

APPENDIX 3.3  
(referred to in paragraph 3.55)

**VSEL: historical financial information**

TABLE 1 VSEL: summarized balance sheet as at 31 March, 1989 to 1994

	<i>£ million</i>					
	1989	1990	1991	1992	1993	1994
Total assets	<u>489</u>	<u>497</u>	<u>531</u>	<u>555</u>	<u>603</u>	<u>584</u>
Tangible fixed assets	271	278	255	230	204	190
Stocks and debtors less current creditors* (other than borrowings)	<u>84</u>	<u>62</u>	<u>(10)</u>	<u>(27)</u>	<u>9</u>	<u>(54)</u>
Net operating assets employed†	355	340	245	203	213	136
Cash assets less borrowings‡	(99)	(62)	25	56	38	161
Creditors > 1 year and provisions for liabilities and charges	<u>(44)</u>	<u>(42)</u>	<u>(64)</u>	<u>(35)</u>	<u>-</u>	<u>(15)</u>
	<u>212</u>	<u>236</u>	<u>206</u>	<u>224</u>	<u>251</u>	<u>282</u>
Share capital and reserves§	212	236	206	224	251	282
Minority interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>212</u>	<u>236</u>	<u>206</u>	<u>224</u>	<u>251</u>	<u>282</u>

Source: MMC from VSEL annual reports and accounts.

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\*Current creditors excludes borrowings, payments in advance and proposed dividends.  
†VSEL told us that it considered the exclusion of cash balances from the calculation of capital employed to be inappropriate on the grounds that its cash assets helped to create a strong balance sheet which it considered to be an important requirement of the MoD in considering the appointment of prime contractors.  
‡Includes payments received in advance on long-term contracts and obligations under finance leases.  
§Includes proposed dividends.

TABLE 2 VSEL: summarized profit and loss accounts, 1989 to 1994

	<i>£ million</i>					
	1989	1990	1991	1992	1993	1994
Turnover	466	536	523	520	442	466
Operating profit	21.4	36.5	37.5	38.1	41.7	55.4
Exceptional items	-	(2.8)	-	-	-	(4.5)
Net interest (payable)/receivable	<u>(4.4)</u>	<u>(3.1)</u>	<u>3.2</u>	<u>9.7</u>	<u>13.9</u>	<u>10.0</u>
Profit/(loss) before tax	17.0	30.6	40.7	47.8	55.6	60.9
Taxation	<u>(1.3)</u>	<u>(2.1)</u>	<u>(14.2)</u>	<u>(18.2)</u>	<u>(21.0)</u>	<u>(22.0)</u>
Profit/(loss) after tax	15.7	28.5	26.5	29.6	34.6	38.9
Extraordinary items	<u>-</u>	<u>-</u>	<u>(89.3)</u>	<u>(3.9)</u>	<u>-</u>	<u>-</u>
Profit/(loss) for the year	<u>15.7</u>	<u>28.5</u>	<u>(62.8)</u>	<u>25.7</u>	<u>34.6</u>	<u>38.9</u>
Minority interests	-	-	-	-	-	-
Dividends	<u>(3.9)</u>	<u>(7.1)</u>	<u>(8.0)</u>	<u>(9.2)</u>	<u>(10.8)</u>	<u>(12.9)</u>
Retained profit/(loss)	<u>11.8</u>	<u>21.4</u>	<u>(70.8)</u>	<u>(16.5)</u>	<u>(23.8)</u>	<u>26.0</u>
Operating profit as a percentage of turnover	4.6	6.8	7.2	7.3	9.4	11.9

Source: MMC from VSEL annual reports and accounts.

**TABLE 3 Historical cost financial statistics, 1989 to 1994**

	1989	1990	1991	1992	1993	1994
Average net operating assets employed in the business (£m)*	308	347	293	224	208	175
Operating profit (£m)	21.4	36.5	37.5	38.1	41.7	55.4
Return on average net operating assets employed (%)	7.0	10.5	12.8	17.0	20.1	31.7
Average shareholders' funds and minority interests* (£m)	206	224	221	215	237	267
Profit/(loss) on ordinary activities before tax (£m)	17	31	41	48	56	61
Return on average shareholders' funds and minority interests (%)	8.3	13.8	18.6	22.3	23.6	22.9
Earnings per ordinary share (pence) after exceptional items	44.1	79.9	74.1	82.4	93.4	103.7

*Source:* MMC from VSEL annual reports and accounts.

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\*The figures for net operating assets employed and shareholders' funds including provisions are simple averages of the beginning and end of each financial year (see Table 1). See also Note † to Table 1.