

ASW LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

Registered No. 2085586



ASW LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1994

- 1 The directors present herewith, on pages 4 to 28, the audited financial statements for the year ended 31 December 1994.

REVIEW OF ACTIVITIES

- 2 ASW processes high grade fragmentised scrap, makes and purchases steel billets, which it rolls into wire rod, reinforcement bar in coil and lengths, and sections. Other activities include the production of reinforcing products, wire and nails. Products are sold for use in the engineering and construction industries.
- 3 During 1994, ASW made a profit before interest of £8.4 million (1993 £4.0 million) and a profit before tax of £4.2 million (1993 £0.1 million). The improvement in selling prices and margins within the Steel activities from the low levels experienced at the end of 1993 and the first months of 1994 was maintained in the second half of 1994. Although Construction Systems made a reduced loss of £1.8 million for the year (1993 loss £4.2 million including a loss of £1.4 million from discontinued operations), its results in the second half of the year suffered from delays in the placing of new contracts.
- 4 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 sustainable in the foreseeable future.
- 5 It should be recognised that any consideration about the foreseeable future involves making a judgement at a particular point in time about future events which are inherently uncertain. Nevertheless after making enquires, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

CHANGES IN FIXED ASSETS

- 6 The movements in tangible fixed assets are set out in note 13 to the financial statements.

DIVIDENDS

- 7 The directors have declared and paid a dividend of £3.50 per ordinary share in respect of the year ended 31 December 1994. The holding company has waived its rights to dividends in respect of the participating preference, Y preference and Z preference shares.

Details of the dividends are set out in note 12 to the financial statements.

DIRECTORS

- 8 The directors of the Company at 31 December 1994, all of whom have been directors for the whole of the year then ended, were:-

Sir Alan Cox CBE (Chairman)
P M Rich
C A W Tracy
E C Townsend

P M Rich and C A W Tracy will retire from the board during April 1995.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

- 9 According to the register required to be kept by Section 325 of the Companies Act 1985, the directors of the Company had no interests during the year in the share capital of the Company or any of its subsidiary companies. The directors' interest in the share capital of the holding company are shown in that company's directors' report.

DIRECTORS' INTERESTS IN CONTRACTS

- 10 No director has a beneficial interest in any contract, other than a service contract, with the Company or any subsidiary.

EMPLOYEES

- 11 It is the policy of the Group to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees.
- 12 Regular meetings are held with large groups of employees to keep them informed on the performance of the Company as a whole and on the progress of the businesses in which they work. Financial and economic factors that affect performance are dealt with in this context.
- 13 Groups of employees are involved in the appraisal of changes including, in particular, capital expenditure schemes and health and safety improvements. Small group activities continue to develop, involving all people in the detail of problem solving and in the search for improvements in cost levels and quality.

CHARITABLE CONTRIBUTIONS

- 14 Contributions made by the Group during the period for charitable purposes were £7,935.

AUDITORS

- 15 A resolution to re-appoint Coopers & Lybrand will be proposed at the Annual General Meeting.



By order of the board
A E McGookin, *Company Secretary*,
Cardiff, 6 April 1995

ASW LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITY IN RELATION TO THE ACCOUNTS

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that year. They are responsible for maintaining adequate accounting records, and for taking such steps as are reasonably open to them, for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

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

By order of the board
A E McGookin, *Company Secretary*,
Cardiff, 6 April 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF ASW LIMITED

We have audited the financial statements on pages 4 to 28.

Respective responsibilities of directors and auditors

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

Basis of opinion

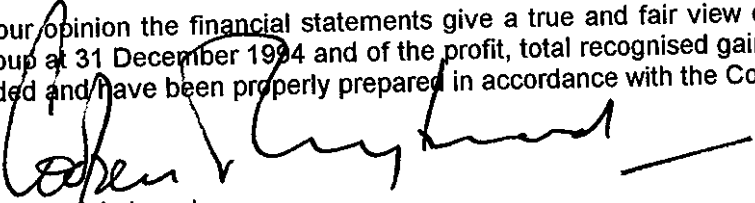
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

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 assurances that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1994 and of the profit, total recognised gains and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
Cardiff, 6 April 1995

ASW LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994**

	Note	1994	1993		
		Total	Continuing Operations	Discontinued Operations	Total
		£m	£m	£m	£m
TURNOVER	2	464.3	424.8	3.7	428.5
OPERATING CHARGES					
Raw materials and consumables		(302.9)	(272.3)	(0.8)	(273.1)
Changes in stocks of finished goods and work in progress		(0.7)	(3.1)	-	(3.1)
Staff costs	3	(55.6)	(53.1)	(3.6)	(56.7)
Exceptional staff costs	4	(2.5)	(1.5)	-	(1.5)
Depreciation and other amounts written off tangible fixed assets	5	(8.1)	(8.6)	(0.2)	(8.8)
Exceptional charges	4	-	(0.3)	-	(0.3)
Other operating items	6	(82.8)	(77.8)	(2.0)	(79.8)
OPERATING PROFIT/(LOSS)	7	11.7	8.1	(2.9)	5.2
Loss on closure of an operation		(3.3)	-	-	-
Costs of restructuring		(1.2)	-	-	-
Provision for costs of restructuring		1.2	-	(1.2)	(1.2)
PROFIT/(LOSS) BEFORE INTEREST		8.4	8.1	(4.1)	4.0
Interest receivable and similar income		1.2			0.7
Interest payable and similar charges	9	(5.4)			(4.6)
PROFIT BEFORE TAXATION		4.2			0.1
Taxation	10	1.5			0.8
PROFIT AFTER TAXATION		5.7			0.9
Dividends to parent Company	12	(5.4)			(5.4)
RETAINED PROFIT/(LOSS) FOR THE YEAR	22	0.3			(4.5)

There have been no recognised gains or losses other than the profit for the year. Accordingly, a statement of total recognised gains and losses has not been prepared.

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

The notes on pages 8 to 28 form part of these accounts.

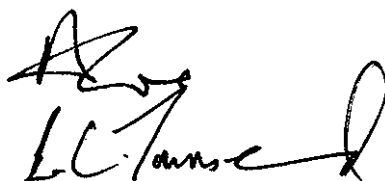
Auditors' report page 3.

ASW LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1994

	Note	1994		1993	
		£m	£m	£m	£m
FIXED ASSETS					
Tangible fixed assets	13		101.5		91.8
Investments	15		2.8		2.8
			<u>104.3</u>		<u>94.6</u>
CURRENT ASSETS					
Stocks and work in progress		44.6		44.7	
Debtors		98.6		92.6	
Cash at bank and in hand		13.9		4.5	
		<u>157.1</u>		<u>141.8</u>	
CREDITORS - Due within one year					
Trade and accruals		(95.3)		(70.1)	
Short term borrowings		(14.6)		(15.1)	
Other		(43.4)		(42.9)	
		<u>(153.3)</u>		<u>(128.1)</u>	
NET CURRENT ASSETS	16		3.8		13.7
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>108.1</u>		<u>108.3</u>
CREDITORS - Due after more than one year	18		(44.8)		(42.5)
PROVISIONS FOR LIABILITIES AND CHARGES	19		-		(2.8)
			<u>63.3</u>		<u>63.0</u>
NET ASSETS					
CAPITAL AND RESERVES					
Called up share capital	21		1.7		1.7
Share premium	22		51.0		51.0
Profit and loss account	22		5.4		5.1
Merger reserve	22		5.2		5.2
			<u>63.3</u>		<u>63.0</u>
SHAREHOLDERS' FUNDS					
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity			61.6		61.3
Non-Equity			1.7		1.7
			<u>63.3</u>		<u>63.0</u>

Sir Alan Cox }
 E C Townsend } Directors



The notes on pages 8 to 28 form part of these accounts

Auditors' report page 3

ASW LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 1994

	Note	1994		1993	
		£m	£m	£m	£m
FIXED ASSETS					
Tangible fixed assets	13		100.6		90.3
Investments	15		2.8		2.8
			103.4		93.1
CURRENT ASSETS					
Stocks and work in progress		43.5		43.6	
Debtors		98.2		91.6	
Cash at bank and in hand		14.4		4.5	
		156.1		139.7	
CREDITORS - Due within one year					
Trade and accruals		(93.1)		(68.3)	
Short term borrowings		(14.6)		(14.5)	
Other		(48.9)		(48.1)	
		(156.6)		(130.9)	
NET CURRENT (LIABILITIES)/ASSETS	17		(0.5)		8.8
			102.9		101.9
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS - Due after more than one year	18		(44.8)		(42.5)
PROVISIONS FOR LIABILITIES AND CHARGES	19		-		(1.6)
			58.1		57.8
NET ASSETS					
CAPITAL AND RESERVES					
Called up share capital	21		1.7		1.7
Share premium	22		51.0		51.0
Profit and loss account	22		5.4		5.1
			58.1		57.8
SHAREHOLDERS' FUNDS					
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity			56.4		56.1
Non-Equity			1.7		1.7
			58.1		57.8

Sir Alan Cox }
 } Directors
 E C Townsend }



The notes on pages 8 to 28 form part of these accounts

Auditors' report page 3

ASW LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	1994		1993	
		£m	£m	£m	£m
OPERATING ACTIVITIES					
Net Cash inflow from continuing activities		35.7		9.6	
Net Cash (outflow) from discontinued activities		<u>-</u>		<u>(0.7)</u>	
NET CASH INFLOW FROM OPERATING ACTIVITIES	24		35.7		8.9
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		1.2		0.7	
Interest paid		(5.4)		(4.6)	
Dividends paid		<u>(5.4)</u>		<u>(5.4)</u>	
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(9.6)		(9.3)
TAXATION					
UK corporation tax received/(paid)			5.2		(1.6)
INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(19.4)		(13.3)	
Sale of fixed assets		1.4		2.4	
Purchase of subsidiary undertaking and goodwill		-		(1.0)	
Acquisition of shares in participating interest		-		(2.4)	
Rationalisation, reorganisation and closure costs		<u>(5.7)</u>		<u>(4.8)</u>	
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES			(23.7)		(19.1)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			<u>7.6</u>		<u>(21.1)</u>
MOVEMENT IN NET CASH					
Net cash at 1 January 1994			(5.6)		(2.0)
Net cash flow before financing		7.6		(21.1)	
Discounting loans		<u>9.1</u>	16.7	17.5	(3.6)
NET CASH AT 31 DECEMBER 1994 (note 26)			<u>11.1</u>		<u>(5.6)</u>

The notes on pages 8 to 28 form part of these accounts

Auditors' report page 3

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

1 Principal Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. The requirements of Financial Reporting Standard "Capital Investments" (FRS 4) and "Reporting the Substance of Transactions" (FRS 5) have been adopted where appropriate. A summary of the more important Group accounting policies is set out below:

(a) Basis of consolidation

The consolidated financial statements include the Company and all its subsidiaries. Inter company sales and profits are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the period are included in the profit and loss account from the effective date of their acquisition or up to the date of their disposal.

(b) Participating interests

The Group's share of profits or losses of the participating interests is included in the consolidated profit and loss account, and the Group's share of post acquisition retained profits and reserves is added to the cost of the investments in the consolidated balance sheet after writing off goodwill. These amounts are taken from the latest audited financial statements of the participating interest which are co-terminous with that of the Company.

(c) Turnover

Turnover excludes value added tax, sales between Group companies and trade discounts and represents the invoiced value of goods and services supplied.

(d) Foreign currencies

Assets and liabilities expressed in foreign currencies and the results of overseas operations are translated to sterling at the rates of exchange ruling at the balance sheet date.

Exchange differences arising on the translation into sterling of the balance sheets of overseas subsidiaries are taken directly to reserves. All other exchange differences are dealt with in the profit and loss account.

Where appropriate, the Group enters into foreign exchange contracts, in order to limit the effect on future profitability of fluctuations in exchange rates between sterling and other currencies. These contracts are treated as a hedge against economic factors which may occur in future periods. Accordingly, any gain or loss is recognised in the period in which the contract matures.

(e) Deferred taxation

Provisions for deferred taxation are only made in respect of timing differences in the assessment of income or allowance of expenditure in so far as a net liability for payment is likely to arise in the future.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

1 Principal Accounting Policies (continued)

(f) Fixed assets other than goodwill

Tangible fixed assets are included at their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal asset lives used for this purpose are:-

	<u>Years</u>
Freehold buildings	50
Leasehold land and buildings (or at rates based on the life of the lease where shorter than 50 years)	50
Plant and machinery	5 to 20

No depreciation is charged on freehold land or capital work in progress.

(g) Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the net tangible assets acquired. Goodwill is normally written off to reserves in the year of acquisition, unless, given the size and nature of the acquisition, it would be appropriate to amortise the goodwill over its estimated economic life.

(h) Leased assets

Where assets are financed by leasing agreements which give substantially the same rights as ownership ('finance leases') the assets are treated as if they had been purchased outright at the capital value of the assets and the corresponding leasing commitments are shown as obligations to the lessor. The capital element of lease payments is applied to reduce the outstanding obligations and the interest is charged to the profit and loss account over the period of the lease. Other rentals are charged wholly to the profit and loss account.

(i) Regional development grants

Regional development grants are treated as deferred income and are released to the profit and loss account over the useful lives of the assets concerned.

(j) Research and development expenditure

Research and development expenditure is written off as incurred.

(k) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs; in the case of manufactured products, cost includes all direct expenditure and production overheads based on a normal level of activity. Net realisable value is the estimated price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made, where necessary, for obsolescent, slow moving and defective stocks.

Rolls, which are used in the production process and have a finite useful life, are included in stocks and work in progress at net book value. This net book value is based on the original cost of the rolls depreciated on a straight line basis over their estimated useful lives.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

1 Principal Accounting Policies (continued)

(l) Pension schemes

The Group operates defined benefit pension schemes which cover substantially all employees. The assets of the schemes are independent of the Group's finances. The schemes are funded by contributions partly from employees and partly from the Group at rates determined by independent actuaries. Actuarial valuations are made at regular intervals, usually every three years, and contribution levels are set accordingly.

The pension cost charged in the accounts is determined so as to spread the cost of pensions systematically over the employees' working lives with the Group.

(m) Exceptional items

In accordance with Financial Reporting Standard "Reporting Financial Performance" (FRS 3), profits or losses in respect of the following items are disclosed separately on the face of the profit and loss account after operating profit:

- sale or termination of an operation
- fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group's operations
- profits or losses on the disposal of major assets

Other exceptional items are shown in arriving at operating profit and are shown separately where that is necessary in order to give a true and a fair view.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

2 Geographical and Segmental Analysis

The analysis by class of business of the Group's turnover, profit before taxation and net assets is set out below:

Turnover	1994			1993		
	Total Sales	Inter-segmental Sales	External Sales	Total Sales	Inter-Segmental Sales	External Sales
	£m	£m	£m	£m	£m	£m
Steel activities	449.6	(1.7)	447.9	418.2	(1.8)	416.4
Construction Systems	16.4	-	16.4	12.1	-	12.1
Turnover	466.0	(1.7)	464.3	430.3	(1.8)	428.5

Profit before taxation	1994	1993		
	Total	Continuing Operations	Discontinued Operations	Total
	£m	£m	£m	£m
Steel activities	10.2	10.9	(1.5)	9.4
Construction Systems	(1.8)	(2.8)	(2.6)	(5.4)
Profit/(loss) before interest	8.4	8.1	(4.1)	4.0
Net interest payable	(4.2)			(3.9)
Profit before taxation	4.2			0.1

Net Assets	1994	1993		
	Total	Continuing Operations	Discontinued Operations	Total
	£m	£m	£m	£m
Steel activities	134.1	138.2	1.0	139.2
Construction Systems	11.0	9.6	(0.5)	9.1
Net operating assets	145.1	147.8	0.5	148.3
Unallocated net liabilities:-				
Investments	2.8	2.8	-	2.8
Amounts due to parent company	(53.6)	(53.3)	-	(53.3)
Net borrowings	(30.5)	(38.1)	-	(38.1)
Current and deferred tax	(0.5)	3.3	-	3.3
Net assets	63.3	62.5	0.5	63.0

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

2 Geographical and Segmental Analysis (continued)

Net operating assets includes tangible fixed assets, stocks, debtors and creditors arising on operating activities.

A geographical analysis of turnover is set out below:-

	1994	1993		
	Total	Continuing Operations	Discontinued Operations	Total
	£m	£m	£m	£m
Europe (including the UK)	411.4	362.8	3.7	366.5
Rest of the World	52.9	62.0	-	62.0
Turnover	464.3	424.8	3.7	428.5

The directors are of the opinion that further geographical analysis would be seriously prejudicial to the commercial interests of the Group.

3 Staff Costs

Employment costs of the Group, including those related to the executive directors, are as follows:-

	1994	1993
	£m	£m
Aggregate gross wages and salaries paid to the Group's employees	47.1	49.7
Employer's national insurance contribution	4.2	4.4
Employers' pension cost under the Group pension schemes	4.3	2.6
Staff Costs	55.6	56.7

A charge of £4.3 million (1993 £2.6 million) for pension costs relating to employees has arisen for the year. This charge reflects the cost of pension benefits accruing during the year. The pension cost has been assessed in accordance with the advice of an independent qualified actuary using the projected unit cost method. Actuarial valuations of the schemes were carried out as at 6 April 1994. The most significant assumption made was that the rate of return on scheme assets would exceed the general rate of increase in members' earnings by 2.5% per annum.

A prepayment of £1.6 million is included in debtors at 31 December 1994, representing the cumulative excess of pension contributions paid over pension costs from 1989 to date.

As at 6 April 1994, the total market value of the assets of the schemes was £115.3 million and the actuarial value of the assets equalled 96% of the liabilities for benefits in respect of service up to that date, allowing for the effect of expected future increases in earnings. Both schemes were over 100% solvent on a basis corresponding to the minimum funding requirement proposed in the Pensions Bill.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

4 Exceptional items

The exceptional staff costs and charges relate to rationalisation and reorganisation within the Group.

5 Depreciation and other amounts written off tangible fixed assets

	<u>1994</u>	<u>1993</u>
	£m	£m
Depreciation	8.3	8.7
Release of regional development grants	(0.2)	(0.2)
Loss on fixed asset disposals	-	0.3
Depreciation and other amounts written off tangible fixed assets	<u>8.1</u>	<u>8.8</u>

6 Other operating items

	<u>1994</u>	<u>1993</u>
	£m	£m
Other external charges	41.2	36.5
Other operating charges	44.4	45.3
Other operating income	-	(0.1)
Own work capitalised	(2.8)	(1.9)
Other operating items	<u>82.8</u>	<u>79.8</u>

7 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	<u>1994</u>	<u>1993</u>
	£m	£m
Auditors' remuneration for audit	0.2	0.2
Hire of plant and machinery	2.2	1.5

Remuneration of the Company's auditors for provision of non-audit services to the Company and its UK subsidiary undertakings was £0.2 million. These services were primarily in respect of taxation advice.

8 Directors and other employees

Emoluments of the directors of the Company (including pension contributions) were as follows:-

	<u>1994</u>	<u>1993</u>
	£'000	£'000
For management services	719	567

The emoluments, excluding pension contributions, of the Chairman and highest paid director were £163,927 (1993 - £145,377).

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

8. Directors and other employees (continued)

The emoluments of the directors, excluding pension contributions but including the emoluments of directors who served for only part of the year, were within the following ranges:-

	<u>1994</u>	<u>1993</u>
	£m	£m
£100,001 to £105,000	-	1
£105,001 to £110,000	1	-
£110,001 to £115,000	1	1
£115,001 to £120,000	-	1
£130,001 to £135,000	1	-
£145,001 to £150,000	-	1
£160,001 to £165,000	1	-

The directors would have received a bonus up to 30% of salary if a target profit before tax had been achieved.

The average numbers of employees, including executive directors, employed by the Group during the year were as follows:-

	<u>1994</u>	<u>1993</u>
Production	1,815	2,117
Selling and administration	517	615
Average number of employees	<u>2,332</u>	<u>2,732</u>

9 Interest payable and similar charges

	<u>1994</u>	<u>1993</u>
	£m	£m
Interest payable and similar charges on bank loans, overdrafts and other loans repayable within 5 years not by instalments	<u>5.4</u>	<u>4.6</u>

10 Taxation

	<u>1994</u>	<u>1993</u>
	£m	£m
Tax on profit on ordinary activities:-		
United Kingdom corporation tax at 33% (1993 - 33%)		
Release of over provision in respect of prior years	1.5	0.4
Deferred tax credit	-	0.4
	<u>1.5</u>	<u>0.8</u>

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

10 Taxation (continued)

No current year tax charge arises because of the availability of tax allowances on capital expenditure. The release in the provision in respect of prior years arises as a result of the agreement with the Inland Revenue on the availability of tax losses in earlier years.

The loss on the closure of an operation has not had an impact on the taxation for the year.

11 Profit of the Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £0.3 million (1993 loss of £4.5 million).

12 Dividends to parent company

	<u>1994</u>	<u>1993</u>
	£m	£m
Ordinary dividend of £3.50 per share (net) (1993 £3.50 per share)	<u>5.4</u>	<u>5.4</u>

The holding company ASW HOLDINGS PLC has waived its right to preference dividends for 1994.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

13(a) Tangible fixed assets - Group

	Land & buildings	Plant & Machinery		Payments on account & capital work in progress	Total
		Owned	Leased		
	£m	£m	£m	£m	£m
Cost					
At 1 January 1994	31.0	123.8	12.9	4.9	172.6
Additions	1.7	12.8	-	4.9	19.4
Disposals	-	(3.5)	-	-	(3.5)
Reclassifications	1.3	4.6	-	(5.9)	-
At 31 December 1994	<u>34.0</u>	<u>137.7</u>	<u>12.9</u>	<u>3.9</u>	<u>188.5</u>
Depreciation					
At 1 January 1994	6.7	65.6	8.5	-	80.8
Charge for year	0.6	6.9	0.8	-	8.3
Disposals	-	(2.1)	-	-	(2.1)
At 31 December 1994	<u>7.3</u>	<u>70.4</u>	<u>9.3</u>	<u>-</u>	<u>87.0</u>
Net book value					
At 31 December 1994	<u>26.7</u>	<u>67.3</u>	<u>3.6</u>	<u>3.9</u>	<u>101.5</u>
At 31 December 1993	<u>24.3</u>	<u>58.2</u>	<u>4.4</u>	<u>4.9</u>	<u>91.8</u>

The land and buildings, all of which are included at cost less accumulated depreciation, comprise:-

	1994	1993
	£m	£m
Freehold land	7.1	6.2
Freehold buildings	16.9	15.0
Long leasehold	2.7	3.1
	<u>26.7</u>	<u>24.3</u>

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

13(b) Tangible Fixed Assets - Company

	Land & buildings	Plant & Machinery		Payments on account & capital work in progress	Total
		Owned	Leased		
	£m	£m	£m	£m	£m
Cost					
At 1 January 1994	30.5	121.8	12.9	4.9	170.1
Additions	1.7	12.6	-	4.9	19.2
Disposals	-	(2.6)	-	-	(2.6)
Reclassifications	1.3	4.6	-	(5.9)	-
At 31 December 1994	<u>33.5</u>	<u>136.4</u>	<u>12.9</u>	<u>3.9</u>	<u>186.7</u>
Depreciation					
At 1 January 1994	6.6	64.7	8.5	-	79.8
Charge for year	0.6	6.7	0.8	-	8.1
Disposals	-	(1.8)	-	-	(1.8)
At 31 December 1994	<u>7.2</u>	<u>69.6</u>	<u>9.3</u>	<u>-</u>	<u>86.1</u>
Net book value					
At 31 December 1994	<u>26.3</u>	<u>66.8</u>	<u>3.6</u>	<u>3.9</u>	<u>100.6</u>
At 31 December 1993	<u>23.9</u>	<u>57.1</u>	<u>4.4</u>	<u>4.9</u>	<u>90.3</u>

The land and buildings, all of which are included at cost less accumulated depreciation, comprise:-

	1994	1993
	£m	£m
Freehold land	7.1	6.2
Freehold buildings	16.5	14.6
Long leasehold	2.7	3.1
Land and buildings	<u>26.3</u>	<u>23.9</u>

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

14 Parent Company

Details of the Group undertakings are set out below:-

Name	Country of incorporation or Registration	Description of shares held	Proportion of nominal value of issued shares held
ASW (Export Services) Ltd	England and Wales	Ordinary £1 shares Preference £1 shares	100.0% 100.0%
Allied Design and Management Services Ltd	England and Wales	Ordinary £1 shares	100.0%
Artéon SA	France	Shares of 100 FF	100.0%

ASW (Export Services) Limited's main activity is the export of steel products. Allied Design and Management Services Ltd (formerly ASW-CUBIC Structures Ltd) provides design and management services. Artéon SA distributes a range of bar and other systems to the European construction industry.

All of the Group undertakings operate principally in their country of incorporation or registration.

The Company has other Group undertakings which were dormant throughout the year.

15 Investments

Group and Company:

Investment in participating interests:-

	<u>1994</u>	<u>1993</u>
	£m	£m
Group's share of net tangible assets		
At 1 January 1994	2.8	0.4
Additions	-	2.4
	<u>2.8</u>	<u>2.8</u>
At 31 December 1994		

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

15 **Investments** (continued)

The details of the participating interests are set out below:-

	Proportion of beneficial interest of equity held	
	31 December 1994	31 December 1993
<u>Name of Companies</u>		
Kings Lynn Steel (Holdings) Limited	50%	50%
Square Grip Limited	25%	25%

The companies are registered in England and Wales, and operate in the United Kingdom. Both companies are involved in the manufacture of steel reinforcement and accessories for the construction industry.

ASW LIMITED**NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994****16 Net current assets - Group**

	1994	1993
	£m	£m
Current Assets		
Stocks and work in progress (see (a) below)		
Raw materials	10.8	12.1
Work in progress	5.5	7.8
Finished goods and goods for resale	16.1	14.2
	<u>32.4</u>	<u>34.1</u>
Stores and spares	9.0	8.0
Rolls	3.2	2.6
	<u>44.6</u>	<u>44.7</u>
Debtors		
Trade debtors (see (b) below)	84.9	76.6
Other debtors	6.7	12.4
Pension prepayment	1.6	1.6
Other prepayments and accrued income	5.4	2.0
	<u>98.6</u>	<u>92.6</u>
Cash and short term deposits		
Deposits on short call (see (c) below)	13.9	4.5
	<u>157.1</u>	<u>141.8</u>
Creditors (due within one year)		
Trade	84.2	62.7
Accruals	11.1	7.4
	<u>95.3</u>	<u>70.1</u>
Short term borrowings		
Bank overdraft (see (d) below)	-	7.0
Term loan (see (d) below)	-	5.0
Discounting loans (see (b) below)	11.8	-
Loan notes (see (e) below)	2.8	3.1
	<u>14.6</u>	<u>15.1</u>
Other:		
Amounts due to parent undertaking	38.6	38.3
Corporation tax	1.4	0.8
Advance corporation tax	1.2	1.3
Social security	1.6	1.7
Deferred Income	0.6	0.8
	<u>43.4</u>	<u>42.9</u>
Total other	<u>43.4</u>	<u>42.9</u>
Total creditors (due within one year)	<u>153.3</u>	<u>128.1</u>
Net current assets	<u>3.8</u>	<u>13.7</u>

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

16 Net Current Assets (continued)

- (a) The current replacement cost of stocks and work in progress was not significantly different from the balance sheet value.
- (b) As explained in note 18, certain of the Group's trade debtors have been discounted.
- (c) Deposits on short call include deposits with the Trustees of the Employee Share Option Scheme of £1.3 million (1993 - £1.3 million).
- (d) The Group's term loans and overdraft facilities are secured by a mortgage debenture.
- (e) The loan notes are repayable on 20 June 2001 or subject to one month's notice. £0.3 million of the loan notes were repaid during 1994. The loan notes are secured by a guarantee from Lloyds Bank Plc which is supported by a bank deposit from ASW Limited.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

17 Net current assets - Company

	1994	1993
	£m	£m
Current Assets		
Stocks and work in progress (see (a) below)		
Raw materials	10.8	12.0
Work in progress	5.5	7.8
Finished goods and goods for resale	15.0	13.2
	<hr/> 31.3	<hr/> 33.0
Stores and spares	9.0	8.0
Rolls	3.2	2.6
	<hr/> 43.5	<hr/> 43.6
Debtors		
Trade debtors (see (b) below)	83.7	75.6
Amount owed by Group undertakings	1.7	-
Other debtors	5.9	12.4
Pension prepayment	1.6	1.6
Other prepayments and accrued income	5.3	2.0
	<hr/> 98.2	<hr/> 91.6
Cash and short term deposits		
Deposits on short call (see (c) below)	14.4	4.5
	<hr/> 156.1	<hr/> 139.7
Creditors (due within one year)		
Trade	82.6	61.4
Accruals	10.5	6.9
	<hr/> 93.1	<hr/> 68.3
Short term borrowing		
Bank overdraft (see (d) below)	-	6.4
Term loan (see (d) below)	-	5.0
Discounting loans (see (b) below)	11.8	-
Loan notes (see (e) below)	2.8	3.1
	<hr/> 14.6	<hr/> 14.5
Other:		
Amounts due to parent Company	38.6	38.3
Amounts due to subsidiary companies	5.5	5.2
Corporation tax	1.4	0.8
Advanced corporation tax	1.2	1.3
Social security	1.6	1.7
Deferred Income	0.6	0.8
	<hr/> 48.9	<hr/> 48.1
Total other	<hr/> 48.9	<hr/> 48.1
Total creditors (due within one year)	<hr/> 156.6	<hr/> 130.9
Net current assets	<hr/> <hr/> (0.5)	<hr/> <hr/> 8.8

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

17 Net Current Assets - Company (continued)

- (a) The current replacement cost of stocks and work in progress was not significantly different from the balance sheet value.
- (b) As explained in note 18, certain of the Group's trade debtors have been discounted.
- (c) Deposits on short call include deposits with the Trustees of the Employee Share Option Scheme of £1.3 million (1993 - £1.3 million).
- (d) The Group's term loans and overdraft facilities are secured by a mortgage debenture.
- (e) The loan notes are repayable on 20 June 2001 or subject to one month's notice. £0.3 million of the loan notes were repaid during 1994. The loan notes are secured by a guarantee from Lloyds Bank Plc which is supported by a bank deposit from ASW Limited.

18 Creditors - Due after more than one year - Group and Company

	<u>1994</u>	<u>1993</u>
	£m	£m
Loans from parent company	15.0	15.0
Term Loans (see 17(d) above)	15.0	10.0
Discounting Loans	14.8	17.5
	<u>44.8</u>	<u>42.5</u>

The term loans are due for repayment within two years and interest is charged at 1½% above LIBOR.

The Group has entered into arrangements to discount certain of its trade debtors. The relevant debts are included in trade debtors and the amount advanced is included in creditors due after more than one year as the facilities require notice of termination in excess of twelve months.

At 31 December 1994 the amount of trade debtors discounted was £33.2 million.

19(a) Provisions for liabilities and charges - Group

	<u>Total</u>
	£m
At 1 January 1994	2.8
Utilised in the year	(2.8)
At 31 December 1994	<u>-</u>

The provision was in respect of future costs of rationalisation, reorganisation and fundamental restructuring.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

19(b) Provisions for liabilities and charges - Company

	<u>Total</u>
	£m
At 1 January 1994	1.6
Utilised in the year	<u>(1.6)</u>
At 31 December 1994	<u>-</u>

The provision was in respect of future costs of rationalisation, reorganisation and fundamental restructuring.

20 Deferred Taxation - Group and Company

There is no deferred taxation provided in the financial statements. The total amounts unprovided are as follows:-

	<u>Amount Unprovided</u>	
	<u>1994</u>	<u>1993</u>
	£m	£m
Tax effect of timing differences due to:		
Excess of tax allowances over depreciation	13.6	13.4
Other	<u>0.1</u>	<u>0.6</u>
	<u>13.7</u>	<u>14.0</u>

No movement on the deferred taxation provision occurred during the year.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

21 Called-up share capital

	1994		1993	
	Number of shares	£000	Number of shares	£000
Authorised				
Ordinary shares of 1p each	1,546,079	15	1,546,079	15
Participating preference shares of 1p each	1,040,525	10	1,040,525	10
Y preference shares of 1p each	37,000,000	370	37,000,000	370
Z preference shares of 1p each	133,386,188	1,334	133,386,188	1,334
Unclassified shares of 1p each	27,208	-	27,208	-
		-		-
		1,729		1,729
Issued and fully paid				
Ordinary shares of 1p each	1,546,079	15	1,546,079	15
Participating preference shares of 1p each	1,040,525	10	1,040,525	10
Y preference shares of 1p each	37,000,000	370	37,000,000	370
Z preference shares of 1p each	133,386,188	1,334	133,386,188	1,334
Unclassified shares of 1p each	27,208	-	27,208	-
		-		-
		1,729		1,729

The preference shares, which are non-voting, are entitled to the following dividends:-

- (a) Participating preference shares are entitled to a dividend of 0.01% of the aggregate amount of dividends in excess of £30 million paid in respect of the ordinary shares of 1p each;
- (b) Y preference shares of 1p each are entitled to a fixed non-cumulative dividend of 450% per annum (paid six monthly) on the amount of the share capital issued and fully paid;
- (c) Z preference shares of 1p each are entitled to a fixed non-cumulative dividend of 4.5% per annum (paid six monthly) on the amount of the share capital issued and fully paid.

ASW LIMITED**NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994****22 Movements on Reserves**

The movement on the Groups' reserves and the balances are analysed as follows:-

	1994				1993
	Share Premium	P&L Account	Merger Reserve	Total	Total
	£m	£m	£m	£m	£m
As at 1 January 1994	51.0	5.1	5.2	61.3	66.8
Retained profit/(loss) for the year	-	0.3	-	0.3	(4.5)
Goodwill on acquisition	-	-	-	-	(1.0)
As at 31 December 1994	51.0	5.4	5.2	61.6	61.3

The movement on the Company's reserves are as shown above.

23 Reconciliation of Movements in Shareholders' Funds

The opening shareholders' funds were £63.0 million and the closing shareholders' funds are £63.3 million. The reconciliation of movements in shareholders' funds is fully reflected in the movement in the profit and loss account shown in note 22.

24 Reconciliation of Operating Profit to net cash inflow from operating activities

	1994	1993		
		Continuing Operations	Discontinued Activities	Total
	£m	£m	£m	£m
Operating profit/(loss)	8.4	8.1	(4.1)	4.0
Depreciation charge	8.3	8.5	0.2	8.7
Loss on sale of tangible fixed assets	-	0.3	-	0.3
Costs of restructuring, rationalisation and reorganisation	5.8	1.8	1.2	3.0
Release of regional development grants	(0.2)	(0.2)	-	(0.2)
Decrease in stocks	0.1	0.5	3.4	3.9
(Increase)/decrease in debtors	(9.2)	(18.0)	4.3	(13.7)
Increase/(decrease) in creditors	22.5	8.6	(5.7)	2.9
Net Cash Inflow/(outflow) from Operating Activities	35.7	9.6	(0.7)	8.9

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

25 Changes in Financing during the year

	Discounting Loans
	£m
Balance as at 1 January 1994	17.5
Cash flows from financing	9.1
Balance as at 31 December 1994	<u>26.6</u>

26 Cash and Cash Equivalents

	1994	1993	Changes in year
	£m	£m	£m
Cash at bank and in hand	13.9	4.5	9.4
Bank overdrafts	-	(7.0)	7.0
Loan notes	(2.8)	(3.1)	0.3
Cash and cash equivalents	<u>11.1</u>	<u>(5.6)</u>	<u>16.7</u>

27 Capital Commitments

The following capital expenditure has been approved as at 31 December 1994:

	1994	1993
	£m	£m
Expenditure contracted for	2.7	8.9
Approved by the directors but not yet contracted for	0.5	1.6
Approved expenditure outstanding	<u>3.2</u>	<u>10.5</u>

Under the terms of a "put and call" option, in certain circumstances the Company could acquire an investment at a maximum amount of £8.2 million. The consideration in respect of the acquisition would be less than its underlying net asset value.

In addition there are further commitments which are referred to in Note 29.

28 Contingent Liabilities

The Company has guaranteed the bank overdrafts and term loans of its subsidiary undertakings.

ASW LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

29 Post Balance Sheet Events

During the year ended 31 December 1994 the company negotiated the disposal of Scunthorpe Rod Mill ("SRM") to British Steel plc for a sum of £50 million. The transaction, which was approved by the shareholders of the holding company on 9 January 1995, was subject to certain conditions which were satisfied by 10 March 1995 when the transaction was completed.

The disposal of SRM has not been treated as a discontinued activity for purposes of the consolidated profit and loss account on page 4, as the group will continue to manufacture and sell the same products as were manufactured and sold by SRM. The disposal of SRM has generated a profit of approximately £18 million which will be reflected as a profit on the sale of operations in the financial statement for the year ended 31 December 1995.

SRM contributed £10.7 million to the group's operating profit before interest and exceptional costs in 1994.

30 Ultimate Holding Company

The directors regard ASW HOLDINGS PLC, a Company registered in England and Wales, as the ultimate holding company. Copies of ASW HOLDINGS PLC consolidated financial statements may be obtained from Conway House, St Mellons Business Park, St Mellons, Cardiff, CF3 0YJ.

31 Date of Approval of Accounts by Directors

These accounts were approved by the directors on 6 April 1995.