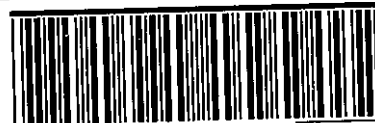


Coopers  
& Lybrand

Orb Electrical Steels Limited

Annual report for the  
year ended 1 April 1995

Registered no: 2640894

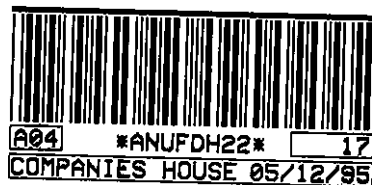


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Orb Electrical Steels Limited  
Annual report for the  
year ended 1 April 1995

Registered no: 2640894



# **Orb Electrical Steels Limited**

## **Annual report for the year ended 1 April 1995**

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## **Directors and advisers**

### **Directors**

S H Best  
I A Gilbert  
F D Morgan

### **Auditors**

Coopers & Lybrand  
Churchill House  
Churchill Way  
Cardiff  
CF1 4XQ

### **Secretary and registered office**

J W Suter  
Orb Works  
Corporation Road  
Newport  
Gwent  
NP9 0XT

### **Solicitors**

British Steel plc  
9 Albert Embankment  
London  
SE1 7SN

### **Bankers**

Lloyds Bank plc  
Newport Branch  
42 Commercial Street  
Newport  
Gwent  
NP9 1WX

## **Directors' report for the year ended 1 April 1995**

The directors present their report and the audited financial statements for the year ended 1 April 1995.

### **Principal activities**

The principal activity of the company is the processing of steel coil to apply properties appropriate for use in transformers, generators and other electrical equipment.

### **Review of business**

Both the level of business and the year end financial position have improved during the year. The directors expect that commercial conditions will remain favourable during the next financial year.

### **Dividends and transfers to reserves**

The directors do not recommend a dividend in respect of the year ended 1 April 1995. The profit for the financial year will be credited to reserves.

### **Fixed assets**

The movements in fixed assets during the year are set out in note 10 to the financial statements. The company's interests in land are fully utilised for normal trading operations and it has not been considered necessary to establish the market value of them.

### **Directors**

The directors of the company at 1 April 1995, all of whom have been directors for the whole of the year ended on that date, are listed below:-

S H Best  
I A Gilbert  
F D Morgan

### **Directors' interests in shares of the company**

No director of the company at 1 April 1995 had any interest in the shares of the company, according to the register required to be kept by section 325 Companies Act 1985. There has been no change in this respect since the end of the year.

The interests of the directors in the shares of the ultimate parent company, British Steel plc, are noted below:-

	Ordinary shares		Options	
	1 April 1995	2 April 1994	1 April 1995	2 April 1994
S H Best	2,244	2,244	115,830	94,200
I A Gilbert	473	473	-	-
F D Morgan	2,268	2,268	15,159	16,850

The exercise prices and dates of exercise in respect of the options are as follows:-

	Number of shares	Price per share	Date of exercise
British Steel Sharesave scheme	18,387	50.0p to 126.0p	1 April 1994 to 1 April 2000
British Steel Executive scheme	112,600	57.0p to 144.5p	30 July 1995 to 30 June 2004

On 18 April 1994, S H Best exercised 6,400 sharesave share options at 112.5 pence per share. The market value of the shares at this date was 151p per share.

There have been no other changes in the interests of the directors in the shares of the ultimate parent company since 1 April 1995.

The directors and officers of the company are covered by liability insurance.

## **Employees**

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company recognises its responsibilities towards disabled people and employs them where suitable work can be found. Every effort is made to find appropriate alternative jobs for those who become disabled while working for the company.

## **Research and development activities**

The company commissions research and development programmes appropriate to its business.

## **Taxation status**

The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the year.

## **Auditors**

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

**By order of the board**



Company secretary, 19<sup>th</sup> May 1995

## Statement of directors' responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 1 April 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

By order of the board



Company secretary, 19<sup>th</sup> May 1995



## Report of the auditors to the members of Orb Electrical Steels Limited

We have audited the financial statements on pages 7 to 17.

### Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 1 April 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors  
Cardiff, 19 May 1995

**Profit and loss account  
for the year ended 1 April 1995**

	Notes	Year ended 1 April 1995	Year ended 2 April 1994 £
Turnover	2	108,831,863	89,775,952
Cost of sales		(87,999,347)	(77,587,036)
<b>Gross profit</b>		<b>20,832,516</b>	<b>12,188,916</b>
Net operating expenses	3	(14,150,485)	(7,078,775)
Exceptional operating expenses	4	-	(969,687)
<b>Operating profit</b>		<b>6,682,031</b>	<b>4,140,454</b>
Interest receivable and similar income		290,944	467,262
		<b>6,972,975</b>	<b>4,607,716</b>
Interest payable and similar charges	7	(864,173)	(1,100,982)
<b>Profit on ordinary activities before taxation</b>	8	<b>6,108,802</b>	<b>3,506,734</b>
Tax on profit on ordinary activities	9	(2,019,360)	(1,047,557)
<b>Retained profit for the year</b>		<b>4,089,442</b>	<b>2,459,177</b>

All items dealt with in arriving at operating profit for the year ended 1 April 1995 relate to continuing operations.

A statement of the movement on reserves is given in note 19 to the financial statements and a reconciliation of movements in shareholders' funds is given in note 20.

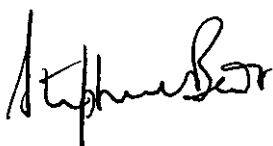
The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**Balance sheet  
at 1 April 1995**

	Notes	1 April 1995 £	2 April 1994 £
<b>Fixed assets</b>			
Tangible assets	10	25,332,429	24,551,225
<b>Current assets</b>			
Stocks	11	11,464,846	10,055,891
Debtors	12	28,244,305	22,374,310
Cash at bank and in hand		4,047,296	9,017,401
		43,756,447	41,447,602
<b>Creditors: amounts falling due within one year</b>	13	(22,891,088)	(19,833,678)
<b>Net current assets</b>		20,865,359	21,613,924
<b>Total assets less current liabilities</b>		46,197,788	46,165,149
<b>Creditors: amounts falling due after more than one year</b>	14	(8,000,000)	(12,000,000)
<b>Accruals and deferred income</b>	16	(381,970)	(438,773)
<b>Net assets</b>		37,815,818	33,726,376
<b>Capital and reserves</b>			
Called-up share capital	18	32,000,000	32,000,000
Profit and loss account	19	5,815,818	1,726,376
<b>Total equity shareholders' funds</b>	20	37,815,818	33,726,376

The financial statements on pages 7 to 17 were approved by the board of directors on  
19 MAY 1995 and were signed on its behalf by:



**Director**

## **Notes to the financial statements for the year ended 1 April 1995**

### **1 Principal accounting policies**

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

#### **Cash flow statement**

The company is a wholly owned subsidiary of European Electrical Steels Limited and the cash flows of the company are included in the consolidated cash flow statement of European Electrical Steels Limited. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

#### **Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

#### **Deferred taxation**

Deferred taxation is accounted for using the liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

#### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at each balance sheet date except where forward cover has been obtained, when the covered rate is used. Non monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction or the covered rate.

**Tangible fixed assets**

Tangible fixed assets are recorded at original cost less accumulated depreciation. In the case of assets constructed by the company, related works and administrative overheads are included in cost. Commissioning costs and interest attributable to expenditure on assets in the course of construction are not capitalised but written off to revenue as incurred. Tangible fixed assets financed by leasing arrangements that approximate to the loan of money and in which the company enjoys substantially all the risks and rewards of ownership (finance leases) are treated as if they have been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance cost; the capital element reducing the obligation to the lessor and the finance cost being written off to the profit and loss account over the period of the lease.

Included in tangible fixed assets are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value; and also spares against which provisions are made where necessary to cover slow moving and obsolete items.

Repairs and renewals are charged to the profit and loss account as incurred.

**Depreciation of tangible fixed assets**

Depreciation is provided so as to write off the net book value of tangible fixed assets including those held under finance leases. They are depreciated from the dates they are brought into use over their estimated useful lives, or in the case of leased assets, over the lease period if shorter. The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Accelerated depreciation is provided where an asset is expected to become obsolete before the end of its normal useful life. No further depreciation is provided in respect of assets which are fully written down but are still in use.

The estimated useful lives for the main categories of fixed assets are:

Freehold buildings which house plant, and other works buildings		25 years
Other freehold buildings		50 years
Plant and machinery	maximum	25 years
Office equipment and furniture		10 years
Motor vehicles		4 years

**Research and development expenditure**

Revenue expenditure on research and development is charged to the profit and loss account as it is incurred.

## Stocks

Stocks of raw materials are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Stocks of partly processed materials, finished products and stores are individually valued at the lower of cost and net realisable value. Cost of partly processed and finished products comprises cost of production including works overheads. Net realisable value is the price at which the stocks can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and cost of disposal. Provisions are made to cover slow moving and obsolete items.

## Pension costs

The expected cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average remaining service lives of employees. Differences between the amounts funded and amounts charged to profit and loss account are treated as either provisions or prepayments in the balance sheet. Further details are given in Note 17.

## Government grants

Grants related to expenditure on tangible fixed assets are credited to the profit and loss account over a period approximating to the lives of qualifying assets. Total grants receivable less the amounts credited to the profit and loss account at the balance sheet date are included in the balance sheet as deferred income.

## 2 Turnover

The company's turnover and profit on ordinary activities before taxation all arose in one class of business. Turnover by destination may be analysed as follows:

	Year ended 1 April 1995 £	Year ended 2 April 1994 £
UK	44,214,453	89,775,952
Rest of Europe	36,147,690	-
Rest of World	28,469,720	-
	<u>108,831,863</u>	<u>89,775,952</u>

In 1994, exports amounting to £47,716,443 were made during the year via a fellow UK subsidiary.

**3 Net operating expenses**

	Year ended 1 April 1995 £	Year ended 2 April 1994 £
Distribution costs	7,047,951	1,535,524
Administrative expenses	7,102,534	5,543,251
	<u>14,150,485</u>	<u>7,078,775</u>

**4 Exceptional operating expenses**

	Year ended 1 April 1995 £	Year ended 2 April 1994 £
Accelerated depreciation charge	Nil	969,687
	<u>Nil</u>	<u>969,687</u>

The exceptional operating expense represented an accelerated charge for plant which had become redundant.

**5 Directors' emoluments**

Emoluments paid to directors of the company are paid by the parent company European Electrical Steels Limited and recharged to the company as part of a management charge. This management charge which in 1995 amounted to £392,161 (1994: £360,323) also includes a charge for administration costs paid by the parent company and it is not possible to identify separately the amount of the directors' emoluments.

**6 Employee information**

The average weekly number of persons employed during the year was:

Year ended 1 April 1995 Number	Year ended 2 April 1994 Number
546	543
<u>546</u>	<u>543</u>

**6 Employee information (continued)**

	Year ended 1 April 1995 £	Year ended 2 April 1994 £
Staff costs (for the above persons):		
Wages and salaries	10,526,280	9,894,201
Social security costs	841,017	817,518
Other pension costs	614,468	410,551
	<u>11,981,765</u>	<u>11,122,270</u>

**7 Interest payable and similar charges**

	Year ended 1 April 1995 £	Year ended 2 April 1994 £
On bank loans, overdrafts and other loans:		
Repayable to group undertakings within 5 years, not by instalments	864,173	1,100,982
	<u>864,173</u>	<u>1,100,982</u>

**8 Profit on ordinary activities before taxation**

	Year ended 1 April 1995 £	Year ended 2 April 1994 £
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	56,803	57,812
And after charging:		
Depreciation charge for the period:		
Tangible owned fixed assets	2,260,228	2,212,377
Exceptional operating expenses (see note 4)	-	969,687
Auditors' remuneration	26,000	26,000
Research and development expenditure	499,290	486,000
	<u>2,785,518</u>	<u>3,694,064</u>

Fees payable to the auditors in respect of non-audit services for the year amounted to £5,400 (1994: £Nil).



**9 Taxation on profit on ordinary activities**

	Year ended 1 April 1995 £	Year ended 2 April 1994 £
<b>Tax on profit on ordinary activities</b>		
United Kingdom corporation tax at 33% (1994: 33%)		
Current	2,019,360	1,250,000
Receivable in respect of group relief		
Prior accounting periods	-	(202,443)
	<u>2,019,360</u>	<u>1,047,557</u>

**10 Tangible fixed assets**

	Freehold land and buildings £	Plant and machinery £	Assets in the course of construction £	Total £
<b>Cost</b>				
At 3 April 1994	2,267,788	44,517,945	1,392,381	48,178,114
Additions	-	-	1,791,002	1,791,002
Transfer from assets in the course of construction	-	3,110,816	(3,110,816)	-
Disposals	(69,946)	(3,141,425)		(3,211,371)
<b>At 1 April 1995</b>	<u>2,197,842</u>	<u>44,487,336</u>	<u>72,567</u>	<u>46,757,745</u>
<b>Depreciation</b>				
At 3 April 1994	1,587,519	24,400,858	-	25,988,377
Charge for the period	55,166	2,205,062	-	2,260,228
Disposals	(55,942)	(2,927,786)		(2,983,728)
<b>At 1 April 1995</b>	<u>1,586,743</u>	<u>23,678,134</u>	<u>-</u>	<u>25,264,877</u>
<b>Net book value</b>				
At 1 April 1995	<u>611,099</u>	<u>20,809,202</u>	<u>72,567</u>	<u>21,492,868</u>
<b>Spares, loose plant and tools</b>				<u>3,839,561</u>
<b>Net book value of tangible fixed assets at 1 April 1995</b>				<u>25,332,429</u>
<b>Net book value</b>				
At 2 April 1994	<u>680,269</u>	<u>20,117,087</u>	<u>1,392,381</u>	<u>22,189,737</u>
<b>Spares, loose plant and tools</b>				<u>2,361,488</u>
<b>Net book value of tangible fixed assets at 2 April 1994</b>				<u>24,551,225</u>

**11 Stocks**

	1995 £	1994 £
Raw materials and consumables	3,731,022	3,154,456
Work in progress	4,909,752	4,368,894
Finished goods and goods for resale	2,824,072	2,532,541
	<u>11,464,846</u>	<u>10,055,891</u>

**12 Debtors**

	1995 £	1994 £
<b>Amounts falling due within one year</b>		
Trade debtors	20,818,288	6,100,746
Amounts owed by parent company and fellow subsidiary undertakings	6,910,438	15,821,576
Other debtors	515,579	451,988
	<u>28,244,305</u>	<u>22,374,310</u>

**13 Creditors: amounts falling due within one year**

	1995 £	1994 £
Trade creditors	12,290,898	11,850,329
Amounts owed to parent company and fellow subsidiary undertakings	5,055,766	3,851,027
Corporation tax	2,018,371	1,252,220
Other taxation and social security payable	1,433,009	664,201
Other creditors	2,093,044	2,215,901
	<u>22,891,088</u>	<u>19,833,678</u>

**14 Creditors: amounts falling due after more than one year**

	1995 £	1994 £
Amounts owed to parent company	<u>8,000,000</u>	<u>12,000,000</u>

This loan is unsecured, bears interest at the rate of 1½% above LIBOR and is repayable on or before 30 November 1996.

## 15 Provisions for liabilities and charges

### Deferred taxation

Deferred taxation provided in the financial statements, and the total amount unprovided of the total potential liability, are as follows:-

	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	-	4,100,000	4,136,000
Other	-	-	(594,000)	(292,000)
Tax losses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	3,506,000	3,844,000
	<u>-</u>	<u>-</u>	<u>3,506,000</u>	<u>3,844,000</u>

## 16 Accruals and deferred income

Government grants	£
At 3 April 1994	438,773
Amortisation in year	(56,803)
	<u>-</u>
At 1 April 1995	381,970
	<u>381,970</u>

## 17 Pension and similar obligations

The company participates in a group pension scheme operated by British Steel plc. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 31 March 1993. Particulars of the valuation are contained in the accounts of British Steel plc.

## 18 Called-up share capital

	1995	1994
	£	£
Authorised		
35,000,000 ordinary shares of £1 each	35,000,000	35,000,000
	<u>35,000,000</u>	<u>35,000,000</u>
Allotted, called up and fully paid		
32,000,000 ordinary shares of £1 each	32,000,000	32,000,000
	<u>32,000,000</u>	<u>32,000,000</u>

## 19 Profit and loss account

	Profit and loss account £
At 3 April 1994	1,726,376
Profit for the financial year	4,089,442
	<hr/>
At 1 April 1995	5,815,818
	<hr/> <hr/>

## 20 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Profit for the financial year	4,089,442	2,459,177
Opening equity shareholders' funds	33,726,376	31,267,199
	<hr/>	<hr/>
Closing equity shareholders' funds	37,815,818	33,726,376
	<hr/> <hr/>	<hr/> <hr/>

## 21 Capital commitments

	1995 £	1994 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	517,802	223,000
	<hr/>	<hr/>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	262,025	1,305,000
	<hr/> <hr/>	<hr/> <hr/>

## 22 Ultimate and immediate parent companies

The immediate parent company is European Electrical Steels Limited, a company registered in Wales. The directors regard British Steel plc, a company registered in England, as the ultimate parent company.