depreciation at 1st January 1992	7.3	1.5	1.9	155.5	166.2
	Currency adjustments	0.2	–	–	2.0	2.2
	Disposals	(0.4)	–	(0.2)	(15.3)	(15.9)
	Transfers from/to fellow subsidiary undertakings	–	–	–	(0.2)	(0.2)
	Charge for year	0.9	0.4	0.1	14.8	16.2
	Balance carried forward	8.0	1.9	1.8	156.8	168.5
	Net book value at 31st December 1992	34.1	10.2	0.8	93.8	138.9
	Net book value at 31st December 1991	34.8	10.6	1.0	91.4	137.8
	Company –					
	Cost or valuation at 1st January 1992	22.7	11.3	2.4	185.3	221.7
	Additions	0.1	–	–	16.3	16.4
	Disposals	(0.3)	(0.9)	(0.2)	(15.6)	(17.0)
	Transfers with subsidiary undertakings	6.4	1.3	–	23.2	30.9
	Balance carried forward	28.9	11.7	2.2	209.2	252.0
	Depreciation at 1st January 1992	4.2	1.3	1.7	117.4	124.6
	Disposals	(0.1)	(0.3)	(0.1)	(12.3)	(12.8)
	Transfers with subsidiary undertakings	1.0	1.3	–	15.4	17.7
	Charge for year	0.6	0.4	0.1	10.7	11.8
	Balance carried forward	5.7	2.7	1.7	131.2	141.3
	Net book value at 31st December 1992	23.2	8.0	0.5	78.0	110.7
	Net book value at 31st December 1991	18.5	10.0	0.7	67.9	97.1
	Anticipated useful lives	40 years	period of leases		3-20 years	
		Consolidated		Company		
		1992	1991	1992	1991	
	Included in plant and equipment are assets being acquired under finance leases as follows –					
	Capital cost	34.2	35.3	32.6	32.3	
	Depreciation	18.3	18.5	17.3	16.5	
	Net book value	15.9	16.8	15.3	15.8	
	Depreciation charge for the year	1.5	2.0	1.2	1.7	
	Net book value of assets not being depreciated	20.9	15.5	12.9	8.5	
	Capital expenditure authorised and committed	2.7	5.6	1.9	5.5	
	Further capital expenditure authorised	2.8	4.3	1.8	3.6	
	Capital expenditure authorised is stated before deduction of any government grants					

10 Tangible fixed assets continued	The amounts of land and buildings included at open market valuation comprise -					
	Consolidated			Company		
	Freehold £m	Long leasehold £m	Short leasehold £m	Freehold £m	Long leasehold £m	Short leasehold £m
Gross book value at 31st December 1992						
1972	1.8	-	-	1.8	-	-
1983	3.1	-	-	-	-	-
1987	22.7	8.3	-	16.8	8.3	-
1988	0.6	-	-	-	-	-
	28.2	8.3	-	18.6	8.3	-
Net book value at 31st December 1992	23.5	7.9	-	15.2	7.9	-
Gross book value at 31st December 1991	29.3	9.7	0.2	18.8	9.7	0.2
Net book value at 31st December 1991	25.0	8.8	0.1	15.8	8.7	0.1
In certain instances it is not practicable to determine the original cost of assets which have been revalued. The amounts which would have been included in the accounts at 31st December 1992, under the historical cost accounting rules, using the earliest available valuation where appropriate are as follows -						
Cost	23.2	3.6	-	16.8	3.6	-
Valuation	-	0.6	-	-	0.6	-
	23.2	4.2	-	16.8	4.2	-
Depreciation	13.2	2.8	-	10.1	2.8	-
Net book value	10.0	1.4	-	6.7	1.4	-

11 Fixed asset investments			
	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Investments in subsidiary undertakings			
Company -			
Cost less amounts written off at 1st January 1992	145.6	40.6	186.2
Investments made	8.6	0.1	8.7
Provision made during year	-	1.0	1.0
Loans repaid	-	(10.1)	(10.1)
Cost less amounts written off at 31st December 1992	154.2	31.6	185.8

The principal subsidiary undertakings are set out on page 20 and their principal activities are discussed on page 1

	Shares in associated undertakings £m	Loans to associated undertakings £m	Other investments other than loans £m	Investments in fellow subsidiary undertakings £m	Total £m
Other investments					
Consolidated					
Cost or value at 1st January 1992	0.7	0.5	0.8	7.2	9.2
Share of profits less taxation	0.3	-	-	-	0.3
Disposals and write offs	-	(0.3)	(0.8)	-	(1.1)
Dividends and distributions	(0.1)	-	-	-	(0.1)
Cost or value at 31st December 1992	0.9	0.2	-	7.2	8.3
Company					
Cost less amounts written off at 1st January 1992	0.1	0.3	-	-	0.4
Disposals	-	(0.1)	-	-	(0.1)
Cost less amounts written off at 31st December 1992	0.1	0.2	-	-	0.3
Unlisted associated undertakings -					
Investments in shares in unlisted associated undertakings at cost less amounts written off					0.6
Share of post acquisition retained profit					0.3
Share of tangible net assets					0.9

		Consolidated		Company	
		1992 £m	1991 £m	1992 £m	1991 £m
12 Stocks and contract work in progress	Long term contract work in progress	40.8	58.6	12.5	17.3
	Other work in progress	97.6	118.9	75.2	84.3
		138.4	177.5	87.7	101.6
	Payments on account received and receivable	167.6	197.0	110.8	119.2
		(29.2)	(19.5)	(23.1)	(17.6)
	Payments on account in excess of work in progress transferred to current liabilities	95.4	104.5	77.6	82.9
		68.2	85.0	54.5	65.3
	Finished goods and goods for resale	15.9	21.5	1.7	3.0
	Raw materials and consumables	39.3	40.3	26.4	25.1
		121.4	146.8	82.6	93.4
	Payments on account included in the cost of work in progress above –				
	Long term contract work in progress	–	0.5	–	0.5
	Other work in progress	0.3	1.6	0.1	1.6
		0.3	2.1	0.1	2.1
Payments on account received and receivable attributable to long term contract work in progress amount to £85.7m Consolidated and £40.5m for the Company. Payments on account in excess of work in progress attributable to long term contract work in progress amount to £49.7m Consolidated and £32.3m for the Company.					
13 Debtors	Amounts falling due within one year –				
	Trade debtors	156.5	180.2	119.5	122.4
	Amounts recoverable on contracts	47.4	54.2	47.3	48.0
	Amounts owed by parent company and fellow subsidiary undertakings	4.7	2.3	4.6	2.1
	Amounts owed by associated undertakings	1.8	0.7	1.7	0.2
	Other debtors	17.1	20.6	10.4	9.6
	Prepayments and accrued income	5.8	9.4	4.4	6.7
		233.3	267.4	187.9	189.0
	Amounts falling due after more than one year –				
	Trade debtors	9.7	11.1	8.8	9.8
	Other debtors	0.7	0.5	0.3	0.1
	Prepayments and accrued income	–	4.0	–	4.0
		10.4	15.6	9.1	13.9
		243.7	283.0	197.0	202.9
14 Investments and short term deposits	The short term deposits are stated at cost and include call, short notice and term deposits with finance houses and other negotiable instruments. Includes an amount due from Parent Company of £25.0m (1991 – £22.1m) consolidated and £25.0m (1991 – £22.1m) for the Company.				

		Consolidated		Company	
		1992	1991	1992	1991
		£m	£m	£m	£m
15 Creditors: amounts falling due within one year	Bank loans and overdrafts	4.9	49.4	1.6	51.2
	Bills of exchange payable	30.9	33.9	—	—
	Amount owed to parent company and fellow subsidiary undertakings	8.1	6.8	8.1	6.8
	Debenture and other loans	7.4	—	7.4	—
	Borrowings	51.3	90.1	17.1	58.0
	Net rentals due under finance leases	2.0	2.1	1.6	2.0
	Payments on account in excess of work in progress	95.4	104.5	77.6	82.9
	Trade creditors	103.1	114.9	84.8	84.3
	Amounts owed to subsidiary undertakings	—	—	0.9	3.1
	Amounts owed to parent company and fellow subsidiary undertakings	2.7	0.4	2.5	0.4
	Amounts owed to associated undertakings	0.2	—	0.2	—
	Corporate taxation	4.7	5.6	3.0	4.1
	Other taxation and social security	16.0	17.2	13.6	11.5
	Dividends	6.4	9.0	6.4	9.0
	Other creditors	31.4	21.1	28.0	18.0
	Accruals and deferred income	56.9	44.7	50.6	33.5
	Other creditors	320.8	319.5	271.4	249.3
		372.1	409.6	288.5	307.3
16 Creditors: amounts falling due after more than one year	Debenture loans and other term debt	0.1	7.5	0.1	7.5
	Long term borrowings (Note 17)	0.1	7.5	0.1	7.5
	Net rentals due under finance leases				
	Between one and two years	1.9	2.0	1.5	1.7
	Between two and five years	4.8	5.3	4.8	5.3
	After five years	—	1.0	—	1.0
	Trade creditors	0.4	0.5	0.3	0.3
	Amounts owed to subsidiary undertakings	—	—	146.4	124.5
	Amounts owed to parent company and fellow subsidiary undertakings	0.1	0.1	2.5	0.1
	Amounts owed to associated undertakings	0.2	0.2	—	—
	Other creditors	0.2	6.3	—	6.3
	Accruals and deferred income	0.3	0.8	0.3	0.8
	Other creditors	7.9	16.2	155.8	140.0
		8.0	23.7	155.9	147.5

		Consolidated		Company	
		1992 £m	1991 £m	1992 £m	1991 £m
17 Long term borrowings	Repayable in over five years -				
	· Mortgage loan	0.1	0.1	0.1	0.1
	Less: Instalments of mortgage loan due within five years	(0.1)	(0.1)	(0.1)	(0.1)
		-	-	-	-
	Debenture loans -				
	7% Unsecured Loan Stock 2000/05	-	0.2	-	0.2
		-	0.2	-	0.2
	Repayable between two and five years -				
	9% Unsecured loan stock 1990/95	-	1.6	-	1.6
	Instalments of mortgage loan	0.1	0.1	0.1	0.1
	Medium term export finance	-	0.3	-	0.3
		0.1	2.0	0.1	2.0
	Repayable between one and two years -				
	8% Unsecured loan stock 1988/93	-	5.3	-	5.3
		-	5.3	-	5.3
		0.1	7.5	0.1	7.5

The mortgage loan which is secured on assets (land and buildings) of an overseas subsidiary undertaking, is repayable in instalments up to 2008 and carries interest at 12% per annum. Instalments of mortgage loans and overseas loans due within one year are included under creditors falling due within one year.

The debenture loans have been classified as falling due within one year having been fully repaid on the 4th January 1993 and 15th February 1993.

		Balance at 1 1 92 £m	Utilised during the year £m	Charge for the year in the profit and loss account £m	Balance at 31 12 92 £m
18 Provisions for liabilities and charges	Consolidated -				
	Provisions for warranty, maintenance and other future contract costs	13.1	(10.0)	11.6	14.7
	Other provisions	9.3	(2.8)	18.8	25.3
		22.4	(12.8)	30.4	40.0
	Company -				
	Provisions for warranty, maintenance and other future contract costs	11.8	(9.6)	11.6	13.8
	Other provisions	7.8	(2.0)	18.4	24.2
		19.6	(11.6)	30.0	38.0

		1992 £m	1991 £m
19 Share capital	Authorised –		
	320 million ordinary shares of 25p per share	80.0	80.0
	709,600 5.375% cumulative preference shares of £1 each	0.7	0.7
	1,460,000 3% cumulative redeemable preference shares of £1 each	1.5	1.5
	764,614 11% cumulative preference shares of £1 each	0.8	0.8
		83.0	83.0
	Allotted, issued and fully paid –		
	247,134,492 ordinary shares of 25p per share	61.7	61.7
	709,600 5.375% cumulative preference shares of £1 each	0.7	0.7
	1,460,000 3% cumulative redeemable preference shares of £1 each	1.5	1.5
	763,493 11% cumulative preference shares of £1 each	0.8	0.8
		64.7	64.7

3% Cumulative Redeemable Preference Shares

These shares are redeemable at the option of the Company on six months' notice at £1.05p per share.

20 Deferred taxation	The Directors consider that no material liability would be likely to arise as a result of the reversal of timing differences in the foreseeable future under current legislation. The full potential liability for deferred taxation is as follows –	Consolidated		Company	
		1992 £m	1991 £m	1992 £m	1991 £m
	Accelerated depreciation allowances	20.1	21.2	19.5	15.9
	Other timing differences	(14.8)	(11.5)	(14.4)	(11.4)
	At 31st December 1992 advance corporation tax of £13.0m (1991 – £17.0m) for the Group, including £12.9m (1991 – £16.8m) for the Company, is available for carry forward against future corporation tax liabilities.				

	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Other non- distributable reserves £m	Other distributable reserves £m	Profit and loss account £m	Total £m
21 Reserves	Consolidated –						
	Balance at 1st January 1992	25.1	4.0	18.9	2.6	–	28.7
	Retained for the financial year	–	–	–	–	2.2	2.2
	Realignment of overseas currencies	–	–	0.1	0.3	1.3	1.7
	Arising on acquisition of subsidiary undertakings	–	–	1.1	(0.1)	(4.0)	(3.0)
	Transfer to profit and loss account on disposal of subsidiary undertakings	–	–	–	–	(0.9)	–
	Depreciation and disposals of revalued assets	–	–	(1.1)	–	1.1	–
	Goodwill transferred to profit and loss account	–	–	–	–	2.5	2.5
	Balance at 31st December 1992	25.1	4.0	19.0	2.8	–	50.9
	Company –						
	Balance at 1st January 1992	25.1	4.0	15.8	–	–	37.0
	Retained for the financial year	–	–	–	–	(2.3)	(2.3)
	Realignment of overseas currencies	–	–	–	–	–	–
	Depreciation and disposals of revalued assets	–	–	(0.8)	–	0.8	–
	Appropriation of distributable reserves	–	–	–	–	(0.8)	–
	Balance at 31st December 1992	25.1	4.0	15.0	–	–	39.5

No account has been taken of additional taxation which would be payable should the attributable accumulated reserves of overseas subsidiary and associated undertakings available for distribution be remitted to the United Kingdom. It is estimated that any liability would be offset by available tax reliefs.

The accumulative amount of goodwill resulting from acquisitions during the year ended 31st December 1992, and prior years, net of goodwill attributable to subsidiary undertakings on businesses disposed of prior to 31st December 1992 amounted to £19.3m (1991 – £18.7m).

22 Pensions

The Group operates a number of pension schemes throughout the world.

The Group's principal Pension Scheme is of the defined benefit type and covers some 10,000 employees in the UK. The Scheme is set up under trust and the assets of the Scheme are, therefore, held separately from those of the participating companies. The pension cost of this scheme charged to the Profit and Loss Account is assessed in accordance with the advice of a qualified actuary using the Projected Unit Method. The pension cost is calculated so as to spread the cost of pensions over the employees' expected working service lives with the Company. It is based on an actuarial valuation of the Scheme as at 5 April 1992. The principal assumptions used in that valuation were that in the long term the average total annual return on investments would be 1.5% higher than the average annual increase in pay and 4.5% higher than the average annual increase in pensions in excess of members' Guaranteed Minimum Pensions. Assets have been valued using the Discounted Income Method assuming that equity dividends increase at the same rate as pensions. The pension cost charged to the Profit and Loss Account for the year was £0.5m (1991 - £5.3m). This cost was after a reduction of £13.1m (1991 - £8.0m) in respect of the amortisation of past over-funding. This amortisation is over a period of 11 years, the average expected working service life of the pensioned employees.

The actuarial valuation as at 5 April 1992 showed that the market value of the Scheme assets was £402m and the actuarial value of those assets represented 119% of the liability for benefits in respect of service to the valuation date, based on salaries projected to retirement or earlier exit.

The costs charged in respect of other pension schemes throughout the Group have also been assessed with the advice of a qualified actuary using methods appropriate to the circumstances of these schemes to spread the costs over the expected working lifetime of the employees concerned. The total costs charged for the year in respect of these other schemes was £4.0m (1991 - £3.9m) of which £2.2m (1991 - £2.1m) relates to the overseas schemes.

An accrual of £3.3m (1991 - £13.8m) is included in creditors, being the difference between the accumulated amounts paid into the pension funds and the accumulated pension costs.

23 Contingent liabilities

The Company and certain of its subsidiary undertakings have, in the normal course of business, entered into guarantees in respect of export finance, bills discounted, performance bonds etc.

The Company has guaranteed bank borrowings and term loans of certain subsidiary undertakings and fellow subsidiary undertakings which at 31st December 1992 amounted to £14.5m (1991 - £9.5m)

There are claims outstanding which arise under contracts carried out by the Company and certain subsidiary undertakings. It is not possible to predict with certainty the results of these claims but the Directors believe, in the light of advice received, and taking into account counter claims, claims against third parties and provisions in the accounts, that the outcome will not have a material effect on the Group's financial position.

24 Directors' emoluments**Directors**

The aggregate emoluments of the Directors including pension contributions were -

	1992 £'000	1991 £'000
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	996	1,136
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The Chairman's emoluments, excluding pension contributions, up to 30th September 1992, were £135,631 (1991 - £192,723). Dr Harrison was appointed Chief Executive of Rolls-Royce plc with effect from 1st October 1992. The number of other Directors, some of whom served on the Board for part of the relevant year only, whose emoluments, excluding pension contributions, were within the following ranges was -

£	1992	1991
15,001 - 20,000	1	-
55,001 - 60,000	1	-
75,001 - 80,000	1	-
90,001 - 95,000	-	1
95,001 - 100,000	-	1
100,001 - 105,000	1	3
105,001 - 110,000	1	-
110,001 - 115,000	2	-
125,001 - 130,000	-	1

25 Commitments under operating leases	At 31st December 1992, future annual commitments under non-cancellable operating leases were as follows –	Consolidated		Company	
		1992 £m	1991 £m	1992 £m	1991 £m
	Land and buildings – leases expiring:				
	within one year	0.3	0.2	–	–
	in two to five years	1.2	1.2	0.2	0.3
	after five years	1.5	1.2	0.5	0.6
	Other operating leases – leases expiring:				
	within one year	0.5	0.2	0.3	–
	in two to five years	0.5	0.8	0.3	0.2
	after five years	–	0.5	–	–
		4.0	4.1	1.3	1.1

The majority of leases of land and buildings are subject to rent reviews.

26 Ultimate Holding Company	The Company's ultimate holding company is Rolls-Royce plc, a company which is registered in England and Wales. Copies of Rolls-Royce plc's Directors' Report and Accounts can be obtained from Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT.
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27 Consolidated statement of cash flows		1992 £m	1991 £m
	Net cash flow from operating activities		
	Operating profit	46.5	59.9
	Share of profits from associated undertakings	0.5	0.3
	Depreciation	15.6	15.4
	Amounts written off fixed asset investments	0.7	0.5
	Research and development costs	(8.8)	(8.5)
	Decrease in debtors	47.0	(10.0)
	Decrease in stocks	16.1	26.4
	Decrease in creditors	(9.7)	2.7
	Outflow from provisions	(8.9)	(29.4)
		101.0	57.3

Analysis of changes in cash and cash equivalents during the year

	1992 £m
Cash Balance at 1st January 1992	(42.2)
Net cash inflow before adjustment for the effect of exchange rate movements	68.8
Effect of foreign exchange rate movements	(2.0)
Cash Balance at 31st December 1992	24.6

Analysis of cash and cash equivalents

	1992 £m	1991 £m	Change £m
Cash at bank and in hand	43.1	25.2	17.9
Short term deposits	25.4	22.7	2.7
Bank loans and overdrafts	(4.2)	(49.4)	44.5
Amounts owed to parent company and fellow subsidiaries	(8.1)	(6.8)	(1.3)
Bills of exchange	(30.3)	(33.9)	3.0
	24.6	(42.2)	66.8

	1991 £m	1990 £m	Change £m
Cash at bank and in hand	25.2	32.8	(7.6)
Short term deposits	22.7	1.5	21.2
Bank loans and overdrafts	(49.4)	(15.1)	(34.3)
Amounts owed to parent company and fellow subsidiaries	(6.8)	(25.1)	18.3
Bills of exchange	(33.9)	(30.6)	(3.3)
	(42.2)	(36.5)	(5.7)

Five Year Summary

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
Turnover	946.0	994.2	963.5	879.6	723.7
Profit on ordinary activities before exceptional items	32.2	40.3	44.9	42.4	38.5
Exceptional items	25.3	20.2	17.0	38.6	—
Profit on ordinary activities before taxation	6.9	20.1	27.9	3.8	38.5
Taxation	3.3	2.7	5.8	9.4	13.9
Profit on ordinary activities after taxation	3.6	17.4	22.1	(5.6)	24.6
Attributable to minority interests	7.2	7.6	(5.7)	(5.7)	(6.0)
Profit before extraordinary items	10.8	25.0	16.4	(11.3)	18.6
Extraordinary items	—	—	—	(0.9)	4.9
Attributable to shareholders	10.8	25.0	16.4	(12.2)	23.5
Fixed assets	147.2	147.0	147.0	155.2	146.8
Net current assets	61.5	68.1	80.1	147.5	119.8
Total assets less current liabilities		1	227.1	302.7	266.6
Term creditors and provisions		46.1	60.5	69.3	72.8
Net assets employed	160.7	169.0	166.6	233.4	193.8
Representing:					
Shareholders' funds	147.4	144.0	132.2	144.5	130.5
Minority interests	13.3	25.0	34.4	88.9	63.3
	160.7	169.0	166.6	233.4	193.8
Direct exports	234.1	208.5	199.7	171.0	130.0
Capital expenditure	22.0	18.7	18.4	21.4	20.6
Average number of employees	18,439	21,518	23,353	22,966	21,871
Number of employees 31st December	16,282	19,770	21,157	22,747	21,734

Principal Subsidiary and Associated Undertakings

The following were the principal undertakings of Northern Engineering Industries plc during the year ended 31st December 1992. Effective group interest is 100% unless otherwise stated.

	United Kingdom*	Overseas**	Country of incorporation and/or operation
Subsidiary undertakings	Allen Power Engineering Ltd	NEI Pacific Ltd	Australia
	Clarke Chapman Ltd	NEI Thompson Pty Ltd	Australia
	NEI Control Systems Ltd	NEI Paklog Pty Ltd	Australia
	International Combustion Ltd	NEI Power Engineering Ltd	Australia
	NEI International Ltd	NEI New Zealand Ltd	New Zealand
	International Research & Development Ltd	NEI John Thompson (NZ) Ltd	New Zealand
	NEI Mining Equipment Ltd	NEI Africa Holdings Ltd (60%)	South Africa
	NEI Overseas Holdings Ltd	Northern Engineering Industries Africa Ltd (56%)	South Africa
	Parsons Turbine Generators Ltd	International Combustion Africa Ltd	South Africa
	Peebles Electric Ltd	John Thompson Africa (Pty) Ltd	South Africa
	NEI Power Projects Ltd	H G Meissner & Company (Pty) Ltd	South Africa
	NEI Projects (India) Ltd	Probuilt Diesel Ltd	South Africa
	Reyrolle Ltd	Propower (Pty) Ltd	South Africa
	NEI Thompson Ltd	Propower Diesel Ltd	South Africa
	Thompson Defence Projects Ltd	Reyrolle Switchgear Ltd	South Africa
	Thompson Kennicott Ltd	Power Engineers (Pty) Ltd	South Africa
	Rolls-Royce Nuclear Engineering Services Ltd	APE Africa (Pty) Ltd	South Africa
	Becorit (Holdings) Ltd (90%)	CHI Control Ltd	South Africa
	Victor Products PLC	NEI Zambia Ltd	Zambia
	NEI Brantford International Ltd (51%)	Cutler Hammer Zambia Ltd	Zambia
		NEI Holdings Zimbabwe (Private) Ltd	Zimbabwe
		Ferranti-Packard de Mexico SA de CV (63%)	Mexico

* The 31% minority interest in NEI Combustion Engineering Ltd was purchased on 11th February 1992

** The shares in overseas subsidiary undertakings are held by NEI Overseas Holdings Ltd. The percentage of shares held refers to the ordinary share capital none of which is held by the parent company. In addition the Group holds 100% of the preference capital of NEI Pacific Ltd. The shares in NEI (USA) Holding Company were sold to a fellow subsidiary undertaking on 31st December 1992

The following were the principal associated undertakings of NEI during the year ended 31st December 1992.

	Issued Share Capital £m	Accounting reference period	Country of incorporation and operation
Associated undertakings	APE Belliss India Ltd (40%)	31.12.1992	India
	NEI ABB Gas Turbines Ltd (50%)	31.12.1992	England

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International Combustion Ltd, Sinfen Lane, Derby DE2 9GJ
Tel: 0332 271111 Telex: 37581 (NEI IC G) Fax: 0332 271234

International Research & Development Ltd, Fossway, Newcastle upon Tyne NE6 2YD
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Tel: 0602 302603 Telex: 37526 Fax: 0602 445185

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Tel: (02) 887 1555 Telex: AA 20607 (JOHNTHOM) Fax: from UK 010 612 887 3186

Northern Engineering Industries Africa Ltd, PO Box 32069, Braamfontein 2017,
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NEI Holdings Zimbabwe (Private) Ltd, PO Box ST100 and ST640, 68 Craster Road,
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