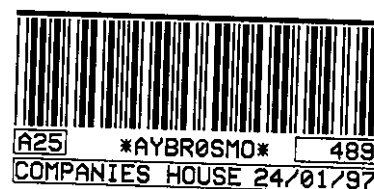


# **Baxi Partnership Limited**

## **Report of the directors and consolidated financial statements**

**Year ended 30th March 1996**

Registered number 367875



## Report of the directors and consolidated financial statements

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## Report of the directors

The directors present their annual report and the audited financial statements for the year ended 30th March 1996.

### Statement of directors' responsibilities

United Kingdom 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 the Group 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 the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining 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 Group and to prevent and detect fraud and other irregularities.

### Corporate Governance

The Board fully supports the underlying principles contained in the recommendations of the committee on the Financial Aspects of Corporate Governance (The Cadbury Report) and complies with the code of best practice in its current state of development, although since the Group is unlisted it is not required to do so. The Board of Directors has overall responsibility for the Group's system of internal control and, whilst accepting that no system gives absolute assurance, will continue to enhance formal procedures to ensure that appropriate systems exist and that the extent of compliance with Cadbury can be reviewed in the current year.

The Board of Directors, currently comprising three executive and four non-executive directors, meets quarterly during the year. The Board is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financial matters. Trading companies are managed by separate boards of directors.

The Board has established a number of standing committees consisting of certain directors. Each committee operates within defined terms of reference. The principal committees are the Executive Directors' committee, which operate as a general management committee, the Audit Committee and the Remuneration and Appointments Committee. These latter committees are composed of the non-executive directors. The Executive Directors' committee controls a

comprehensive system of annual budget review, monthly management reporting and regular forecasting and holds regular meetings with subsidiary boards.

After making enquiries and reviewing the Group's budget and cash flow forecast for the coming year, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Principal activities**

The principal activities of the Group are structured into three areas:

- Heating - manufacture and distribution of domestic heating products in the UK and Europe.
- Air Management - manufacture of air management products for the construction industry.
- Engineering Components - manufacture of high quality cast iron, sheet metal and die cast finished components.

The Company has also established a venture capital fund for investment in employee owned companies utilising the Company's financial strength and unique experience of managing an employee owned business.

In addition, the Company has focused its community involvement through the ownership of Preston North End plc.

### **Business review**

The results for the year just ended show the benefits of the necessary actions taken last year in reducing our cost base, principally through increasing efficiency and pay restructuring. The resulting redundancies have been greater than anticipated, requiring a further £1.2m exceptional charge in this financial year. Without these changes it is likely that the results would have been no better than breakeven.

As planned, all major businesses increased gross margin over the previous year and, against a background of some poor markets, the Group managed to increase turnover by 9%.

Investments continued in the areas of customer service, computer systems and manufacturing plant to reinforce further the Group's commitment to high levels of service and quality.

A joint venture was established with Brembo SpA of Italy to exploit aluminium casting technology and £1m of an eventual £2m equity investment was made in this financial year.

Extracts from the Group Profit and Loss Account are as follows:

	1996	1995 (As restated)
	<u>£000</u>	<u>£000</u>
Turnover	94,555	86,709
Exceptional items	(1,137)	(3,534)
Operating profit/(loss)	3,147	(4,478)
Profit/(loss) before taxation	4,663	(2,239)
Retained profit/(loss)	2,594	(1,956)
Retained profit carried forward	67,682	64,032

### **Subsidiary undertakings**

Particulars of the Company's principal subsidiary undertakings are given in note 29 to the financial statements.

### **Research and development**

The Group's businesses commit resources to research and development to assist them in securing their competitive positions in their chosen markets. Expenditure for the current year amounted to £1.4m (1995 : £1.5m).

### **Dividends**

The directors do not recommend the payment of a dividend.

### **Fixed assets**

Information relating to the fixed assets of the Company and the Group is given in notes 10 to 12 to the accounts.

In April 1996 the directors received valuations of the Group's leasehold and freehold properties from Lambert Smith Hampton, Consultant Surveyors & Valuers, Manchester. These valuations have been incorporated into these financial statements.

## **Directors and directors' interests**

The directors who held office during the year were as follows:

- B M Gray
- L King
- P R Johnson
- \* P S Baxendale
- \* T C Campbell
- \* D E Erdal
- \* A G Thomas
  
- \* *Non-Executive director*

With the exception of Mr L King, no director had any interest in the ordinary shares of the Company at the end of the financial year. Mr L King had a beneficial holding of 3,289 (1995 : 3,798) ordinary shares of 10p each at the year end.

Mr P S Baxendale will retire as a non-executive Director at the Annual General Meeting. Mr D E Erdal and Mr B M Gray will retire by rotation in accordance with the Articles of Association and being eligible submit themselves for re-election.

## **Remuneration and Appointments Committee**

The Remuneration and Appointments Committee comprises all Non-Executive Directors with an elected Chairman. Its objective is to secure the suitability of awards given to Directors and its purpose is to ensure fair rewards whilst demonstrating an independence in setting them. The Committee also confirms appointments of senior executives within the Group.

Directors' remuneration is reviewed annually to ensure that it is competitive, fair and that any performance related element is justifiable and consistent with Company objectives.

## **Employees**

The Group places considerable emphasis on the contribution of the workforce within the business, supporting the view that its continued prosperity is dependent on the involvement and participation of every employee.

The Group believes in a structured approach to the training and development of employees. Links with further education institutions and a commitment to self development through open learning education programmes are maintained.

Disabled people are employed and trained whenever their aptitudes and abilities allow and suitable vacancies are available. Where an employee becomes disabled an attempt is made to continue his or her employment and to arrange appropriate retraining or transfer if necessary. The Group's disabled employees are treated equally in every respect and are constantly encouraged to develop their skills in accordance with their abilities.

### **Profit Sharing**

The Company operates an Inland Revenue approved profit sharing scheme for the Group. The Profit and Loss Account includes a total profit sharing allocation of £493,000 (1995 : £7,000). The Baxi Partnership Limited Savings Related Share Option Scheme launched in 1992, allows employees periodically to apply for five or seven year share option contracts to purchase shares in the Company.

### **Health and Safety**

The Group's policy is to ensure that there is a working environment which will minimise the risk to the health and safety of employees. It is considered that health and safety is an integral part of good business management and accordingly high standards are required.

### **Payment to Suppliers**

The Group supports the CBI initiative to address the problem of delayed payments to suppliers, consequently the Group always endeavours to meet agreed customer payment terms. This is consistent with our Vendor Improvement Programme which continues to support a total quality approach with suppliers.

### **Political and charitable contributions**

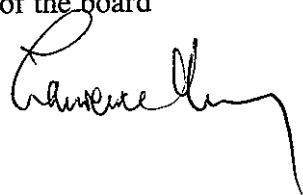
The Group made no political contributions during the year. Donations to UK charities amounted to £3,550.

### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**L King**  
Secretary



Brownedge Road  
Bamber Bridge  
Preston  
PR5 6SN

21 May 1996

Edward VII  
Navigation Way  
Ashton-on-Ribble  
Preston  
Lancashire PR2 2YF

## Report of the auditors to the members of Baxi Partnership Limited

We have audited the financial statements on pages 9 to 36.

### *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 Group'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 affairs of the Company and the Group as at 30th March 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG

Chartered Accountants  
Registered Auditors

21 May 1996



**Consolidated profit and loss account**  
for the year ended 30th March 1996

	Note	1996		1995 (as restated)		£000
		Before exceptional items £000	Exceptional items (note 3) £000	Before exceptional items £000	Exceptional items (note 3) £000	
<b>Turnover</b>	2	94,555	-	94,555	86,709	86,709
Cost of sales		(67,705)	(220)	(67,925)	(67,206)	(69,027)
<b>Gross profit</b>		<u>26,850</u>	<u>(220)</u>	<u>26,630</u>	<u>19,503</u>	<u>17,682</u>
Distribution expenses		(12,524)	(7)	(12,531)	(9,612)	(9,768)
Administrative expenses		(10,042)	(910)	(10,952)	(10,835)	(12,392)
<b>Operating profit/(loss)</b>	4	<u>4,284</u>	<u>(1,137)</u>	<u>3,147</u>	<u>(944)</u>	<u>(4,478)</u>
(Loss)/profit on disposal of fixed assets				(44)		99
Loss on disposal of fixed asset investments	12			(156)		-
Interest receivable and similar income	7			2,394		2,220
Interest payable and similar charges	8			(61)		(73)
Share of associated company loss				(124)		-
<b>Profit/(loss) before profit sharing</b>	2-8			<u>5,156</u>		<u>(2,232)</u>
Profit sharing				(493)		(7)
<b>Profit/(loss) on ordinary activities before taxation</b>				<u>4,663</u>		<u>(2,239)</u>
Tax on profit/(loss) on ordinary activities	9			(2,111)		273
<b>Profit/(loss) on ordinary activities after taxation</b>				<u>2,552</u>		<u>(1,966)</u>
Minority interests	22			42		10
<b>Retained profit/(loss) for the financial year transferred to reserves</b>	21			<u>2,594</u>		<u>(1,956)</u>

All amounts relate to continuing operations.

The prior year loss has been restated following a change in accounting policy as outlined in note 21.

Consolidated balance sheet  
at 30th March 1996

	Note	1996		1995 (as restated)	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10		30,805		24,585
Intangible assets	11		860		612
Investments	12		1,809		570
			<u>33,474</u>		<u>25,767</u>
<b>Current assets</b>					
Stocks	13	13,237		10,672	
Debtors	14	24,057		23,353	
Investments	15	28,120		37,270	
Cash		8,598		1,718	
		<u>74,012</u>		<u>73,013</u>	
<b>Creditors: amounts falling due within one year</b>	16	(23,302)		(22,171)	
<b>Net current assets</b>			<u>50,710</u>		<u>50,842</u>
<b>Total assets less current liabilities</b>			<u>84,184</u>		<u>76,609</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(389)		(585)
<b>Provisions for liabilities and charges</b>	18		(818)		(1,053)
<b>Accruals and deferred income</b>	19		(918)		(515)
<b>Net assets</b>			<u>82,059</u>		<u>74,456</u>
<b>Capital and reserves</b>					
Called up share capital	20		1,031		1,031
Share premium account	21		3,566		3,566
Revaluation reserve	21		8,208		5,906
Profit and loss account	21		67,682		64,032
<b>Shareholders' funds</b>			<u>80,487</u>		<u>74,535</u>
Minority interests	22		1,572		(79)
			<u>82,059</u>		<u>74,456</u>

Included within shareholders' funds is £450,000 (1995 : £450,000) of non-equity preference shares.

These financial statements were approved by the board of directors on 21 May 1996 and were signed on its behalf by:

  
**B M Gray**  
Director

Company balance sheet  
at 30th March 1996

	Note	1996 £000	1995 (as restated) £000
<b>Fixed assets</b>			
Tangible assets	10	87	83
Investments	12	37,009	33,865
		<u>37,096</u>	<u>33,948</u>
<b>Current assets</b>			
Debtors	14	3,060	2,067
Investments	15	28,042	34,270
Cash		1,131	27
		<u>32,233</u>	<u>36,364</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(2,487)</u>	<u>(1,467)</u>
<b>Net current assets due within one year</b>		<b>29,746</b>	<b>34,897</b>
Debtors due after more than one year	14	<u>10,127</u>	<u>7,033</u>
<b>Total net current assets</b>		<b>39,873</b>	<b>41,930</b>
<b>Total assets less current liabilities</b>		<b>76,969</b>	<b>75,878</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(60)</b>	<b>(80)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(754)</b>	<b>(666)</b>
		<u>76,155</u>	<u>75,132</u>
<b>Net assets</b>		<b>76,155</b>	<b>75,132</b>
<b>Capital and reserves</b>			
Called up share capital	20	1,031	1,031
Share premium account	21	3,566	3,566
Profit and loss account	21	71,558	70,535
<b>Shareholders' funds</b>		<b>76,155</b>	<b>75,132</b>

Included within shareholders' funds is £450,000 (1995 : £450,000) of non-equity preference shares.

These financial statements were approved by the board of directors on 21 May 1996 and were signed on its behalf by:

  
B M Gray  
Director

**Consolidated cash flow statement**  
*for the year ended 30th March 1996*

	<i>Note</i>	<b>1996</b>	<b>1995(as restated)</b>
		<b>£000</b>	<b>£000</b>
<b>Net cash inflow from operating activities</b>	<b>25</b>	<b>3,058</b>	<b>5,815</b>
<b>Return on investments and servicing of finance</b>			
Interest received		2,496	1,769
Interest paid		(50)	(78)
Interest element of finance lease rental payments		(11)	(14)
Dividends received		-	3
<b>Net cash inflow from returns on investment and servicing of finance</b>		<b>2,435</b>	<b>1,680</b>
<b>Taxation</b>			
UK corporation tax		(417)	(4,337)
Overseas tax		(11)	(123)
<b>Tax paid</b>		<b>(428)</b>	<b>(4,460)</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(7,639)	(2,406)
Purchase of intangible fixed assets		(336)	(384)
Purchases of subsidiary undertakings	26	(34)	(8,779)
Sale of tangible fixed assets		407	939
Sale of intangible fixed assets		257	-
Movement in current asset investments		4,570	10,300
Purchase of long term investments	12	(1,803)	(216)
Sale of shares in subsidiary undertaking	12	33	-
<b>Net cash outflow from investing activities</b>		<b>(4,545)</b>	<b>(546)</b>
<b>Net cash inflow before financing</b>		<b>520</b>	<b>2,489</b>
<b>Financing</b>			
Issue of ordinary share capital		-	195
Net funding received from subsidiary's share issue	12	886	-
Loans received		183	-
Repayment of loans		(314)	(66)
Capital element of finance lease payments		(78)	(102)
Grants received		472	-
Issue of loan to subsidiary prior to acquisition		-	(300)
<b>Net cash inflow/(outflow) from financing</b>		<b>1,149</b>	<b>(273)</b>
<b>Increase in cash and cash equivalents</b>	<b>27</b>	<b>1,669</b>	<b>2,216</b>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 30th March 1996*

	1996	1995 (as restated)
	£000	£000
Profit/(loss) for the financial year	2,594	(1,956)
Unrealised surplus on revaluation of fixed assets net of minority interest	3,410	774
Unrealised exchange gain on currency translations	192	666
<b>Total recognised gains/(losses) relating to the financial year</b>	<b>6,196</b>	<b>(516)</b>

**Note of consolidated historical cost profits and losses**  
*for the year ended 30th March 1996*

	1996	1995 (as restated)
	£000	£000
Reported profit/(loss) on ordinary activities before taxation	4,663	(2,239)
Realisation of fixed assets revaluation gains of previous years	160	-
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	948	770
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	<b>5,771</b>	<b>(1,469)</b>
<b>Historical cost profit/(loss) for the year retained after taxation</b>	<b>3,702</b>	<b>(1,186)</b>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 30th March 1996*

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Profit/(loss) for the year as previously reported	2,594	(2,218)	929	1,446
Prior year adjustment (see note 21)	-	262	-	-
<b>Profit/(loss) for the year as restated</b>	<b>2,594</b>	<b>(1,956)</b>	<b>929</b>	<b>1,446</b>
New share capital issued	-	195	-	195
Unrealised exchange gain on currency translation	192	666	94	547
Unrealised surplus on revaluation of fixed assets	3,685	774	-	-
Minority share of revaluation of fixed assets	(275)	-	-	-
Goodwill arising on acquisitions	(244)	(3,495)	-	-
Goodwill prior year adjustment (see note 21)	-	213	-	-
<b>Movement in shareholders' funds</b>	<b>5,952</b>	<b>(3,603)</b>	<b>1,023</b>	<b>2,188</b>
<b>Opening shareholders' funds</b>	<b>74,060</b>	<b>78,138</b>	<b>75,132</b>	<b>72,944</b>
Prior year adjustment (see note 21)	475	-	-	-
<b>Opening shareholders' funds as restated</b>	<b>74,535</b>	<b>78,138</b>	<b>75,132</b>	<b>72,944</b>
<b>Closing shareholders' funds</b>	<b>80,487</b>	<b>74,535</b>	<b>76,155</b>	<b>75,132</b>

## Notes

### 1 Accounting policies

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

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain fixed assets. Certain 1995 comparatives have been restated, principally warranty, service and development costs amounting to £7,860,000 have been reclassified as cost of sales in order to provide a fairer reflection of the Group's results.

#### *Basis of consolidation*

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings. Where subsidiary undertakings have year ends which are not coterminous with that of the parent, interim accounts to 30th March 1996 have been prepared to include those companies within the consolidated accounts.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

In the Company's accounts, investments in subsidiary and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

In accordance with Section 230(4) of the Companies Act 1985, Baxi Partnership Limited is exempt from the requirement to present its own profit and loss account.

#### *Tangible fixed assets and depreciation*

Land and buildings are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost or existing use value as considered appropriate.

Plant and equipment, excluding motor vehicles, are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost. Revaluation surpluses and deficits are dealt with through the revaluation reserve, with adjustments for realised elements transferred between reserves.

Depreciation is provided by the Company to write off the cost or depreciated replacement cost of the assets over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Plant and machinery	-	3 to 15 years

No depreciation is provided on freehold land.

## 1. Accounting Policies (*continued*)

### *Player registration*

The accounting treatment of player registrations represents a change of policy from prior years when player registrations were taken directly to the profit and loss account (see note 21). The costs of transfer fees are capitalised as intangible assets and after allowing for residual value are amortised over the period of the respective players' contracts. Fees receivable are netted off against the players' net book value and the difference treated as a gain or loss on disposal.

### *Foreign currencies*

Transactions in foreign currencies are recorded using the contracted rate of exchange or rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies except long term Group loans, are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Exchange gains or losses on the translation of long term Group loans are taken directly to reserves.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves.

### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

### *Leases*

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

### *Employee Share Ownership Trusts*

Following the introduction of UITF 13, Company shares acquired by Employee Share Ownership Trusts which are sponsored by the Company are recognised in the Company and Group balance sheet and are stated at cost less amounts written off for any permanent diminution in value. The cost of shares distributed to employees under the profit sharing arrangements is charged to the profit and loss account in the year in which the profit distribution arises.

### *Pensions and other post retirement benefits*

The Group operates a contributory defined benefit pension scheme in the UK with regular pension costs assessed as a substantially level percentage of pensionable payroll and charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Actuarial surpluses and deficits result in variations from the regular pensions costs, and these are spread forward over the average

## 1. Accounting Policies (*continued*)

expected remaining service lives of employees. In certain circumstances, subsidiaries may operate defined contribution pension schemes. In these cases the assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

### *Research and development expenditure*

Expenditure on research and development is written off against profits in the year in which it is incurred.

### *Stocks*

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the Group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads

### *Repairs and Renewals and Tooling*

Repairs and renewals and tooling costs are written off as incurred, except tooling costs on specific contracts which are capitalised and amortized over the life of the contract.

### *Investments*

Investments are stated at the lower of cost and market value net of accrued interest.

### *Warranty Liability*

Provision is made for the estimated liability on all products sold under warranty including claims already received. This provision is charged against trading profits and included in creditors falling due within one year.

### *Taxation*

The charge for taxation is based on the profit 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 if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

Amounts claimed or surrendered by way of group relief are transferred at a consideration dependent upon the circumstances of each transfer.



## Notes (continued)

### 2 Segmental information

Turnover represents amounts invoiced by the Group in respect of goods and services provided during the year net of value added tax and discounts. Turnover, profit and operating net assets are analysed as follows:

#### a) Business Analysis

Division	Turnover		Operating profit/(loss)		Profit/(loss) before tax		Operating net assets	
	1996	1995	1996	1995	1996	1995	1996	1995
	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)
	£000	£000	£000	£000	£000	£000	£000	£000
Heating	70,143	71,196	4,971	1,485	3,768	(529)	24,436	20,447
Air Management	12,063	10,018	373	37	426	(309)	5,258	6,153
Engineering Components	21,467	13,050	(808)	(2,394)	(1,127)	(3,032)	10,158	10,015
Other activities	4,819	1,625	(252)	(72)	1,596	1,631	37,239	36,987
Inter divisional turnover	(13,937)	(9,180)	-	-	-	-	-	-
Exceptional items (see note 3)	-	-	(1,137)	(3,534)	-	-	-	-
	<u>94,555</u>	<u>86,709</u>	<u>3,147</u>	<u>(4,478)</u>	<u>4,663</u>	<u>(2,239)</u>	<u>77,091</u>	<u>73,602</u>
Current and deferred taxation							(2,496)	(801)
Cash profit sharing provision							(238)	(7)
Cash at bank net of bank overdraft							7,975	1,700
Deferred credit for grants							(918)	(515)
Loans							(389)	(585)
SSAP24 pensions prepayment							1,010	942
Interest receivable on investments							24	120
Net assets per consolidated balance sheet							<u>82,059</u>	<u>74,456</u>

b) Geographical Analysis

	Turnover by destination		Turnover by origin	
	1996	1995	1996	1995
	£000	£000	£000	£000
UK	71,778	67,861	78,623	72,102
Rest of Europe	21,771	18,070	15,932	14,607
Rest of the World	1,006	778	-	-
	<u>94,555</u>	<u>86,709</u>	<u>94,555</u>	<u>86,709</u>

All sales are to third parties.

3 Exceptional items

	1996	1995
	£000	£000
Redundancy and re-organisations	1,239	2,654
Termination of sales agency agreement	-	136
Provision for lease commitments	(102)	744
	<u>1,137</u>	<u>3,534</u>

Additional redundancy costs have been incurred during the year reflecting actions needed to match productive capacity with current levels of demand. Certain leases have been assigned during the year resulting in a release of the provision brought forward.

4 Profit/(loss) on ordinary activities before taxation

	1996	1995
	£000	£000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting).</i>		
Auditors' remuneration in respect of audit services	84	88
Depreciation and other amounts written off tangible fixed assets:		
Owned fixed assets	4,119	3,696
Assets held under finance leases and hire purchase contracts	54	60
Hire of plant and machinery - rentals payable under operating leases	52	22
Research and development expenditure	1,391	1,468
Exchange (gains)/losses	(51)	68
	<u></u>	<u></u>

The remuneration of the auditors during the year in respect of non-audit services was £61,000 (1995 : £137,000).

**5 Remuneration of directors**

	<b>1996</b>	<b>1995</b>
	<b>£000</b>	<b>£000</b>
Fees	<b>50</b>	26
Other emoluments:		
Basic salaries	<b>223</b>	201
Benefits	<b>30</b>	23
Performance related bonuses	<b>32</b>	31
Profit share	-	1
Pension contributions	<b>26</b>	25
	<b>361</b>	307
Compensation for loss of office	-	164
	<b>361</b>	471

Performance related bonuses are awarded by the Remuneration and Appointments Committee based on the performance of the Executive against criteria agreed at the beginning of the year under review.

Share allocations are based upon criteria applicable to all employees within the Group and are distributed through an Inland Revenue approved all employee profit sharing scheme.

The emoluments of the Chairman and highest paid director are as follows:

	<b>1996</b>		<b>1995</b>	
	<b>Chairman</b>	<b>Highest Paid Director</b>	<b>Chairman</b>	<b>Highest Paid Director</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Fees	<b>15,000</b>	-	11,250	-
Salary	-	<b>97,533</b>	-	94,167
Benefits	-	<b>11,728</b>	-	10,135
Performance related bonuses	-	<b>15,000</b>	-	15,000
Pension Contributions	-	<b>19,324</b>	-	15,124
	<b>15,000</b>	<b>143,585</b>	11,250	134,426

The emoluments of the other directors for the year were as follows:

	<u>L King</u>	<u>P R Johnson</u>	<u>P S Baxendale</u>	<u>T C Campbell</u>	<u>A G Thomas*</u>
	£	£	£	£	£
Fees	-	-	10,000	10,000	15,000
Salary	56,250	69,343	-	-	-
Benefits	7,611	8,875	1,643	-	-
Performance related bonuses	6,002	6,002	-	-	-
Profit share	-	-	-	-	-
Pension Contributions	5,542	6,155	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	75,405	90,375	11,643	10,000	15,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

\* Fees paid to Thomas Brunt & Associates Ltd.

The emoluments, excluding pension contributions and compensation for loss of office, of the directors (including the chairman and highest paid director) were within the following ranges:

		Number of directors	
		1996	1995
£0 - £ 5,000		-	1
£ 5,001 - £10,000		1	2
£10,001 - £15,000		3	1
£25,001 - £30,000		-	1
£40,001 - £45,000		-	1
£65,001 - £70,000		1	1
£80,001 - £85,000		1	-
£115,001 - £120,000		-	1
£125,001 - £130,000		1	-

## 6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Production	1,053	1,049
Sales and administration	396	379
	<hr/>	<hr/>
	1,449	1,428
	<hr/>	<hr/>

**6 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	25,808	26,611
Social security costs	2,050	2,034
Other pension costs	1,459	1,775
	<u>29,317</u>	<u>30,420</u>

**7 Interest receivable and similar income**

	1996 £000	1995 £000
Bank interest	826	758
Income from listed investments	154	513
Income from unlisted investments	1,414	949
	<u>2,394</u>	<u>2,220</u>

**8 Interest payable and similar charges**

	1996 £000	1995 £000
On bank loans, overdrafts and other loans wholly repayable within five years	47	56
On all other loans	3	3
Finance charges payable in respect of finance leases and hire purchase contracts	11	14
	<u>61</u>	<u>73</u>

**9 Taxation**

	1996 £000	1995 £000
UK corporation tax at 33% (1995 : 33%) on the profit/(loss) for the year on ordinary activities	1,752	3
Deferred taxation (see note 18)	(247)	(743)
Overseas taxation	131	19
Adjustment relating to an earlier year	475	448
	<u>2,111</u>	<u>(273)</u>

**9 Taxation (continued)**

The adjustment relating to earlier years and the deferred tax credit principally relate to the agreement reached with the Inland Revenue regarding the tax treatment of certain tooling expenditure.

**10 Tangible fixed assets**

	<b>Group</b>			<b>Company total</b>
	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Total</b>	<b>(Plant and machinery)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Cost or valuation</i>				
At beginning of year	17,840	41,266	59,106	134
Additions	4,029	3,074	7,103	56
Revaluations	2,955	730	3,685	-
Disposals	-	(2,324)	(2,324)	(45)
Currency translations	70	131	201	-
At end of year	24,894	42,877	67,771	145
<i>Depreciation and diminution in value</i>				
At beginning of year	4,295	30,226	34,521	51
Charge for year	484	3,689	4,173	32
On disposals	-	(1,829)	(1,829)	(25)
Currency translations	9	92	101	-
At end of year	4,788	32,178	36,966	58
<i>Net book value</i>				
At 30th March 1996	20,106	10,699	30,805	87
At 1st April 1995	13,545	11,040	24,585	83
<i>Historical cost at 30th March 1996</i>				
Historical cost	16,183	36,142	52,325	145
Accumulated depreciation	(3,036)	(27,105)	(30,141)	(58)
Net historical cost	13,147	9,037	22,184	87

10 **Tangible fixed assets (continued)**

The net book value of land and buildings comprises:

		<b>Group</b>		<b>Company</b>	
		<b>1996</b>	<b>1995</b>	<b>1996</b>	<b>1995</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Freehold	- historical cost	<b>8,924</b>	9,294	-	-
	- valuation	<b>5,750</b>	4,048	-	-
Long leasehold	- historical cost	<b>4,223</b>	203	-	-
	- valuation	<b>1,209</b>	-	-	-
		<b>20,106</b>	<b>13,545</b>	-	-

The freehold properties in the UK were valued by external valuers, Lambert Smith Hampton, Consultant Surveyors as at 30 March 1996 on the basis of existing use value in accordance with the Appraisal & Valuation Manual of The Royal Institution of Chartered Surveyors.

The external valuers have provided an additional valuation as at the same date of the leasehold interest in Preston North End plc on the basis of depreciated replacement cost, the valuation being subject to the adequate profitability of the business compared with the value of the total assets employed. The leasehold property is occupied on a 125 year lease.

The European properties have been valued on the basis of existing use value by the following:-

- (1) HS Kedler-Tarm A/S Smedevej DK Tarm, Denmark by Erikson Erhvems, Skolgrade 5, Box 445, 811 Århus C.
- (2) HS France SA, Rue Andersen, 67870 Bischoffsheim by Weatherall Green & Smith, Chartered Surveyors, 64 Rue La Boétie, 75008, Paris.
- (3) HS Perifal AB, Box 654 (Storgatan 50), S-52121, Falköping, Sweden by Svensk Fastighets, Förmedling, Box 157, 52102 Falköping.

Included in the total net book value of plant and machinery is £113,000 (1995 :£221,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £54,000 (1995 :£60,000). The Company had no assets held under finance leases and similar hire purchase contracts.

**11 Intangible fixed assets**

	<b>Group 1996 £000</b>
<b>Player Registrations:</b>	
<i>Cost</i>	
At beginning of year as restated (see note 21)	740
Additions	536
Disposals	(300)
At end of year	<hr/> 976
<i>Amortisation</i>	
At beginning of year as restated (see note 21)	128
Charge for year	75
On disposals	(87)
At end of year	<hr/> 116
<i>Net book value</i>	
At 30th March 1996	<hr/> 860
At 1st April 1995	<hr/> <hr/> 612

The holding company has no intangible fixed assets.



## 12 Fixed asset investments

Group	Shares in group undertakings £000	Interests in associated undertakings £000	Other investments other than loans £000	Own shares £000	Total £000
<i>Cost or valuation</i>					
At beginning of year	13	-	230	327	570
Additions	-	1,185	73	545	1,803
At end of year	13	1,185	303	872	2,373
<i>Share of post acquisition reserves/provisions</i>					
At beginning of year	-	-	-	-	-
Retained losses	-	124	-	-	124
Goodwill eliminated on consolidation	-	185	-	-	185
Provision for profit sharing	-	-	-	255	255
At end of year	-	309	-	255	564
<i>Net book value</i>					
At 30th March 1996	13	876	303	617	1,809
At 1st April 1995	13	-	230	327	570

The Group holds 95% of the issued share capital of Thermitec S.a.r.l. at a cost of £12,801. This subsidiary's accounts have not been consolidated as, in the opinion of the directors, they would have no material effect on the consolidated accounts.

Additions to interests in associated undertakings is in respect of the acquisition of 50% of the issued share capital of Alloy Technologies Limited, a company registered in England and Wales. This is a new joint venture company with Brembo SpA of Italy and created to develop and commercially exploit a new aluminium casting process. The Group is committed to a further equity investment of £1m in the year ending 29 March 1997. Goodwill arising on acquisition of £185,000 has been written off against profit and loss reserves.

Fixed asset investments have been restated to include the cost of Company shares held by employee share ownership trusts sponsored by the Company (as referred to in note 1). At the year end 344,494 (1995: 96,460) shares were held with a market and nominal value of £957,693 and £34,449 respectively (1995: £299,026 and £9,646). Provision has been made for the share profit share distribution arising for the year ended 30 March 1996.

12. Fixed asset investments (continued)

Company	Shares in group undertakings £000	Loans to group undertakings £000	Shares in associated undertakings £000	Other investments other than loans £000	Own shares £000	Total £000
<i>Cost or valuation</i>						
At beginning of year	4,524	29,997	-	216	327	35,064
Additions	2,817	-	1,185	75	545	4,622
Disposals	(267)	-	-	-	-	(267)
Currency translations	-	69	-	-	-	69
At end of year	7,074	30,066	1,185	291	872	39,488
<i>Provisions</i>						
At beginning of year	1,199	-	-	-	-	1,199
Provisions during the year	1,025	-	-	-	255	1,280
At end of year	2,224	-	-	-	255	2,479
<i>Net book value</i>						
At 30th March 1996	4,850	30,066	1,185	291	617	37,009
At 1st April 1995	3,325	29,997	-	216	327	33,865

During the year the Company made the following additions to shares in Group undertakings:

Company	Acquisition date	Consideration (all cash) £000	Percentage capital acquired
Barrhead Sanitary Ware plc	30 June 1995	34	*
Preston North End plc	30 September 1995	2,783	**
		2,817	

\* The Company increased its effective ownership to 84% through the purchase of a further 10% of the issued non-voting ordinary share capital. Goodwill arising on acquisition of £59,000 has been written off to reserves.

\*\* During the year Preston North End (Holdings) Limited changed its name to Preston North End plc and made a public offer of new shares. The total funds raised was £3,669,000, of which the Company subscribed £2,783,000, resulting in a net cash inflow to the Group of £886,000. The Company subsequently disposed of 88,000 shares for a consideration of £351,432 (of which £33,039 had been received during the year). The dilution of the Company's interest and subsequent share disposal has resulted in a loss to the Group of £156,000.

### 13 Stocks

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Raw materials and consumables	2,454	2,730	-	-
Work in progress	3,721	3,259	-	-
Finished goods and goods for resale	7,062	4,683	-	-
			-	-
	<u>13,237</u>	<u>10,672</u>	<u>-</u>	<u>-</u>

### 14 Debtors

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Trade debtors	21,804	20,969	-	-
Amounts owed by subsidiary undertakings	-	-	2,704	1,957
Amounts owed by undertakings in which the company has a participating interest	117	-	-	-
Corporation tax recoverable	-	203	-	-
Overseas tax recoverable	-	49	-	-
Other debtors	233	229	-	-
Prepayments and accrued income	1,903	1,903	356	110
	<u>24,057</u>	<u>23,353</u>	<u>3,060</u>	<u>2,067</u>
<b>Amounts falling due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	10,127	7,033
	<u>24,057</u>	<u>23,353</u>	<u>13,187</u>	<u>9,100</u>

**15 Investments (held as current assets)**

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Short term investments	6,951	11,521	6,951	11,521
Short term deposits	21,169	25,749	21,091	22,749
	<u>28,120</u>	<u>37,270</u>	<u>28,042</u>	<u>34,270</u>

At the year end the market value of short term investments was £6,951,000 (1995: £11,605,000).

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

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Bank overdraft	623	18	-	-
Obligations under finance leases and hire purchase contracts	57	70	-	-
Trade creditors	9,106	7,725	-	-
Amounts owed to subsidiary undertakings	-	-	791	719
Amounts owed to undertakings in which the Company has a participating interest	28	38	-	-
Group relief payable	-	-	487	599
Other creditors including taxation and social security:				
Corporation tax	1,585	-	1,116	-
Overseas tax	93	-	-	-
Other taxes and social security	2,061	2,342	-	-
Other creditors	1,295	1,073	-	-
Accruals and deferred income	8,454	10,905	93	149
	<u>23,302</u>	<u>22,171</u>	<u>2,487</u>	<u>1,467</u>

The bank overdraft is secured by a fixed and floating charge over certain of the Group's assets.

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

	<b>Group</b>		<b>Company</b>	
	<b>1996</b>	<b>1995</b>	<b>1996</b>	<b>1995</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loan stock	<b>60</b>	80	<b>60</b>	80
Bank and other loans	<b>328</b>	439	-	-
Obligations under finance leases and hire purchase contracts	<b>1</b>	66	-	-
	<b>389</b>	<b>585</b>	<b>60</b>	<b>80</b>

The loan stock has no fixed terms of repayment and carries an interest rate of 2% below bank base rate.

Amounts totalling £328,000 (1995 : £393,000) and £nil (1995 : £26,000) are payable by instalments within five years and after five years respectively.

The maturity of obligations under finance leases and hire purchase contracts is £63,000 due within one year (1995: £78,000) and £1,000 in the second to fifth years (1995 : £74,000) and includes £7,000 for future finance charges (1995 : £16,000).

**18 Provisions for liabilities and charges**

<b>Deferred Taxation</b>	<b>Group</b>		<b>Company</b>	
	<b>1996</b>	<b>1995</b>	<b>1996</b>	<b>1995</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 1995	<b>1,053</b>	1,779	<b>666</b>	736
Arising on acquisition of subsidiaries	-	(1)	-	-
Currency translations	<b>12</b>	18	-	-
(Release)/charge for the year in the profit & loss account	<b>(247)</b>	(743)	<b>88</b>	(70)
<b>At 30th March 1996</b>	<b>818</b>	<b>1,053</b>	<b>754</b>	<b>666</b>

The amounts provided for deferred taxation and the amounts unprovided, calculated on the liability method, are set out overleaf.

**18 Provisions for liabilities and charges (continued)**

Group	1996 Amount provided £000	1996 Amount unprovided £000	1995 Amount provided £000	1995 Amount unprovided £000
Difference between accumulated depreciation and capital allowances	687	551	808	579
Revaluation of properties	-	1,274	-	573
Other timing differences	131	-	245	-
	<u>818</u>	<u>1,825</u>	<u>1,053</u>	<u>1,152</u>
Company	1996 Amount provided £000	1996 Amount unprovided £000	1995 Amount provided £000	1995 Amount unprovided £000
Difference between accumulated depreciation and capital allowances	(6)	-	(10)	-
Other timing differences	760	-	676	-
	<u>754</u>	<u>-</u>	<u>666</u>	<u>-</u>

The potential liability to capital gains tax on revalued assets is not provided as, in the opinion of the directors, the likelihood of any material liability arising is remote.

**19 Accruals and deferred income**

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
<i>Government grants</i>				
At beginning of year	515	82	-	-
Arising on acquisition	-	469	-	-
	<u>515</u>	<u>551</u>	<u>-</u>	<u>-</u>
Grants received during the year	472	-	-	-
Credited to trading profit	(69)	(36)	-	-
	<u>918</u>	<u>515</u>	<u>-</u>	<u>-</u>

20 Called up share capital

	1996 £000	1995 £000
<i>Authorised</i>		
Ordinary shares of 10 pence each	750	750
Preference shares of £1 each	450	450
	<hr/> 1,200	<hr/> 1,200
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 10 pence each	581	581
Preference shares of £1 each	450	450
	<hr/> 1,031	<hr/> 1,031

21 Share premium and reserves

	Share premium account £000	Group Revaluation reserve £000	Profit and loss account £000
At beginning of year as previously reported	3,566	5,906	63,557
Prior year adjustments - accounting policy change	-	-	475
At beginning of year as restated	<hr/> 3,566	<hr/> 5,906	<hr/> 64,032
Retained profit for year	-	-	2,594
Surplus on revaluation of fixed assets	-	3,685	-
Transfers	-	(1,108)	1,108
Minority interest share of revaluations	-	(275)	-
Goodwill arising on acquisition (see note 12)	-	-	(244)
Exchange adjustments	-	-	192
At end of year	<hr/> 3,566	<hr/> 8,208	<hr/> 67,682

The accounting treatment for the cost of player registrations (see note 1) represents a change of accounting policy from prior years, when player registration costs were taken directly to the profit and loss account. The effect of this change was to decrease the loss for the year ending 1 April 1995 by £262,000, decrease goodwill written off to reserves by £213,000 and increase minority interest by £137,000. Consequently, retained profits and net assets of the Group at 1 April 1995 have been increased by £475,000 and £612,000 respectively. Under the previous policy profit for the year ending 30 March 1996 and net assets of the Group at 30 March 1996 would decrease by £97,000 and £860,000 respectively.

The above change has been made to provide a fairer presentation of trading performance and the financial position of the Group.

The cumulative amount of goodwill resulting from acquisitions in the current and earlier financial years which has been written off is £4,288,000 (1995: £4,044,000).

The Company's profit for the financial year was £929,000 (1995: £1,446,000).

21 Share premium and reserves (continued)

	Company	
	Share premium account £000	Profit and loss account £000
At beginning of year	3,566	70,535
Retained profit for year	-	929
Exchange adjustments	-	94
<b>At end of year</b>	<b>3,566</b>	<b>71,558</b>

22 Minority Interests

	Group	
	1996 £000	1995 £000
At the beginning of the year as previously reported	(216)	-
Prior year adjustment - accounting policy change (see note 21)	137	-
At the beginning of the year as restated	(79)	-
Acquisition of subsidiary undertakings	-	(130)
Share of revaluations	275	-
Arising on share issue	1,055	-
Arising on share disposal	363	-
Share of result for year	(42)	(86)
	<b>1,572</b>	<b>(216)</b>
Prior year adjustment - accounting policy change (see note 21)		
On acquisition of subsidiary undertakings	-	61
On share of result for year	-	76
<b>At end of year</b>	<b>1,572</b>	<b>(79)</b>

23 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Contracted	319	354	-	-
Authorised but not contracted	18	421	-	-



## 23 Commitments (continued)

(ii) Annual commitments under non-cancellable operating leases are as follows:

Group	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	8	-	1
In the second to fifth years inclusive	64	24	65	41
Over five years	63	-	130	-
	<u>127</u>	<u>32</u>	<u>195</u>	<u>42</u>

Provision has been made against the annual charge to the profit and loss account for all land and buildings operating lease commitments.

The Company had no operating lease commitments.

## 24 Pension scheme

The Company operates a contributory defined benefit pension scheme in the UK. The scheme funds are administered by Trustees and are independent of the Company's finances. The latest actuarial valuation of the scheme was carried out by independent actuaries as at 1 February 1995 using the projected unit funding method. The principal financial assumptions adopted in that valuation were that the annual rate of return on new investments would be 9%, the average annual increases in pensionable salaries would be 7%, the average annual increase in pension payments would be 5% and the average annual increases in equity dividends would be 4.5%.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £51,650,000 and the actuarial value of the assets was sufficient to cover 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions. For the purpose of assessing pensions costs this excess of assets is being spread evenly over the weighted average expected future working lifetime of scheme members. Consequently, the charge in the profit and loss account is £1,246,000 for the year and there is an increase of £68,000 to the existing prepayment in the balance sheet, giving a total prepayment of £1,010,000 at 1 April 1996.

The charge in respect of other schemes is £213,000 (1995 : £116,000).

**25 Reconciliation of operating profit to net cash inflow from operating activities**

	1996	1995 (as restated)
	£000	£000
Operating profit/(loss)	3,147	(4,478)
Profit sharing paid	(7)	(1,227)
Depreciation charge and amortisation	4,248	3,790
Government grants released to profit	(69)	(36)
(Increase)/decrease in stocks	(2,565)	2,672
(Increase) in debtors	(740)	(2,779)
(Decrease)/increase in creditors	(1,122)	5,316
Exceptional item	166	2,557
Net cash inflow from operating activities	<u>3,058</u>	<u>5,815</u>

Included within net cash flow from operating activities is £3.0m of exceptional costs, of which £2.0m was provided for in the year to 1 April 1995.

**26 Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings**

	1996	1995
	£000	£000
Cash consideration (see note 12)	(34)	(8,992)
Cash acquired	-	752
Bank overdrafts acquired	-	(539)
Net outflow of cash and cash equivalents	<u>(34)</u>	<u>(8,779)</u>

**27 Analysis of changes in cash and cash equivalents**

	Cash net of bank overdraft £000
Balance at 2 April 1994	25,157
Net cash inflow before adjustments for foreign exchange rate changes	2,216
Effect of foreign exchange rate changes	76
Balance at 1 April 1995	27,449
Net cash inflow before adjustments for foreign exchange rate changes	1,669
Effect of foreign exchange rate changes	26
Balance at 30 March 1996	<u>29,144</u>

28 Analysis of changes in financing during the year

	Share capital and premium	Loans, finance lease obligations and grants	Total
	£000	£000	£000
Balance at 2 April 1994	4,402	396	4,798
Net cash outflow from financing	195	(468)	(273)
Arising on acquisitions	-	1,022	1,022
Inception of finance lease contracts	-	220	220
	<hr/>	<hr/>	<hr/>
Balance at 1 April 1995	4,597	1,170	5,767
Net cash inflow from financing	-	1,149	1,149
Grants released	-	(69)	(69)
Net funds received from subsidiary's share issue (see note 12)	-	(886)	(886)
	<hr/>	<hr/>	<hr/>
Balance at 30 March 1996	4,597	1,364	5,961
	<hr/>	<hr/>	<hr/>

## 29      **Subsidiary undertakings**

The following is a list of principal subsidiary undertakings in the Group.

	<b>Country of Incorporation</b>	<b>Holding</b>	<b>Year End</b>
<b>Heating</b>			
Baxi Heating Limited	England	100%	*6 April
HS Group A/S	Denmark	100%	*7 April
HS Kedler-Tarm A/S	Denmark	100%	*7 April
HS France SA	France	100%	31 March
HS Perifal AB	Sweden	100%	31 March
Thermitec Sarl	France	95%	31 March
<b>Air Management</b>			
Actionair Equipment Limited	England	100%	30 March
BPL Engineering Limited	Ireland	100%	31 March
Packaged Air Conditioning Equipment Limited	England	100%	30 March
Gradwood Limited	England	100%	30 March
<b>Engineering Components</b>			
Alfer Limited	England	100%	*6 April
Spartek Engineering Limited	England	100%	30 March
Hills Zinc Diecasting Limited	England	100%	30 March
<b>Others</b>			
Preston North End plc	England	66%	**30 June
Preston North End Football Club Limited	England	66%	**30 June
Barrhead Sanitaryware plc	Scotland	84%	31 March

\*      For reasons of cash flow associated with the date of payment of tax, in the directors' opinion, it is advantageous to have a different accounting period for these Group companies.

\*\*     Due to the individual reporting requirements of these companies they have a different accounting period.

**Baxi Partnership Limited profit and loss account**  
*for the year ended 30th March 1996*

	1996	1995
	£000	£000
<b>Turnover</b>		
Continuing operations	-	-
Cost of sales	-	-
	<hr/>	<hr/>
<b>Gross profit</b>		
Administrative expenses	(1,138)	(1,554)
Exceptional item	(1,639)	(73)
	<hr/>	<hr/>
<b>Operating loss</b>	(2,777)	(1,627)
Loss on disposal of fixed assets	-	(18)
Interest receivable and similar income	4,915	3,871
Interest payable and similar charges	(3)	(3)
	<hr/>	<hr/>
<b>Profit before profit sharing</b>	2,135	2,223
Profit sharing	(12)	-
	<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2,123	2,223
Tax on profit on ordinary activities	(1,194)	(777)
	<hr/>	<hr/>
<b>Retained profit for the financial year</b>	929	1,446
	<hr/>	<hr/>

This profit and loss account was approved by the board of directors on 21 May 1996 and were approved on its behalf by

  
 B M Gray  
 Director

**BAXI HEATING LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 6 APRIL 1996**

	<u>1996</u> £000	<u>1995</u> £000
Profit/(loss) for the financial period	2,144	(1,596)
Unrealised surplus on revaluation of fixed assets	<u>2,319</u>	<u>520</u>
Total recognised gains/(losses) for the financial period	<u>4,463</u>	<u>(1,076)</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

**FOR THE YEAR ENDED 6 APRIL 1996**

	<u>1996</u> £000	<u>1995</u> £000
Profit/(loss) on ordinary activities before taxation	3,141	(2,197)
Realisation of fixed assets revaluation gains of prior years	18	-
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>117</u>	<u>29</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>3,276</u>	<u>(2,168)</u>
Historical cost profit/(loss) for the period retained after taxation	<u>2,279</u>	<u>(1,567)</u>

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

**FOR THE YEAR ENDED 6 APRIL 1996**

	<u>1996</u> £000	<u>1995</u> £000
Profit/(loss) for the financial year	2,144	(1,596)
Unrealised surplus on revaluation of fixed assets	<u>2,319</u>	<u>520</u>
Net movement in shareholders' funds	4,463	(1,076)
Shareholders' funds brought forward	<u>1,593</u>	<u>2,669</u>
Shareholders' funds carried forward	<u>6,056</u>	<u>1,593</u>

**BAXI HEATING LIMITED**  
**NOTES TO THE ACCOUNTS**

**1. Principal 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.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain fixed assets. Certain 1995 comparatives have been restated, principally warranty, service and development costs amounting to £7,820,000 have been reclassified as cost of sales in order to provide a fairer reflection of the company's results.

**(b) Fixed Assets**

- (i) Land is stated at cost.
- (ii) Buildings are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost or existing use value as considered appropriate.
- (iii) Plant and equipment, excluding motor vehicles, are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost.
- (iv) Revaluation surpluses and deficits are dealt with through the revaluation reserve, with adjustments for realised elements transferred between reserves.

**(c) Depreciation**

Depreciation is provided on all fixed assets other than land in order to write off the cost or depreciated replacement cost of the assets over the period of their expected lives.

The expected lives of each class of fixed assets are as follows:

Buildings	50 years
Plant and Machinery	3 - 15 years

**(d) Government Grants**

Government grants received are taken to a deferred credit for grants reserve which is released to the profit and loss account over the expected useful life of the asset concerned.

**(e) Stocks**

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the Company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

**(f) Foreign currencies**

Transactions in foreign currencies are recorded using the contracted rate of exchange or rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**(g) Research and Development**

All research and development expenditure and patent costs are written off as incurred.

**BAXI HEATING LIMITED**  
**NOTES TO THE ACCOUNTS**

**1. Principal accounting policies (continued)**

**(h) Warranty Liability**

Provision is made for the estimated liability on all products sold under warranty including claims already received. This provision is charged against trading profits and included in creditors falling due within one year.

**(i) Taxation**

The charge for taxation is based on the profit 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 taxation deferred if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

**(j) Group Relief**

Amounts claimed or surrendered by way of group relief are transferred at a consideration dependent upon the circumstances of each transfer.

**(k) Pensions**

The group operates a contributory defined benefit pension scheme in the UK with regular pension costs assessed as a substantially level percentage of pensionable payroll and charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Actuarial surpluses and deficits result in variations from the regular pensions cost, and these are spread forward over the average expected remaining service lives of employees.

**(l) Cash Flow Statement**

In accordance with FRS No.1 a cash flow statement for the Company has not been prepared since Baxi Heating Limited is a wholly owned subsidiary undertaking of Baxi Partnership Limited, a company incorporated in England and Wales. Consolidated accounts, including a consolidated cash flow statement, are prepared by Baxi Partnership Limited and include the results of Baxi Heating Limited.



**BAXI HEATING LIMITED**  
**NOTES TO THE ACCOUNTS**

(continued)

**2. Turnover**

Turnover represents amounts invoiced by the Company in respect of goods provided during the period excluding valued added tax.

The turnover and profit before tax are attributable to the Company's principal activities.

Turnover by destination is as follows:

	<u>1996</u>	<u>1995</u>
	£000	£000
UK	53,771	55,631
Rest of Europe	<u>833</u>	<u>904</u>
	<u>54,604</u>	<u>56,535</u>

**3. Interest payable and similar charges**

	<u>1996</u>	<u>1995</u>
	£000	£000
On group loans	<u>1,068</u>	<u>1,067</u>

**4. Staff numbers and cost**

The average number of persons employed by the Company (including directors) during the period, was as follows:

	<u>1996</u>	<u>1995</u>
	<u>Number</u>	<u>Number</u>
Production	402	557
Sales and administration	262	216
Directors	<u>2</u>	<u>3</u>
	<u>666</u>	<u>776</u>

The aggregate payroll costs of these persons were as follows:

	<u>1996</u>	<u>1995</u>
	£000	£000
Wages and salaries	10,883	13,216
Social security costs	857	1,060
Other pension costs	<u>932</u>	<u>1,293</u>
	<u>12,672</u>	<u>15,569</u>

**5. Exceptional items**

	<u>1996</u>	<u>1995</u>
	£000	£000
Redundancy and re-organisations	1,061	2,013
Provision for lease commitments	<u>(102)</u>	<u>744</u>
	<u>959</u>	<u>2,757</u>

Redundancy costs of £893,000 have been incurred in the year reflecting both over-capacity and efforts to reduce the cost base through increased efficiency. In addition, £168,000 has been provided for further restructuring in the areas of pay and productivity. Lease commitments are in respect of buildings no longer used. At 6 April 1996, £102,000 of the exceptional charges had been released and the remainder carried forward within creditors.

**BAXI HEATING LIMITED**  
**NOTES TO THE ACCOUNTS**  
(continued)

6. **(Loss)/profit on ordinary activities before taxation**

Profit/(loss) on ordinary activities before taxation is stated after charging the following:

	<u>1996</u>	<u>1995</u>
	£000	£000
Depreciation	1,475	1,528
Hire of plant and machinery	7	7
Directors' emoluments (see note 7)	24	207
Directors' compensation for loss of office	133	-
Directors' pension contributions	7	18
Auditors' remuneration - audit services	22	22
- other services	<u>3</u>	<u>2</u>

7. **Emoluments of directors**

The emoluments, excluding pension contributions and compensation for loss of office, of the highest paid director, were as follows:

	<u>1996</u>	<u>1995</u>
	£	£
Salary, including taxable benefits	<u>14,344</u>	<u>83,245</u>

The emoluments of all directors were within the following ranges:

		<u>1996</u>	<u>1995</u>
£	£	Number	Number
Nil	- 5,000	4	2
5,001	- 10,000	1	-
10,001	- 15,000	1	-
55,001	- 60,000	-	1
60,001	- 70,000	-	1
70,001	- 85,000	<u>-</u>	<u>1</u>

8. **Taxation**

	<u>1996</u>	<u>1995</u>
	£000	£000
Taxation based on the profit for the period of the company:		
UK Corporation tax at 33%	925	(79)
Deferred taxation	<u>(342)</u>	<u>(798)</u>
	583	(877)
Prior year under provision	<u>414</u>	<u>276</u>
	<u>997</u>	<u>(601)</u>

The adjustment relating to earlier years relates to agreement reached with the Inland Revenue regarding the tax treatment of certain tooling expenditure.

**BAXI HEATING LIMITED**  
**NOTES TO THE ACCOUNTS**

(continued)

9. **Tangible fixed assets**

	Freehold Land and Buildings	Plant and Equipment	Total
<u>Cost or Valuation</u>	£000	£000	£000
At 8 April 1995	5,670	16,527	22,197
Elimination on revaluation	(606)	-	(606)
Transfer from Group company	-	96	96
External additions	-	1,031	1,031
Revaluation	2,061	258	2,319
Disposals	-	(1,442)	(1,442)
At 6 April 1996	<u>7,125</u>	<u>16,470</u>	<u>23,595</u>
<u>Depreciation</u>			
At 8 April 1995	606	12,909	13,515
Elimination on revaluation	(606)	-	(606)
Charged in the period	225	1,250	1,475
Internal additions/disposals	-	(81)	(81)
External disposals	-	(979)	(979)
At 6 April 1996	<u>225</u>	<u>13,099</u>	<u>13,324</u>
<u>Net Book Value</u>			
At 6 April 1996	<u>6,898</u>	<u>3,373</u>	<u>10,271</u>
At 8 April 1995	<u>5,064</u>	<u>2,977</u>	<u>8,682</u>
Gross historical cost at 6 April 1996	5,075	4,726	9,801
Accumulated depreciation	(920)	(1,749)	(2,669)
Historical cost net book value	<u>4,155</u>	<u>2,977</u>	<u>7,132</u>

Included in freehold land and buildings is an amount of £99,020 (1995: £99,020) in respect of freehold land at cost.

10.	<b>Stocks</b>	<u>1996</u>	<u>1995</u>
		£000	£000
	Raw materials and consumables	436	433
	Work in progress	2,257	1,834
	Finished goods and goods for resale	<u>5,011</u>	<u>2,532</u>
		<u>7,704</u>	<u>4,799</u>
11.	<b>Debtors</b>	<u>1996</u>	<u>1995</u>
		£000	£000
	<b>Debtors due within one year:</b>		
	Trade debtors	10,309	10,358
	Prepayments and accrued income	1,125	1,483
	Other debtors	180	180
	Group relief recoverable	-	23
		<u>11,614</u>	<u>12,044</u>
	<b>Debtors due after one year:</b>		
	Amounts owed by Group undertakings	<u>5,066</u>	<u>3,446</u>
12.	<b>Investment (held as current assets)</b>	<u>1996</u>	<u>1995</u>
		£000	£000
	Short term deposits	-	<u>2,500</u>

**BAXI HEATING LIMITED**

**NOTES TO THE ACCOUNTS**

(continued)

**13. Creditors: Amounts falling due within one year**

	<u>1996</u>	<u>1995</u>
	£000	£000
Bank overdraft	-	1,113
Trade creditors	6,686	1,567
Group trade creditors	25	59
Corporation tax	876	-
Other taxes and social security	586	735
Accruals and deferred income	7,513	10,117
Deferred credit for grants	<u>44</u>	<u>64</u>
	<u>15,730</u>	<u>13,655</u>

**13. Creditors: Amounts falling due after more than one year**

	<u>1996</u>	<u>1995</u>
	£000	£000
Amounts owed to Group companies	<u>19,938</u>	<u>16,223</u>

**14. Provision for liabilities and charges**

Deferred taxation

	<u>1996</u>	<u>1995</u>
	£000	£000
Brought forward	-	798
Credit for the period in the profit and loss account	<u>(342)</u>	<u>(798)</u>
At 6 April 1996	<u>(342)</u>	<u>-</u>

The amounts provided for deferred taxation and the amounts unprovided, calculated on the liability method, are set out below.

	<u>1996</u>		<u>1995</u>
	Amount <u>Provided</u> £000	Amount <u>Unprovided</u> £000	Amount <u>Provided</u> £000
			Amount <u>Unprovided</u> £000
Difference between accumulated depreciation and capital allowances	60	938	109
Revaluation of properties	-	601	-
Other timing differences	<u>(402)</u>	<u>-</u>	<u>(109)</u>
	<u>(342)</u>	<u>1,539</u>	<u>-</u>
			<u>742</u>

# BAXI HEATING LIMITED

## NOTES TO THE ACCOUNTS

(continued)

### 15. Called up share capital

	<u>1996</u>	<u>1995</u>
	£	£
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up, and fully paid</b>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 16. Reserves

	<u>Revaluation Reserve</u>	<u>Profit &amp; Loss Account</u>	<u>Total</u>
	£000	£000	£000
At 8 April 1995	955	638	1,593
Retained profit for the financial period	-	2,144	2,144
Revaluation on disposal	(18)	18	-
Revaluation	2,319	-	2,319
Transfer between reserves	<u>(117)</u>	<u>117</u>	<u>-</u>
At 6 April 1996	<u>3,139</u>	<u>2,917</u>	<u>6,056</u>

### 17. Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	<u>1996</u>	<u>1995</u>
	£000	£000
Contracted	11	96
Authorised but not contracted	<u>5</u>	<u>288</u>
	<u>16</u>	<u>384</u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	<u>1996</u>		<u>1995</u>	
	Land & Buildings	Other	Land & Buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years	64	13	65	13
Over five years	<u>63</u>	<u>-</u>	<u>130</u>	<u>-</u>
	<u>127</u>	<u>13</u>	<u>195</u>	<u>13</u>

As explained in note 5, provision has been made in the profit and loss account for surplus land and buildings subject to operating lease commitments.

18. **Pensions**

The group operates a contributory defined benefit pension scheme in the UK. The Scheme's funds are administered by Trustees and are independent of the Group's finances.

The latest actuarial valuation of the Scheme was carried out by independent actuaries in February 1995. Further details are disclosed in the accounts of the parent company, Baxi Partnership Limited.

The charge in the profit and loss account is £932,000 for the year, and there is an increase of £61,000 to the existing prepayment in the balance sheet, giving a total prepayment of £888,000 at 6 April 1996.

19. **Parent company**

The parent company is Baxi Partnership Limited, a company incorporated in England and Wales.

The accounts of the parent company can be obtained from the Registrar of Companies, Companies House, Cardiff.