

# The Bronx Engineering Company Limited

Directors' report and financial statements

2 February 1996

Registered number 1119794



# The Bronx Engineering Company Limited

## Directors' report and financial statements

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# The Bronx Engineering Company Limited

## Directors' report

The directors submit their annual report together with the audited financial statements of the company for the year ended 2 February 1996.

### Principal activities and business review

The principal activities of the company continue to be the manufacture, supply and installation of heavy machinery lines for use in the steel, construction and metal forming industries.

Turnover for the year was £4,392,000 (1995: £3,392,000) and the loss on ordinary activities before taxation for the financial year was £1,063,000 (1995: £853,000).

### Results and dividends

The company's results for the year are shown on page 5 of the financial statements. The retained loss for the year of £902,000 (1995: £853,000) has been added to the accumulated deficit on the profit and loss account.

No dividend has been paid or is proposed.

### Fixed assets

Movements in fixed assets are shown in note 9 to the financial statements.

### Directors and their interests

Mr RI Eyres and JM Henderson are directors of the ultimate parent undertaking and their interests in the share capital of Verson International Group plc are shown in the accounts of that company.

Other directors who held office during the year, together with their interests in the ordinary share capital of Verson International Group plc, were as follows:

	Number of options held at 2 February 1996		Ordinary shares of 10p each	
	10p options	34.5p options	2 February 1996	31 January 1995
AN Brown	50,000	10,000	-	-
CE Tomkins (resigned 7 June 1996)	-	-	-	-
AR Partridge	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Options are exercisable at any time prior to 13 September 1997 at a price of 10p per share and at any time prior to 26 April 1999 at a price of 34.5p per share so long as the company is a member of Verson International Group plc. No options were granted or lapsed during the period.

No director has any interest in the share capital of the company.

# The Bronx Engineering Company Limited

## Directors' report *(continued)*

### Post balance sheet events

On 3 June 1996 it was announced that the company would be merged with Bronx Process Engineering Limited, a fellow subsidiary undertaking.

This merger is planned to take place on completion of the sale of the Press Division of Verson International Group plc, the company's parent company which is expected to take place in September 1996.

On 5 August 1996 it was announced that the company's parent undertaking Verson International Group plc had entered into an agreement, conditional on shareholder approval, to sell the group's Press Division to Press Purchase Company, a Delaware Corporation, and Press Purchase Company Europe, companies controlled by TS Kelleher, the Chairman of Verson International Group plc. The aggregate consideration of the disposal of approximately US\$44.2 million approximates to the net assets of the Press Division as at 2 February 1996.

The Press Division consists of Clearing Niagara Inc, Clearing International Limited, Verson International Limited, Verson Europa SA, SA Scroll Cutting Service and Verson Clearing International Pty Limited.

Further details of the proposed transaction are given in a circular to Verson International Group plc shareholders to be dated 6 August 1996.

### Auditors

During the year Arthur Andersen resigned as auditors and the Board appointed KPMG Audit Plc to fill the casual vacancy.

A resolution will be proposed at the forthcoming Annual General Meeting to reappoint KPMG Audit Plc as auditors.

By order of the Board



**B Robinson**  
*Secretary*

Dudley Road  
Lye  
West Midlands  
DY9 8DS

5 August 1996

# The Bronx Engineering Company Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**

2 Cornwall Street  
Birmingham B3 2DL

**Auditors' report to the members of The Bronx Engineering Company Limited**

We have audited the financial statements on pages 5 to 16.

***Respective responsibilities of directors and auditors***

As described on page 3 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 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.

***Going concern***

In forming our opinion we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the ability of the Company and Verson International Group plc and subsidiary undertakings to operate within their bank facilities and the disposal of the Press Division. In view of the significance of these uncertainties we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

***Opinion***

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 2 February 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

5 August 1996



# The Bronx Engineering Company Limited

## Profit and loss account

for the year ended 2 February 1996

	<i>Note</i>	<b>1996</b> £'000	1995 £'000
<b>Turnover</b>	2	4,392	3,392
Cost of sales		<u>(4,036)</u>	<u>(3,185)</u>
<b>Gross profit</b>		356	207
Other operating expenses	3	<u>(571)</u>	<u>(391)</u>
<b>Operating loss</b>		(215)	(184)
Interest payable and similar charges	4	<u>(848)</u>	<u>(669)</u>
<b>Loss on ordinary activities before taxation</b>	5	(1,063)	(853)
Taxation	8	<u>161</u>	<u>-</u>
<b>Loss on ordinary activities after taxation being retained loss for the financial year</b>		<u><u>(902)</u></u>	<u><u>(853)</u></u>

In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or preceding years other than those disclosed in the profit and loss account.

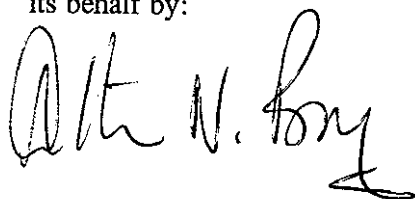
In both the current and the preceding years there was no material difference between the loss reported in the profit and loss account and the loss on an unmodified historical basis.

# The Bronx Engineering Company Limited

## Balance sheet at 2 February 1996

	Note	1996		1995	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	9		4,577		4,781
<b>Current assets</b>					
Stocks	10	505		399	
Debtors	11	1,927		1,441	
		<u>2,432</u>		<u>1,840</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(15,266)</u>		<u>(13,776)</u>	
<b>Net current liabilities</b>			<u>(12,834)</u>		<u>(11,936)</u>
<b>Total assets less current liabilities</b>			<u>(8,257)</u>		<u>(7,155)</u>
<b>Provision for liabilities and charges</b>	13		<u>(74)</u>		<u>(274)</u>
<b>Net liabilities</b>			<u><u>(8,331)</u></u>		<u><u>(7,429)</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		100		100
Revaluation reserve	15		896		917
Profit and loss account	15		<u>(9,327)</u>		<u>(8,446)</u>
<b>Equity shareholders' funds</b>	16		<u><u>(8,331)</u></u>		<u><u>(7,429)</u></u>

These financial statements were approved by the board of directors on 5 August 1996 and were signed on its behalf by:



**AN Brown**  
Director



# The Bronx Engineering Company Limited

## Notes

*(forming part of the financial statements)*

### **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain tangible fixed assets and on the going concern basis (see note 1 below). The financial statements have been prepared in accordance with applicable Accounting Standards.

### ***Cashflow statements***

The company is a wholly owned subsidiary of Verson International Group plc which is established under the law of a member state of the European Community. Verson International Group plc publishes consolidated financial statements including a consolidated cash flow statement which includes the results the company, accordingly no cash flow statement is included in these financial statements.

### ***Turnover***

Turnover, other than that related to long term contracts as described below, represents invoiced sales of goods and services excluding value added tax.

### ***Depreciation and amortisation***

Depreciation is provided on tangible fixed assets at rates calculated to write off the gross book value, less estimated residual value, on a straight line basis of each asset over its estimated useful life as follows:

Land and buildings	- 40 years
Plant and equipment	- 5 and 20 years
Design archives	- 15 years

### ***Stocks and long term contracts***

In the case of long term contracts, turnover represents the estimated contract revenues on work performed during the year. Contract revenues and profits are computed on the percentage of completion method, primarily by reference to labour hours, profits being determined after making reserves against all anticipated costs including possible warranty claims.

Long term contract balances included in stocks comprise costs incurred on long term contracts, net of amounts transferred to cost of sales, after deducting foreseeable losses and related payments on account. Costs include direct material and labour costs incurred in bringing a contract to its state of completion at the year end, including an appropriate proportion of indirect expenses. Provisions for estimated losses on contracts are made in the periods in which such losses are foreseen.

Amounts recoverable on contracts, being the amount by which recorded turnover is in excess of payments on account, is classified under debtors. The excess of payments received over amounts recorded as turnover is classified under creditors due within one year.

Other stocks are stated at the lower of cost and net realisable value and provision is made for obsolete, slow moving or defective items when appropriate.

# The Bronx Engineering Company Limited

## Notes *(continued)*

### *Accounting policies (continued)*

#### *Leases*

Assets held under finance leases and hire purchase agreements are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease or hire purchase term and its useful economic life. The interest element of payments is allocated to the profit and loss account over the period of the lease on a straight line basis.

Rentals under operating leases are charged on a straight line basis over the lease term.

#### *Taxation*

The charge or credit for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions during the year are dealt with at the rates ruling at the date of the transaction or the relevant forward contract rate. All exchange differences on transactions are taken to the profit and loss account.

#### *Pensions*

Pension costs are charged to the profit and loss account on an accruals basis.

### **1 Basis of preparation of the financial statements**

The company is dependent upon continuing support from Verson International Group plc and its subsidiaries (the group) to enable it to settle its liabilities as they fall due.

The group meets its day to day working capital requirements through overdraft facilities which are repayable on demand. The nature of the group's businesses are such that there can be considerable variation in the timing of cash inflows. On the basis of their cash flow projections and discussions with the group's bankers, the directors consider that the group will continue to operate within the facilities available which are subject to approval by the shareholders of the disposal of the Press Division. However, the margin of facilities over requirements is small, and inherently, there can be no certainty in relation to these matters. To the extent that the group is unable to continue to operate within its facilities, it would need to seek the further support of its banks. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facilities by the group's bankers. Such adjustments would include the revision of carrying values of balance sheets assets, the requirement for further provisions for any additional liabilities that may arise and balance sheet reclassifications of fixed assets and long term liabilities.

With the proposed disposal of the Press Division in mind the group has negotiated overdraft facilities with its principal banker to fund its operations. Whilst the directors recognise that the sale has not yet been completed and that after the sale the group will still remain comparatively highly geared they believe that it is appropriate for the accounts to be prepared on the going concern basis.

# The Bronx Engineering Company Limited

## Notes (continued)

### 2 Segmental analysis

All turnover and operating profits and losses arose from the company's principal activities, which are carried out wholly in the United Kingdom.

Contributions to turnover by geographical destination were as follows:

	1996 £'000	1995 £'000
United Kingdom	2,181	2,116
Other European countries	1,215	268
North America	155	64
Africa	121	894
Far East	118	31
Other	602	19
	<u>4,392</u>	<u>3,392</u>

### 3 Other operating expenses

	1996 £'000	1995 £'000
Selling, marketing and distribution costs	499	392
Group management charges (net)	64	150
Other (including exchange gains and losses)	8	(151)
	<u>571</u>	<u>391</u>

### 4 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank overdraft and other loans, repayable within five years, not by instalments	658	493
On amounts due to ultimate holding company	177	150
On finance leases and hire purchase contracts	13	26
	<u>848</u>	<u>669</u>

# The Bronx Engineering Company Limited

## Notes (continued)

### 5 Loss for the financial year

Loss for the financial year is stated after charging:

	1996 £'000	1995 £'000
Depreciation of tangible fixed assets:		
Owned	234	147
Held under finance leases and hire purchase contracts	96	103
Hire of plant and machinery under operating leases	40	47
Other operating lease rentals	-	161
Auditors' remuneration:		
Audit services	17	13
Other services	-	12
	<u>          </u>	<u>          </u>

### 6 Staff numbers and costs

The average number of employees (including directors) employed by the company during the year was as follows:

	1996 £'000	1995 £'000
Design and manufacturing	77	59
Management and administration	11	11
Sales and marketing	8	10
	<u>          </u>	<u>          </u>
	96	80
	<u>          </u>	<u>          </u>

Employee costs during the year amounted to:

Wages and salaries	1,665	1,283
Social security costs	130	106
Other pension costs	70	53
	<u>          </u>	<u>          </u>
	1,865	1,442
	<u>          </u>	<u>          </u>

# The Bronx Engineering Company Limited

## Notes (continued)

7	Directors' emoluments	1996 £'000	1995 £'000
	Emoluments (including pension contributions)	<u>115</u>	<u>131</u>
	The directors' remuneration shown above (excluding pensions and pension contributions) included:		
	Highest paid director	<u>49</u>	<u>54</u>
	Excluding pension contributions, the emoluments of the directors fell within the following categories:	Number	Number
	Up to £5,000	2	2
	£25,001 - £30,000	1	-
	£30,001 - £35,000	-	-
	£35,001 - £40,000	1	1
	£40,001 - £45,000	-	1
	£45,001 - £50,000	1	-
	£50,001 - £55,000	<u>-</u>	<u>1</u>
8	Taxation	1996 £'000	1995 £'000
	The tax credit comprises:		
	Adjustment in respect of prior years:		
	Deferred tax	<u>161</u>	<u>-</u>

# The Bronx Engineering Company Limited

## Notes (continued)

### 9 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Design archives £'000	Total £'000
<b>Costs or valuation</b>				
At beginning of year	3,481	3,795	310	7,586
Additions	2	39	-	41
Transfers from group company	-	214	-	214
Disposals	-	(2)	-	(2)
At end of year	<u>3,483</u>	<u>4,046</u>	<u>310</u>	<u>7,839</u>
<b>Depreciation</b>				
At beginning of year	443	2,238	124	2,805
Charge for the year	80	229	21	330
Transfers from group company	-	129	-	129
Disposals	-	(2)	-	(2)
At end of year	<u>523</u>	<u>2,594</u>	<u>145</u>	<u>3,262</u>
<b>Net book value</b>				
At 2 February 1996	<u>2,960</u>	<u>1,452</u>	<u>165</u>	<u>4,577</u>
At 31 January 1995	<u>3,038</u>	<u>1,557</u>	<u>186</u>	<u>4,781</u>

Included in plant and machinery are leased assets with a net book value of £272,000 (1995: £368,000).

Freehold land amounting to £300,000 (1995: £300,000) included above has not been depreciated.

Design archives purchased prior to 31 January 1986 are included in the financial statements based upon a professional valuation at that date. Additions subsequent to 31 January 1986 are included at cost.

Certain items of plant and machinery were professionally valued in 1989.

Original cost and aggregate depreciation based on cost of land and buildings:

	1996 £'000	1995 £'000
Original cost	2,553	2,551
Depreciation based on cost	(699)	(619)
	<u>1,854</u>	<u>1,932</u>

# The Bronx Engineering Company Limited

## Notes (continued)

10	<b>Stocks</b>	1996 £'000	1995 £'000
	Work in progress	341	219
	Raw materials and spare parts	164	180
		<u>505</u>	<u>399</u>
	Long term contract balances included above can be analysed as follows:		
	Net cost less foreseeable losses	456	397
	Applicable payments on account	(115)	(52)
		<u>341</u>	<u>345</u>
11	<b>Debtors</b>	1996 £'000	1995 £'000
	Amounts falling due within one year:		
	Trade debtors	477	324
	Amounts recoverable on contracts	645	372
	Amounts owed by other group undertakings	614	600
	VAT	91	31
	Other debtors	38	17
	Prepayments and accrued income	62	97
		<u>1,927</u>	<u>1,441</u>

# The Bronx Engineering Company Limited

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Obligations under finance leases and hire purchase agreements	-	98
Bank loans and overdrafts (secured)	8,206	6,849
Payments received on account and contract completion reserves	190	210
Trade creditors	713	442
Amounts owed to other group undertakings	5,844	5,789
Other creditors:		
Social security and PAYE	43	78
Accruals and deferred income	270	310
	<u>15,266</u>	<u>13,776</u>

The bank loans and overdrafts are secured by fixed charges over freehold premises and floating charges over certain other assets supported by cross-guarantees from group undertakings.

### 13 Provisions for liabilities and charges

	Deferred Tax £'000	Repairs under Warranty £'000	Total £'000
Beginning of year	161	113	274
Expenditure in year	-	(37)	(37)
Released to profit and loss account in year	(161)	(2)	(163)
	<u>-</u>	<u>74</u>	<u>74</u>
End of year	-	74	74

No deferred taxation has been provided in respect of the revaluation reserve. The company has approximately £10 million available to offset future profits. No credit for these losses has been taken within these financial statements.

### 14 Called up share capital

	1996 £'000	1995 £'000
<i>Authorised, allotted, called up and fully paid:</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>



# The Bronx Engineering Company Limited

## Notes (continued)

### 15 Reserves

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Beginning of year	917	(8,446)	(7,529)
Transfer from revaluation reserve	(21)	21	-
Retained loss for the financial year	-	(902)	(902)
	<u>          </u>	<u>          </u>	<u>          </u>
At end of year	<u>896</u>	<u>(9,327)</u>	<u>(8,431)</u>

### 16 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Loss for the financial year	(902)	(853)
Shareholders' funds at beginning of year	(7,429)	(6,576)
	<u>          </u>	<u>          </u>
<b>Shareholders' funds at end of year</b>	<u><b>(8,331)</b></u>	<u><b>(7,429)</b></u>

### 17 Commitments

- a. The group had annual commitments at 2 February 1996 in respect of non-cancellable (non property) operating leases analysed as follows:

	1996 £'000	1995 £'000
Operating leases which expire:		
Within one year	-	41
In the second to fifth years inclusive	54	49
	<u>          </u>	<u>          </u>
	<u>54</u>	<u>90</u>

- b. At 2 February 1996, authorised capital commitments for which no provision has been made in the financial statements amounted to £Nil (1995: £Nil).

### 18 Contingent liabilities

The company has granted to the group's bankers cross-company guarantees in favour of its parent and fellow subsidiary undertakings. The potential liability at 2 February 1996 was £30,505,000 (1995: £31,817,000).

The company has given guarantees in respect of advance payments and performance bonds totalling £927,000 (1995: £184,000).

# The Bronx Engineering Company Limited

## Notes *(continued)*

### 19 Pensions

The company participates in the Verson International Group Pension Fund, a funded defined benefit scheme. Contributions payable to the scheme are determined by a qualified actuary on the basis of periodic valuations. The most recent valuation of the Verson International Group Pension Fund was carried out on 6 April 1994. Details of the scheme are set out in the Verson International Group plc financial statements.

### 20 Ultimate parent undertaking

The immediate and ultimate parent undertaking is Verson International Group plc, whose registered office is at Dudley Road, Lye, West Midlands, DY9 8DS. Verson International Group plc produces financial statements into which the company's results are consolidated, which are available from the same address.

### 21 Post balance sheet events

On 5 August 1996 it was announced that the company's ultimate parent undertaking Verson International Group plc had entered into an agreement, conditional on shareholder approval, to sell the group's Press Division to Press Purchase Company, a Delaware Corporation and Press Purchase Company Europe, companies controlled TS Kelleher, the Chairman of Verson International Group plc. The aggregate consideration of the disposal of approximately US\$44.2 million approximates to the net assets of the Press Division as at 2 February 1996.

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