

Range Valley Engineering Limited

Annual report for the year ended 31 December 1994

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Directors and advisers

Executive directors

G Morton
I E Lindsay

Non-executive directors

J Parkinson
I R Hawkins
H Gregson
M J Henderson

Secretary and registered office

Legibus Secretaries Limited
200 Aldersgate Street
LONDON
EC1A 4JJ

Registered Auditors

Coopers & Lybrand
Albion Court
5 Albion Place
LEEDS
LS1 6JP

Solicitors
Hammond Suddard
2 Park Lane
LEEDS
LS3 1ES

Directors' report for the year ended 31 December 1994

The directors present their report and the audited financial statements for the year ended 31 December 1994.

Principal activity

The profit and loss account for the year is set out on page 6.

The company's principal activity continues to be the manufacture of plastic extrusions.

Review of business

I am pleased to be able to report a year of continued progress along the path of financial recovery and I should like to thank all our staff for the contribution they have made to that process.

The profit and loss account shows a slight increase in turnover from £7.67m to £7.84m. However, this masks the fact that during the course of the year we withdrew from certain areas of business and so the planned growth in our strategic core activity of window, door and conservatory extrusions was successfully achieved. All cost elements were either maintained or improved, the main reason for our £472,000 increase in operating profits to £713,000.

As a result of tighter control of stocks, continued vigilance at accounts receivable management and the proceeds from the disposal of our Greenfield site, we were able both to reduce our bank debt and to invest further in state of the art extruders. In 1993 and 1994 we invested significant money time and effort in improving all aspects of the Company's operations. This culminated in the Company being awarded ISO9001 Part I. The Board is pleased at the benefits which have accrued so far, particularly as regards quality, customer satisfaction and loyalty.

Since the year end we have established a Business Development Programme (BDP) in order to assist our customers to become more efficient and competitive. The BDP encourages more effective sales, marketing and advertising techniques, as well as providing advice on all aspects of fabrication business management. To help achieve this objective, we have assembled and put at the disposal of our customers a team of independent industry professionals whose collective expertise would be difficult to beat. This forms a central plant of our policy of not being just another systems supplier, but of finding ways of adding value for the benefit of our current and prospective customers.

The present year has started satisfactorily and I hope to be able to report continued progress in the next annual review.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1994 (1993: £Nil). The profit for the year of £527,000 (1993: loss of £383,000) will be transferred to reserves.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 8 to the financial statements.

Directors

The directors of the company at 31 December 1994, all of whom have been directors for the whole of the year ended on that date, unless otherwise stated, were:-

Mr J Parkinson (Chairman)
Mr I R Hawkins
Mr G Morton
Mr H Gregson
Mr I E Lindsay
Mr M J Henderson (appointed on 25 May 1994)

Directors' interests

No directors held any beneficial interests in the shares of the company at 31 December 1994.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1994. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis as more fully explained on page 10.

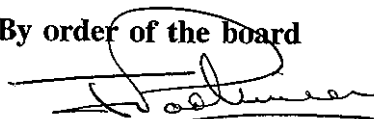
The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

Auditors

The company has passed an elective resolution under Section 366A of the Companies Act 1985 to dispense with the requirement to hold an Annual General Meeting.

In the absence of a notice proposing that the appointment be terminated, Coopers & Lybrand will remain in office for the next financial year.

By order of the board

A handwritten signature in dark ink, appearing to read 'J. Coleman', is written over a horizontal line.

Chairman

31 March 1995

Report of the auditors to the members of Range Valley Engineering Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the company being able to meet its forecasts of sales revenue and cash flows and on the parent company and major supplier continuing their support by providing adequate loan and trade facilities. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1994 and of its profit, and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors

Leeds 10 April 1995

Profit and loss account for the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Turnover - continuing operations		7,841	7,670
Changes in stocks of finished goods and work in progress		80	120
Raw materials and consumables		4,029	4,061
Other external charges		181	184
Staff costs	2	1,290	1,331
Depreciation		359	404
Other operating charges		1,189	1,329
		<u>(7,128)</u>	<u>(7,429)</u>
Operating profit - continuing operations	4	713	241
Exceptional charge	5	-	(349)
Interest payable	6	(186)	(275)
		<u>527</u>	<u>(383)</u>
Profit/(loss) on ordinary activities before taxation		527	(383)
Taxation on ordinary activities	7	-	-
Profit/(loss) for the financial year	15	<u>527</u>	<u>(383)</u>

The company had no recognised gains or losses other than those shown in the profit and loss account, and therefore a statement of total recognised gains and losses has not been presented.

Note of historical cost profits and losses

	1994 £'000	1993 £'000
Reported profit/(loss) on ordinary activities before taxation	527	(383)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	6	10
Historical cost profit/(loss) on ordinary activities before taxation	<u>533</u>	<u>(373)</u>
Historical cost profit/(loss) for the year retained	<u>533</u>	<u>(373)</u>

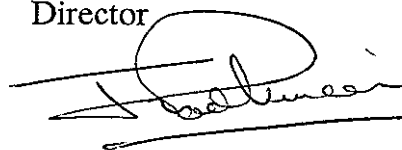
Balance sheet

at 31 December 1994

	Notes	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	8	1,808	1,928
Current assets			
Stocks	9	484	564
Debtors	10	984	970
Cash at bank and in hand		-	-
		<u>1,468</u>	<u>1,534</u>
Creditors: amounts falling due within one year	11	(2,771)	(3,516)
Net current liabilities		<u>(1,303)</u>	<u>(1,982)</u>
Total assets less current liabilities		<u>505</u>	<u>(54)</u>
Creditors: amounts falling due after more than one year	12	(1,511)	(1,479)
Provisions for liabilities and charges			
Deferred taxation	13	-	-
Net liabilities		<u>(1,006)</u>	<u>(1,533)</u>
Capital and reserves			
Called up share capital	14	20	20
Revaluation reserve	15	286	479
Profit and loss account	15	(1,312)	(2,032)
Deficiency in equity shareholders' funds	16	<u>(1,006)</u>	<u>(1,533)</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 31 March 1995 and were signed on its behalf by:-

Director



Cash flow statement for the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Net cash inflow from operating activities	17	1,444	968
Returns on investments and servicing of finance			
Interest paid		(191)	(274)
Interest paid on finance leases		(4)	(12)
Net cash outflow from returns on investments and servicing of finance		(195)	(286)
Investing activities			
Purchase of tangible fixed assets		(478)	(250)
Sale of tangible fixed assets		224	136
Net cash outflow from investing activities		(254)	(114)
Net cash inflow before financing		995	568
Financing			
Loan from parent company		(758)	(234)
Payment of principal under finance leases		(44)	(42)
Net cash (outflow) from financing		(802)	(276)
Increase in cash and cash equivalents	19	193	292

**Notes to the financial statements
for the year ended 31 December 1994**

1 Principal accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of preparation

At the balance sheet date the company's current liabilities exceeded the company's current assets by £1,006,000.

The company continues to rely on its parent company and a major supplier for financial support which has been provided by a loan of £340,000 and trade finance of £1,463,000 at the balance sheet date.

No repayment of the trade finance is to be made during 1995.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the company being able to meet its forecasts of sales revenue and cash flows and on the parent company and major supplier continuing their support by providing adequate loan and trade facilities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The directors are satisfied based upon all of the information available to them, that it is appropriate for the financial statements to be prepared on a going concern basis.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Principal accounting policies (continued)**Goodwill**

Purchased goodwill is written off immediately against reserves.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

	%
Freehold buildings	2
Plant, machinery and fixtures	12½
Motor vehicles	25, 20
Computer equipment	20

Plant and machinery additions are depreciated from the year in which commercial levels of production are achieved.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Provision is made where necessary for obsolete, slow moving and defective stocks.

Principal accounting policies (continued)

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied and the value of long term contract work done.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2 Staff costs

The average weekly number of persons employed by the company, including executive and non executive directors, during the year is analysed below:-

	1994 Number	1993 Number
Directors	6	5
Administrative and drawing office staff	26	22
Maintenance staff	2	3
Production, delivery and others	50	56
	<u>84</u>	<u>86</u>
	1994 £'000	1993 £'000
Staff costs (for the above persons)		
Wages and salaries	1,183	1,209
Social security costs	107	122
Other pension costs	-	-
	<u>1,290</u>	<u>1,331</u>

The company no longer makes payments on behalf of its employees in respect of pension plans.

3 Directors' emoluments

The remuneration paid to the directors of the company for management services, including pension contributions, was as follows:-

	1994 £'000	1993 £'000
Salaries (including benefits in kind)	49	14
Pension contributions	2	-
	<u>51</u>	<u>14</u>

Directors' emoluments, excluding pension contributions, include amounts paid to:-

	1994 £'000	1993 £'000
The Chairman	Nil	Nil
	<u>Nil</u>	<u>Nil</u>
The highest paid director	49	14
	<u>49</u>	<u>14</u>

The number of directors (including the chairman and the highest paid director) whose emoluments were within the ranges:-

	1994 Number	1993 Number
£0 to £5,000	5	4
£10,001 to £15,000	-	1
£45,001 to £50,000	1	-

4 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):-

	1994 £'000	1993 £'000
Depreciation charge for the year:		
Tangible owned fixed assets	346	362
Tangible fixed assets held under finance leases	13	42
Auditors' remuneration for audit	13	13
(Profit)/loss on disposal of tangible fixed assets	15	(60)
Rent receivable	(5)	(10)
Management charge from parent undertaking	115	84
Hire of assets - operating leases	104	82
	<u>104</u>	<u>82</u>

Remuneration of the company's auditors for provision of non-audit services to the company was £10,000 in respect of taxation compliance services.

5 Exceptional item

The exceptional charge relates to the purchased goodwill previously written off to reserves.

6 Interest payable and similar charges

	1994 £'000	1993 £'000
On bank overdraft and other loans repayable within five years, not by instalments	34	61
On finance leases and hire purchase contracts	4	12
On loan from parent undertaking	148	202
	<u>186</u>	<u>275</u>

7 Taxation

The company has unutilised corporation tax losses of approximately £288,000 (1993: £461,335) available for carry forward against future profits of the same trade.

8 Tangible fixed assets

	Freehold land and buildings £'000	Computer equipment £'000	Plant, machinery and fixtures £'000	Motor vehicles £'000	Total £'000
Cost or valuation (see below)					
At 1 January 1994	929	129	2,935	160	4,153
Additions	1	3	443	31	478
Disposals	(282)	-	(25)	(83)	(390)
At 31 December 1994	648	132	3,353	108	4,241
Depreciation					
At 1 January 1994	148	82	1,901	94	2,225
Charge for year	17	21	293	28	359
Disposals	(65)	-	(20)	(66)	(151)
At 31 December 1994	100	103	2,174	56	2,433
Net book value					
At 31 December 1994	548	29	1,179	52	1,808
At 31 December 1993	781	47	1,034	66	1,928
Cost or valuation at 31 December 1994 is represented by					
Valuation in 1988	511	-	-	-	511
Cost	137	132	3,353	108	3,730
	648	132	3,353	108	4,241

- (a) The freehold land and buildings are stated at valuation and were valued on 21 July 1988 on an open market basis with vacant possession. The cost and net book value of the freehold land and buildings on an historical cost basis are approximately £323,000 and £226,971 respectively.
- (b) Included within fixed assets at 31 December 1993 are assets acquired under hire purchase agreements and finance leases with a net book value of £18,000 (1993: £71,000). The depreciation charge for the year on these assets is £13,000 (1993: £42,000).

9 Stocks

The amounts attributable to different categories are as follows:-

	1994 £'000	1993 £'000
Raw materials and consumables	31	162
Finished goods	453	402
	<u>484</u>	<u>564</u>

10 Debtors

	1994 £'000	1993 £'000
Trade debtors	894	892
Prepayments and other debtors	90	78
	<u>984</u>	<u>970</u>

11 Creditors: amounts falling due within one year

	1994 £'000	1993 £'000
Bank overdraft	257	450
Trade creditors	436	382
Amounts owed to immediate parent undertaking	1,518	2,276
Other taxation and social security	172	131
Obligations under hire purchase contracts and finance leases	6	45
Accruals and deferred income	382	232
	<u>2,771</u>	<u>3,516</u>

The bank overdraft amounting to £257,000 (1993: £450,000) is secured by floating charges on all assets of the company.

12 Creditors: amounts falling due after more than one year

	1994 £'000	1993 £'000
Obligations under hire purchase contracts and finance leases payable within five years	15	16
Trade creditors	1,463	1,463
Accruals and deferred income	33	-
	<u>1,511</u>	<u>1,479</u>

13 Deferred taxation

The total potential liability for deferred taxation is as follows:-

	1994 £'000	1993 £'000
Taxation on revalued properties	<u>49</u>	<u>30</u>

In accordance with the company's accounting policy, no provision is made for deferred taxation in these financial statements (1993: £Nil).

14 Called up share capital

	Authorised, issued and fully paid 1994 and 1993
20,000 ordinary shares of £1 each	<u>20,000</u>

15 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 1994	479	(2,032)
Transfer from revaluation reserve to profit and loss account	(193)	193
Transfer to profit and loss account	-	-
Profit for the year	-	527
	<u>286</u>	<u>(1,312)</u>
At 31 December 1994	<u>286</u>	<u>(1,312)</u>

16 Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Opening shareholders' funds	(1,533)	(1,499)
Profit/(loss) for year	527	(383)
Transfer of other reserve, through the profit and loss account	-	349
	<u>(1,006)</u>	<u>(1,533)</u>
Closing shareholders' funds	<u>(1,006)</u>	<u>(1,533)</u>

**17 Reconciliation of operating profit/(loss) to net cash
inflow/(outflow) from operating activities**

	1994	1993
	£'000	£'000
Continuing operating activities		
Operating profit	713	241
Depreciation charge	359	404
Loss/(profit) on sale of tangible fixed assets	15	(60)
Decrease in stocks	80	98
Decrease in trade debtors	(2)	522
(Increase)/decrease in prepayments and accrued income	(12)	(40)
(Decrease)/increase in trade creditors	54	(250)
Increase in other taxation and social security	41	54
Increase/(decrease) in accruals and deferred income	196	(1)
Net cash inflow from continuing operating activities	1,444	968

18 Analysis of changes in financing during the year

	1994		1993	
	Share capital £'000	Loans and finance lease obligations £'000	Share capital £'000	Loans and finance lease obligations £'000
At 1 January	20	2,337	20	2,613
Repayments of principal on finance leases	-	(44)	-	(42)
(Decrease) in loan from parent company	-	(758)	-	(234)
	<u>20</u>	<u>1,535</u>	<u>20</u>	<u>2,337</u>

19 Cash and cash equivalents

	1994 £'000	1993 £'000
Changes during the year		
At 1 January 1994	(450)	(742)
Net cash inflow/(outflow)	<u>193</u>	<u>292</u>
At 31 December 1994	<u>(257)</u>	<u>(450)</u>

	1994 £'000	1993 £'000	Change in year 1994 £'000	1993 £'000	1992 £'000	Change in year 1993 £'000
Analysis of balances						
Cash at bank and in hand	-	-	-	-	-	-
Bank overdraft	(257)	(450)	193	(450)	(742)	292
At 31 December	<u>(257)</u>	<u>(450)</u>	<u>193</u>	<u>(450)</u>	<u>(742)</u>	<u>292</u>

20 Capital commitments

There are no capital commitments either authorised or contracted for at 31 December 1994 (1993: £Nil).

21 Contingent liabilities

The company's assets are subject to a fixed and floating charge in favour of National Westminster Bank plc in respect of a loan of £5.25 million made by that bank to this company's immediate parent undertaking.

22 Financial commitments

At 31 December 1994 the company had annual commitments under non-cancellable operating leases as follows:-

	1994 £'000	1993 £'000
Expiring within one year	-	1
Expiring between two and five years inclusive	106	76
	<u>106</u>	<u>77</u>

23 Ultimate parent undertaking

The substantial majority of the immediate parent undertaking's ordinary shares and preference shares in issue are held by Phildrew Nominees Limited as nominee for the beneficial owner, The Phildrew Ventures Fund. The Phildrew Ventures Fund is a venture capital fund made up of four limited partnerships.