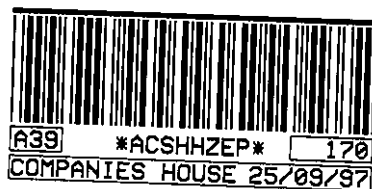


Baxi Partnership Limited

Report of the directors and consolidated financial statements

Year ended 29 March 1997

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 29 March 1997.

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.
- Engineering Components - manufacture of high quality cast iron, sheet metal and die cast finished components.

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

In addition, the Company has focused its community involvement through the investment in Preston North End plc ('PNE').

Business review

The results for the year show a 7% increase in turnover for the Group. The growth is primarily attributable to an increase in the Heating division's sales in improved market conditions. The factory at PACE Limited was closed during the year, suppressing Air Management divisional turnover but this is expected to yield cost savings in the future.

The Group gross profit margin increased to 30% in the year. This 2% increase on last year was due to higher sales prices in the Heating division and the improved profitability of the Engineering Components division.

During the year the Group acquired all of the share capital of Advanced Design & Manufacture Limited to strengthen the Air Management division. A further investment was also undertaken in the joint venture company Alloy Technologies Limited in which the Group continues to hold 50% of the share capital with Brembo SpA of Italy holding the remaining shares. Part of the Group's shareholding in PNE was disposed of during the year, further details are given in note 12.

Subsidiary undertakings

Particulars of the Company's principal subsidiary undertakings are given in note 30 to the financial statements.

Dividends and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the year retained in the Group was £5,711,000.

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). 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.

Corporate Governance (continued)

The Board of directors, currently comprising five executive and four non-executive directors, meets at least every two months 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 operates 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. Capital expenditure in excess of pre-determined limits is authorised by the full Board.

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.

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 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 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 Group and to prevent and detect fraud and other irregularities.

Directors and directors' interests

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

Executive Directors

B M Gray - Chief Executive
D E Cook - appointed 26 February 1997
C J Droogan - appointed 12 January 1997
P R Johnson
L King - resigned 20 December 1996

Non-Executive Directors

D E Erdal - Chairman
P S Baxendale - retired 4 July 1996
T C Campbell
N C D Kuenssberg - appointed 1 August 1996
A G Thomas

Directors and directors' interests (continued)

The directors who held office at the end of the financial year had been allocated the following beneficial interests in the ordinary shares of Baxi Partnership Limited:

	Interest at end of year	Interest at start of year
B M Gray	58	-
P R Johnson	58	-

In addition to the individual interests disclosed above, the executive directors are, for Companies Act purposes, regarded as interested in the shares in the Company which are held by the Group's Employee Share Ownership Trusts and have not been allocated to individual employees under the Group's profit sharing arrangements. At the end of the financial year the Employee Share Ownership Trusts held 450,000 preference shares and 659,033 ordinary shares which had not been allocated. BM Gray, CJ Droogan, D E Cook and P R Johnson are regarded as interested in all of such shares. The Employee Share Ownership Trusts hold these shares for the benefit of employees generally and, despite their technical interests in these shares, the executive directors will not obtain individual ownership of any such shares except to the extent that such shares are utilised for their individual participation in the Group's profit sharing arrangements.

Mr D E Erdal and Mr T C Campbell are trustees of one of the Employee Share Ownership Trusts and in this capacity at the end of the financial year held a non beneficial interest in 450,000 preference shares and 4,595,329 ordinary shares in Baxi Partnership Limited (1996: 450,000 preference shares and 4,595,329 ordinary shares).

Under the terms of the Company's Employee Savings Related Share Option Scheme 1992, which is open to participation by all eligible employees, Mr B M Gray, Mr P R Johnson and Mr C J Droogan have been granted the following options

Name	Date of grant	Number of shares	Option price per share	Exercisable
B M Gray	17 December 1996	216	£3.47	1 February 2002 - 31 July 2002
P R Johnson	17 December 1996	216	£3.47	1 February 2000 - 31 July 2000
C J Droogan	17 December 1996	130	£3.47	1 February 2000 - 31 July 2000

None of the other directors who held office at the end of the financial year had any discloseable interest in the shares of Group companies. No directors have the right to subscribe for shares or debentures in the Group.

Mr T C Campbell and Mr A G Thomas will retire by rotation in accordance with the Articles of Association and, being eligible, submit themselves for re-election.

Mr J K Acornley, Mr D E Cook, Mr C J Droogan and Mr N C D Kuenssberg, having been appointed since the last Annual General Meeting, automatically retire at the forthcoming Annual General Meeting 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, makes recommendations as to the definition of their respective roles and assists in succession planning.

Remuneration and Appointments Committee (continued)

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

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 £1.2m (1996 : £1.4m).

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 £2,117,000 (1996: £493,000). The Baxi Partnership Limited Savings Related Share Option Schemes launched in 1992 and 1996, allow employees periodically to apply for three, five or seven year share option contracts to purchase shares in the Company.

Employees

The Group places considerable emphasis on the contribution of the people within its 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.

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 supplier payment terms. This is consistent with our Vendor Improvement Programme which continues to support a total quality approach with suppliers.

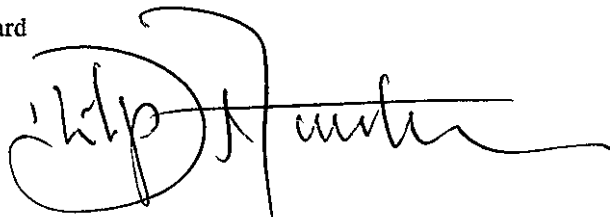
Political and charitable contributions

The Group made no political contributions during the year. Donations to UK charities amounted to £22,976.

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
A P Hardman
Secretary



Brownedge Road
Bamber Bridge
Preston, PR5 6SN
20 May 1997

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 6 to 31.

Respective responsibilities of directors and auditors

As described on page 2 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 29 March 1997 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

KPMG
Chartered Accountants
Registered Auditors

20 May 1997

Consolidated profit and loss account
for the year ended 29 March 1997

	<i>Note</i>	1997 £000	1996 £000
Turnover	2	101,217	94,555
Cost of sales - normal		(70,178)	(67,705)
- exceptional	3	(884)	(220)
Gross profit		30,155	26,630
Distribution expenses		(11,705)	(12,524)
Administrative expenses - normal		(9,227)	(10,042)
- exceptional	3	(193)	(917)
Operating profit	4	9,030	3,147
Profit/(loss) on disposal of fixed assets		9	(44)
Profit/(loss) on disposal of fixed asset investments	12	385	(156)
Interest receivable and similar income	7	2,413	2,394
Interest payable and similar charges	8	(66)	(61)
Share of associated companies losses	12	(686)	(124)
Profit before profit sharing		11,085	5,156
Profit sharing		(2,117)	(493)
Profit on ordinary activities before taxation		8,968	4,663
Tax on profit on ordinary activities	9	(3,378)	(2,111)
Profit on ordinary activities after taxation		5,590	2,552
Minority interests	22	121	42
Retained profit for the financial year transferred to reserves	21	5,711	2,594

Consolidated statement of total recognised gains and losses
for the year ended 29 March 1997

	1997	1996
	£000	£000
Retained profit for the financial year	5,711	2,594
Unrealised surplus on revaluation of fixed assets net of minority interest	347	3,410
Unrealised exchange (loss)/gain on currency translations	(1,162)	192
Total recognised gains relating to the financial year	4,896	6,196

Note of consolidated historical cost profits and losses
for the year ended 29 March 1997

	1997	1996
	£000	£000
Reported profit on ordinary activities before taxation	8,968	4,663
Realisation of fixed asset revaluation gains	303	160
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	376	948
Historical cost profit on ordinary activities before taxation	9,647	5,771
Historical cost profit for the year retained after taxation	6,390	3,702

Reconciliation of movements in shareholders' funds
for the year ended 29 March 1997

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Retained profit for the year	5,711	2,594	(135)	929
Unrealised exchange (loss)/gain on currency translation	(1,162)	192	(732)	94
Unrealised surplus on revaluation of fixed assets	347	3,685	325	-
Minority share of revaluation of fixed assets	-	(275)	-	-
Goodwill arising on acquisitions	(2,983)	(244)	-	-
Movement in shareholders' funds	1,913	5,952	(542)	1,023
Opening shareholders' funds	80,487	74,535	76,155	75,132
Closing shareholders' funds	82,400	80,487	75,613	76,155

Consolidated balance sheet
at 29 March 1997

	Note	1997		1996	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		22,403		30,805
Intangible assets	11		-		860
Investments	12		5,248		1,809
			<u>27,651</u>		<u>33,474</u>
Current assets					
Stocks	13	11,729		13,237	
Debtors	14	20,311		24,057	
Investments	15	38,784		28,120	
Cash		9,234		8,598	
		<u>80,058</u>		<u>74,012</u>	
Creditors: amounts falling due within one year	16	(24,605)		(23,302)	
Net current assets			<u>55,453</u>		<u>50,710</u>
Total assets less current liabilities			<u>83,104</u>		<u>84,184</u>
Creditors: amounts falling due after more than one year	17		(131)		(389)
Provisions for liabilities and charges	18		(395)		(818)
Accruals and deferred income	19		(379)		(918)
Net assets			<u>82,199</u>		<u>82,059</u>
Capital and reserves					
Called up share capital	20		1,031		1,031
Share premium account	21		3,566		3,566
Revaluation reserve	21		7,907		8,208
Profit and loss account	21		69,896		67,682
Shareholders' funds			<u>82,400</u>		<u>80,487</u>
Minority interests	22		(201)		1,572
			<u>82,199</u>		<u>82,059</u>

Included within shareholders' funds is £450,000 (1996: £450,000) of non-equity preference shares.

These financial statements were approved by the board of directors on 20 May 1997 and were signed on its behalf by:



B M Gray
Director

Company balance sheet
at 29 March 1997

	Note	1997 £000	1996 £000
Fixed assets			
Tangible assets	10	84	87
Investments	12	43,466	37,009
		<u>43,550</u>	<u>37,096</u>
Current assets			
Debtors	14	447	3,060
Investments	15	29,495	28,042
Cash		2,682	1,131
		<u>32,624</u>	<u>32,233</u>
Creditors: amounts falling due within one year	16	<u>(2,311)</u>	<u>(2,487)</u>
Net current assets due within one year		30,313	29,746
Debtors due after more than one year	14	<u>1,827</u>	<u>10,127</u>
Total net current assets		<u>32,140</u>	<u>39,873</u>
Total assets less current liabilities		75,690	76,969
Creditors: amounts falling due after more than one year	17	(40)	(60)
Provisions for liabilities and charges	18	(37)	(754)
Net assets		<u><u>75,613</u></u>	<u><u>76,155</u></u>
Capital and reserves			
Called up share capital	20	1,031	1,031
Share premium account	21	3,566	3,566
Revaluation reserve	21	325	-
Profit and loss account	21	70,691	71,558
Shareholders' funds		<u><u>75,613</u></u>	<u><u>76,155</u></u>

Included within shareholders' funds is £450,000 (1996: £450,000) of non-equity preference shares.

These financial statements were approved by the board of directors on 20 May 1997 and were signed on its behalf by:



B M Gray
Director

Cash flow statement

for the year ended 29 March 1997

	Note	1997 £000	1996 £000
Cash flow from operating activities	25	19,067	3,058
Returns on investments and servicing of finance		2,080	2,435
Taxation		(2,379)	(428)
Capital expenditure and financial investment		(1,441)	(7,384)
Acquisitions and disposals		(4,888)	(1,731)
Cash inflow/(outflow) before use of liquid resources/financing		12,439	(4,050)
Management of liquid resources		(10,664)	9,150
Financing		(240)	1,149
Increase in cash during the year		1,535	6,249

Reconciliation of net cash flow to movements in net funds

for the year ended 29 March 1997

	Note	1997 £000	1996 £000
Increase in cash in the year		1,535	6,249
Cash outflow from decrease in debt and leasing		604	209
Cash outflow/(inflow) from decrease/(increase) in liquid funds		10,664	(9,150)
Change in net funds resulting from cash flows		12,803	(2,692)
Loans and finance leases acquired with subsidiary		(309)	-
Exchange movement		(276)	26
Movements in net funds during the year		12,218	(2,666)
Opening net funds		35,649	38,315
Closing net funds	27	47,867	35,649

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. The opening fixed asset cost and accumulated depreciation have been restated to offset a net revaluation surplus arising in the previous year against the accumulated depreciation.

During 1996 FRS1 (cashflow statements) was revised. The consolidated cashflow statement and accompanying notes have consequently been prepared in accordance with this revised standard.

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 29 March 1997 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 provisions for diminution in value. 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, where appropriate, to their estimate of depreciated replacement cost or existing use value.

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 to the profit and loss account reserve.

Depreciation is provided 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*)

Current asset investments

Current asset investments are stated at the lower of cost and market value net of accrued interest.

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.

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.

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.

Foreign currencies

Transactions in foreign currencies are recorded using the contracted rate of exchange or the 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 differences on translating long term Group loans are taken directly to reserves where the loans are considered to be a substitute for equity investment.

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 directly to reserves.

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.

Research and development expenditure

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

1 Accounting Policies (*continued*)

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 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.

Employee Share Ownership Trusts

In accordance with UITF 13, Company shares acquired and any associated borrowings by Employee Share Ownership Trusts which are sponsored by the Company are recognised in the Company and Group balance sheet. These shares are revalued to their market value and differences taken to the revaluation reserve. Shares distributed to employees under the profit sharing arrangements are charged to the profit and loss account in the year in which the profit distribution arises and provision is made against the carrying value of the shares.

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 amortised over the life of the contract.

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:

Analysis by business segment

	Turnover		Operating profit/(loss)		Operating net assets	
	1997	1996	1997	1996	1997	1996
	£000	£000	£000	£000	£000	£000
Heating	77,343	70,143	9,822	4,971	16,773	24,198
Air Management	11,072	12,063	128	373	5,374	5,258
Engineering Components	22,255	21,467	622	(808)	9,457	10,158
Other activities	3,531	4,819	(465)	(252)	42	7,310
Inter divisional turnover	(12,984)	(13,937)	-	-	-	-
Exceptional items (see note 3)	-	-	(1,077)	(1,137)	-	-
	<u>101,217</u>	<u>94,555</u>	<u>9,030</u>	<u>3,147</u>	<u>31,646</u>	<u>46,924</u>
Current and deferred taxation					(3,637)	(2,496)
Cash at bank net of overdraft					9,234	7,975
Deferred credit for grants					(379)	(918)
Loans					(131)	(389)
SSAP 24 pensions prepayment					1,164	1,010
Fixed asset investments					5,248	1,809
Current asset investments and interest receivable					39,054	28,144
Net assets per consolidated balance sheet					<u>82,199</u>	<u>82,059</u>

Included within turnover and operating profit are £627,000 and £6,000 (loss) respectively relating to operations acquired during the year. The exceptional item relates to the Heating (£495,000), Air Management (£428,000) and Engineering Components (£154,000) divisions (1996: £910,000, £Nil and £227,000 respectively). Prior year operating net assets have been restated to exclude fixed and current asset investments.

Analysis by geographical area

Origin	Turnover		Operating profit		Operating net assets	
	1997	1996	1997	1996	1997	1996
	£000	£000	£000	£000	£000	£000
UK	82,823	78,623	7,603	2,520	25,807	40,136
Rest of Europe	18,394	15,932	1,427	627	5,839	6,788
	<u>101,217</u>	<u>94,555</u>	<u>9,030</u>	<u>3,147</u>	<u>31,646</u>	<u>46,924</u>

2 Segmental information (continued)

Destination	Turnover	
	1997 £000	1996 £000
UK	74,129	71,778
Rest of Europe	25,746	21,771
Rest of the World	1,342	1,006
	<u>101,217</u>	<u>94,555</u>

3 Exceptional items

	1997 £000	1996 £000
Redundancy and re-organisations	1,077	1,239
Provision for lease commitments	-	(102)
	<u>1,077</u>	<u>1,137</u>

During the year the Packaged Air Conditioning Equipment Limited factory was closed and its trade was transferred to Actionair Group Limited. Additional redundancy costs have been provided for in the year, to match production resources with current demand levels, and have been charged to cost of sales and administration expenses.

4 Profit on ordinary activities before taxation

	1997 £000	1996 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	90	84
Other services	113	61
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	3,147	4,119
Assets held under finance leases	75	54
Provision for diminution in value	750	-
Hire of plant and machinery - operating lease rentals	45	52
Research and development expenditure	1,174	1,391
Realised exchange losses/(gains)	132	(51)
	<u></u>	<u></u>

The provision for diminution in value has been included within the profit and loss account under the heading 'Profit/(loss) on sale of fixed assets' but has largely been offset by a profit on the sale of patent rights referred to in note 12.

5 Remuneration of directors

	1997	1996
	£000	£000
Fees	62	50
Other emoluments:		
Basic salaries	244	223
Benefits	30	30
Performance related bonuses	41	32
Profit share	1	-
Pension contributions	31	26
Compensation for loss of office	70	-
	479	361

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 executive directors for the year were as follows:

	B M Gray	D E Cook	C J Droogan	L King	P R Johnson
	£	£	£	£	£
Salary	106,667	5,405	13,309	44,090	74,767
Benefits	12,056	565	1,038	6,182	9,968
Performance related bonuses	21,174	-	-	7,187	12,127
Profit share	198	-	-	198	198
Pension contributions	18,534	477	1,142	4,312	7,108
Compensation for loss of office	-	-	-	70,000	-
	158,629	6,447	15,489	131,969	104,168

5 Remuneration of directors (continued)

The emoluments of the Chairman and other non-executive directors for the year were as follows:

	D E Erdal (Chairman)	P S Baxendale	T C Campbell	A G Thomas	NC D Kuenssberg
	£	£	£	£	£
Fees	25,000	2,500	10,000	15,000	10,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The fees shown above as paid in respect of Mr A G Thomas and Mr N C D Kuenssberg were paid as consultancy fees to companies controlled by Mr Thomas and Mr Kuenssberg respectively. The emoluments of the Chairman and highest paid director in 1996 were £15,000 and £143,585 respectively.

The emoluments, excluding pension contributions and compensation for loss of office, of the directors were within the following ranges:

		Number of directors	
		1997	1996
£nil -	£ 5,000	1	-
£ 5,001 -	£10,000	3	1
£10,001 -	£15,000	2	3
£20,001 -	£25,000	1	-
£55,001 -	£60,000	1	-
£65,001 -	£70,000	-	1
£80,001 -	£85,000	-	1
£95,001 -	£100,000	1	-
£125,001 -	£130,000	-	1
£140,001 -	£145,000	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	
	1997	1996
Production	931	1,053
Sales and administration	388	396
	<u>1,319</u>	<u>1,449</u>

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£000	£000
Wages and salaries	24,433	25,808
Social security costs	1,833	2,050
Other pension costs	1,122	1,459
	<u>27,388</u>	<u>29,317</u>

7 Interest receivable and similar income

	1997	1996
	£000	£000
Bank interest	1,346	826
Income from listed investments	158	154
Income from unlisted investments	909	1,414
	<u>2,413</u>	<u>2,394</u>

8 Interest payable and similar charges

	1997	1996
	£000	£000
On bank loans and overdrafts wholly repayable within five years	53	47
On all other loans	2	3
Finance charges payable in respect of finance leases	11	11
	<u>66</u>	<u>61</u>

9 Taxation

	1997	1996
	£000	£000
UK corporation tax at 33% (1996 : 33%) on the profit for the year on ordinary activities	3,545	1,752
Deferred taxation (note 18)	(572)	(247)
Overseas taxation	466	131
Adjustment relating to an earlier year	(61)	475
	<u>3,378</u>	<u>2,111</u>

There was no tax attributable to associated undertakings in either the current or prior years.

The 1997 tax charge is higher than expected due to the provision for diminution in value (note 4) for which no deferred tax credit was recognised due to the availability of tax losses.

10 Tangible fixed assets

	Land and buildings £000	Group Plant and machinery £000	Total £000	Company Plant and machinery £000
<i>Cost or valuation</i>				
At beginning of year as restated	20,948	42,877	63,825	145
Arising on acquisition	7	762	769	-
Additions	689	1,987	2,676	42
Revaluations	-	22	22	-
Disposals	-	(965)	(965)	(26)
Reclassification as associate	(5,902)	(871)	(6,773)	-
Exchange differences	(556)	(1,061)	(1,617)	-
At end of year	15,186	42,751	57,937	161
<i>Depreciation and diminution in value</i>				
At beginning of year as restated	842	32,178	33,020	58
Arising on acquisition	3	438	441	-
Charge for year	405	2,817	3,222	38
On disposals	-	(825)	(825)	(19)
Provision for diminution in value	200	550	750	-
Reclassification as associate	(5)	(186)	(191)	-
Exchange differences	(107)	(776)	(883)	-
At end of year	1,338	34,196	35,534	77
<i>Net book value</i>				
At 29 March 1997	13,848	8,555	22,403	84
At 30 March 1996	20,106	10,699	30,805	87
<i>Historical cost at 29 March 1997</i>				
Historical cost	11,925	36,049	47,974	161
Accumulated depreciation	(3,587)	(29,069)	(32,656)	(77)
Net historical cost	8,338	6,980	15,318	84

10 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

		Group	
		1997	1996
		£000	£000
Freehold	- historical cost	8,329	8,924
	- revaluation	5,510	5,750
Long leasehold	- historical cost	9	4,223
	- revaluation	-	1,209
		<u>13,848</u>	<u>20,106</u>

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 properties of the Group's European subsidiaries were also valued on this date by external valuers on the basis of existing use.

The net book value of land, which is not depreciated, is £3,444,000 (1996: £3,794,000).

Included in the total net book value of plant and machinery is £79,000 (1996: £113,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £75,000 (1996: £54,000). The Company had no assets held under finance leases.

11 Intangible fixed assets

At 30 March 1996 intangible fixed assets with a net book value of £860,000 related to the costs of transfer fees for Preston North End plc ('PNE') players. During the year amortisation of £26,000 was charged and as set out in note 12, PNE has been reclassified as an associate. The Group's share of PNE assets are now reclassified within 'Interest in associated undertakings'.

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	1,185	303	872	2,373
Reclassification as associate	-	1,615	-	-	1,615
Additions	-	1,884	556	1,523	3,963
Revaluation	-	-	-	325	325
Disposals	-	-	-	(183)	(183)
Exchange movements	(2)	-	(3)	-	(5)
At end of year	11	4,684	856	2,537	8,088
<i>Share of post acquisition reserves and provisions</i>					
At beginning of year	-	(309)	-	(255)	(564)
Reclassification as associate	-	395	-	-	395
Share of losses for the year	-	(686)	-	-	(686)
Goodwill written off during the year	-	(134)	-	-	(134)
Utilised during the year	-	-	-	216	216
Provision for profit sharing	-	-	-	(2,067)	(2,067)
At end of year	-	(734)	-	(2,106)	(2,840)
<i>Net book value</i>					
At 29 March 1997	11	3,950	856	431	5,248
At 30 March 1996	13	876	303	617	1,809

The Group holds 95% of the issued share capital of Thermitec S.a.r.l. at a carried forward cost of £11,000. 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.

The share of associate company losses of £686,000 relates to set up costs incurred by Alloy Technologies Limited ('ATL') (£599,000) and Preston North End plc ('PNE') losses (£87,000).

Interests in associated undertakings include 50% of the issued share capital of ATL, a company registered in England and Wales. This is a joint venture company with Brembo SpA of Italy and was created to develop and commercially exploit a new aluminium casting process. A further equity investment of £1,061,000 has been made and the goodwill arising of £61,000 has been written off to the profit and loss account reserve. As disclosed in note 28, during the year patent rights were transferred to ATL for £1.5M. On consolidation, the element of the gain realised to the Group has been recognised in the profit and loss account and the balance has been deducted from the cost of the investment.

During the year the Group reduced its holding in PNE from a controlling interest of 66% to a year end holding of 41%. Following this strategic reduction, PNE is now accounted for as an associate under the equity method of accounting. During the year shares were sold for consideration of £1,555,000 and following a share issue, new shares were purchased at a cost of £1,572,000. The net effect of these transactions resulted in a Group profit of £385,000 and goodwill written off to reserves of £73,000. The principal activity of PNE, a company registered in England and Wales, is the operation of a professional football club, together with related ancillary activities.

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	7,074	30,066	1,185	291	872	39,488
Additions	2,824	1,200	2,633	556	1,523	8,736
Revaluation	-	-	-	-	325	325
Disposals/repayments	(948)	(851)	-	-	(183)	(1,982)
Reclassification as associate	(1,615)	-	1,615	-	-	-
Exchange difference	-	(734)	-	-	-	(734)
At end of year	7,335	29,681	5,433	847	2,537	45,833
<i>Provisions</i>						
At beginning of year	2,224	-	-	-	255	2,479
Utilised	-	-	-	-	(255)	(255)
Provision for profit sharing	-	-	-	-	143	143
At end of year	2,224	-	-	-	143	2,367
<i>Net book value</i>						
At 29 March 1997	5,111	29,681	5,433	847	2,394	43,466
At 30 March 1996	4,850	30,066	1,185	291	617	37,009

On 1 January 1997 the Company acquired the entire share capital of Advanced Design & Manufacture Limited ('ADM'). The consideration of £2,824,000 was wholly cash and the fair value of the net liabilities acquired was £25,000. The resulting goodwill of £2,849,000 was written off on acquisition to the profit and loss account reserve. The loss retained by ADM for the period from 1 April 1996 to 31 December 1996 amounted to £945,000 after a dividend of £765,000 (profit retained for the year ended 31 March 1996 £360,000).

Fixed asset investments include the market value of Company shares held by Employee Share Ownership Trusts sponsored by the Company. At the year end 659,033 (1996: 344,494) shares were so held and provision has been made for the share based profit share distribution payable in respect of the year ended 29 March 1997.

13 Stocks

	Group	
	1997	1996
	£000	£000
Raw materials and consumables	3,824	2,454
Work in progress	2,156	3,721
Finished goods and goods for resale	5,749	7,062
	<u>11,729</u>	<u>13,237</u>

14 Debtors

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Amounts falling due within one year	17,999	21,804	22	-
Trade debtors	-	-	165	2,704
Amounts owed by subsidiary undertakings	-	-	-	-
Amounts owed by undertakings in which the company has a participating interest	322	117	-	-
Other debtors	47	233	10	-
Prepayments and accrued income	1,943	1,903	250	356
	<u>20,311</u>	<u>24,057</u>	<u>447</u>	<u>3,060</u>
Amounts falling due after more than one year	-	-	1,827	10,127
Amounts owed by subsidiary undertakings	-	-	-	-
	<u>20,311</u>	<u>24,057</u>	<u>2,274</u>	<u>13,187</u>
Total debtors				

15 Current asset investments

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Short term investments	7,768	6,951	7,768	6,951
Short term deposits	23,290	1,390	14,090	1,390
Cash held by third party for reinvestment	7,726	19,779	7,637	19,701
	<u>38,784</u>	<u>28,120</u>	<u>29,495</u>	<u>28,042</u>

At the year end the market value of short term investments was £7,768,000 (1996: £6,951,000).

Creditors: amounts falling due within one year

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Bank overdraft	-	623	-	-
Obligations under finance leases and hire purchase contracts	20	57	-	-
Trade creditors	11,688	9,106	-	-
Amounts owed to subsidiary undertakings	-	-	1,300	791
Amounts owed to undertakings in which the Company has a participating interest	54	28	-	-
Group relief payable	-	-	-	487
Other creditors including taxation and social security:				
Corporation tax	2,993	1,585	666	1,116
Overseas tax	249	93	-	-
Other taxes and social security	1,551	2,061	-	-
Other creditors	1,174	1,295	-	-
Accruals and deferred income	6,876	8,454	345	93
	<u>24,605</u>	<u>23,302</u>	<u>2,311</u>	<u>2,487</u>

Creditors: amounts falling due after more than one year

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Loan stock	40	60	40	60
Bank and other loans	81	328	-	-
Obligations under finance leases	10	1	-	-
	<u>131</u>	<u>389</u>	<u>40</u>	<u>60</u>

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

The maturity of obligations under finance leases is £23,000 due within one year (1996: £63,000) and £10,000 in the second to fifth years (1996: £1,000 in the second to fifth years) and includes £3,000 for future finance charges (1996: £7,000).

Provisions for liabilities and charges

Deferred Taxation	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
At beginning of year	818	1,053	754	666
(Release)/charge for the year in the profit and loss account	(572)	(247)	(717)	88
Reclassification as associate	200	-	-	-
Exchange difference	(51)	12	-	-
At end of year	395	818	37	754

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

Group	1997 Amount provided £000	1997 Amount unprovided £000	1996 Amount provided £000	1996 Amount unprovided £000
Difference between accumulated depreciation and capital allowances	657	548	687	551
Revaluation of properties	-	1,170	-	1,274
Other timing differences	(262)	206	131	-
	395	1,924	818	1,825
Company	1997 Amount provided £000	1997 Amount unprovided £000	1996 Amount provided £000	1996 Amount unprovided £000
Difference between accumulated depreciation and capital allowances	(10)	-	(6)	-
Other timing differences	47	-	760	-
	37	-	754	-

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	
	1997	1996
	£000	£000
<i>Government grants</i>		
At beginning of year	918	515
Grants received during the year	364	472
Credited to trading profit	(67)	(69)
Reclassification as an associate	(836)	-
	<u>379</u>	<u>918</u>
At end of year	<u><u>379</u></u>	<u><u>918</u></u>

20 Called up share capital

	1997	1996
	£000	£000
<i>Authorised</i>		
Ordinary shares of 10 pence each	750	750
Preference shares of £1 each	450	450
	<u>1,200</u>	<u>1,200</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 10 pence each	581	581
Preference shares of £1 each	450	450
	<u>1,031</u>	<u>1,031</u>

21 Share premium and reserves

	Group		
	Share premium account	Revaluation reserve	Profit and loss account
	£000	£000	£000
At beginning of year	3,566	8,208	67,682
Retained profit for year	-	-	5,711
Surplus on revaluation of - tangible fixed assets	-	22	-
- fixed asset investments	-	325	-
Realisation of revaluation reserve	-	(677)	677
Goodwill arising on acquisitions (note 12)	-	-	(2,983)
Exchange difference on overseas subsidiary	-	29	(1,191)
	<u>3,566</u>	<u>7,907</u>	<u>69,896</u>
At end of year	<u><u>3,566</u></u>	<u><u>7,907</u></u>	<u><u>69,896</u></u>

The cumulative amount of goodwill resulting from acquisitions in the current and earlier financial years which has been written off to the profit and loss account reserve is £7,271,000 (1996: £4,288,000). The profit and loss account reserve includes the cumulative share of net losses retained by associated undertakings of £810,000.

The Company's retained loss for the financial year was £135,000 (1996: profit £929,000).

21 Share premium and reserves (continued)

	Company		
	Share premium account	Revaluation reserve	Profit and loss account
	£000	£000	£000
At beginning of year	3,566	-	71,558
Surplus on revaluation of fixed asset investments	-	325	-
Retained loss for year	-	-	(135)
Exchange loss on long term loan of overseas subsidiary	-	-	(732)
At end of year	<u>3,566</u>	<u>325</u>	<u>70,691</u>

22 Minority Interests

	Group	
	1997 £000	1996 £000
At the beginning of the year	1,572	(79)
Share of revaluations	-	275
Arising on share issue	-	1,055
Reclassification as associate	(1,652)	363
Share of losses for year	(121)	(42)
At end of year	<u>(201)</u>	<u>1,572</u>

All minority interests are attributable to equity interests.

23 Commitments

Capital commitments at the end of the financial year for which no provision has been made are:

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Contracted	475	319	-	-
Authorised but not contracted	5	18	-	-
	<u>480</u>	<u>337</u>	<u>-</u>	<u>-</u>

23 Commitments (continued)

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

	1997		1996	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	-	5	-	8
In the second to fifth years inclusive	128	13	64	24
Over five years	-	-	63	-
	<u>128</u>	<u>18</u>	<u>127</u>	<u>32</u>

Provision has been made against the annual charge to the profit and loss account for all land and building 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 £987,000 (1996: £1,246,000) for the year and there is an increase of £154,000 to the existing prepayment in the balance sheet, giving a total prepayment of £1,164,000 at 29 March 1997.

The charge in respect of other schemes is £135,000 (1996: £213,000).

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

	1997 £000	1996 £000
Operating profit	9,030	3,147
Profit sharing paid	(263)	(7)
Depreciation and amortisation	3,248	4,248
Government grants released to profit	(67)	(69)
Decrease/(increase) in stocks	1,694	(2,565)
Decrease/(increase) in debtors	3,911	(740)
Increase/(decrease) in creditors	848	(1,122)
Exceptional item	666	166
	<hr/>	<hr/>
Net cash inflow from operating activities	19,067	3,058
	<hr/>	<hr/>

26 Analysis of the main headings in the cash flow statement

	1997 £000	1996 £000
Returns on investments and servicing of finance		
Interest received	2,163	2,496
Interest paid	(72)	(50)
Interest element of finance lease rentals	(11)	(11)
	<hr/>	<hr/>
	2,080	2,435
	<hr/>	<hr/>
Taxation		
UK Corporation tax	(2,217)	(417)
Overseas tax	(162)	(11)
	<hr/>	<hr/>
	(2,379)	(428)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,525)	(7,639)
Purchase of intangible fixed assets	(9)	(336)
Sale of tangible fixed assets	149	407
Sale of intangible fixed assets (note 28)	1,500	257
Purchase of other fixed asset investments	(556)	(73)
	<hr/>	<hr/>
	(1,441)	(7,384)
	<hr/>	<hr/>

26 Analysis of the main headings in the cash flow statement (continued)

	1997 £000	1996 £000
Acquisitions and disposals		
Purchase of subsidiary undertakings	(2,824)	(34)
Net overdraft acquired with subsidiary	(438)	-
Sale of shares in subsidiary undertaking	1,874	33
Overdraft disposed of	656	-
Purchase of shares in associate undertaking	(2,633)	(1,185)
Purchase of own shares (note 12)	(1,523)	(545)
	<u>(4,888)</u>	<u>(1,731)</u>
Financing		
Funding received from subsidiary share issue	-	886
New loans received	143	183
Loan repayments	(693)	(314)
Capital element of finance lease payments	(54)	(78)
Grants received	364	472
	<u>(240)</u>	<u>1,149</u>

The Group includes as liquid resources all current asset investments which include Government bonds, overnight deposits, and UK cash instruments

The subsidiary undertakings acquired during the year contributed £116,000 to the Group's net operating cash flows, paid £9,000 in respect of net returns on investments and servicing of finance, paid £191,000 in respect of taxation and utilised £21,000 for investing activities.

27 Movement in net funds

	At 30 March 1996 £000	Cash flow £000	Acquisitions and disposals £000	Exchange movement £000	At 29 March 1997 £000
Cash in hand net of overdrafts	7,975	1,535	-	(276)	9,234
Debt due in more than one year	(388)	550	(283)	-	(121)
Finance leases	(58)	54	(26)	-	(30)
Current asset investments	<u>28,120</u>	<u>10,664</u>	<u>-</u>	<u>-</u>	<u>38,784</u>
	<u>35,649</u>	<u>12,803</u>	<u>(309)</u>	<u>(276)</u>	<u>47,867</u>

28 Related party disclosures

During the year UK and overseas patent rights were sold to Alloy Technologies Limited ('ATL') by Alfer Limited and Baxi Partnership Limited. In accordance with the Joint Venture Agreement between Baxi Partnership Limited, Alfer Limited and ATL £1,500,000 was invoiced to ATL and paid during the year. Proceeds were allocated in a 7:1 ratio between Alfer Limited and Baxi Partnership Limited.

During the year Baxi Partnership Limited granted a working capital loan to PNE plc, at an interest rate of 2% above bank base rate. The loan reached a maximum of £576,000 and was repaid during the year.

B M Gray is Chairman of PNE.

Baxi Partnership Limited acts as guarantor of a bank loan to one of the Employee Share Ownership Trusts. The loan facility available to this trust is £1,500,000 and their present borrowings are at that level. During the year Baxi Partnership made a gift of £26,339 to this trust, which was utilised by the trust towards meeting its interest costs.

29 Contingent liabilities

Baxi Partnership Limited acts as guarantor for the finance leases of ATL up to the value of £5,000,000. A fee of 2% of the lease commitments is levied for this service resulting in an income of £17,120 in the year of which £10,968 remains due at the year end. At the year end ATL's lease commitments were £3,139,429.

30 Subsidiary undertakings

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

	Country of Incorporation	Holding	Year End
Heating			
Baxi Heating Limited	England	100%	29 March
HS Group A/S	Denmark	100%	*7 April
HS Kedler-Tarm A/S	Denmark	100%	*7 April
HS France SA	France	100%	29 March
HS Perifal AB	Sweden	100%	29 March
Thermitec Sarl	France	95%	29 March
Air Management			
Actionair Group Limited **	England	100%	29 March
Packaged Air Conditioning Equipment Limited	England	100%	29 March
Advanced Design & Manufacture Limited	England	100%	29 March
Gradwood Limited	England	100%	29 March
Engineering Components			
Alfer Limited	England	100%	29 March
Spartek Engineering Limited	England	100%	29 March
Landmark Components Limited	England	100%	29 March
Employee ownership			
Barrhead Sanitary Ware plc`	Scotland	84%	31 March

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

** During the year Actionair Equipment Limited changed its name to Actionair Group Limited.