

ALFER LIMITED

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED
8 APRIL 1995



Company Number 2799059

ALFER LIMITED

REPORT OF THE DIRECTORS

The directors present their report and audited accounts for the year ended 8 April 1995.

PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture of ferrous metal castings.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company 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 enable them to ensure the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

BUSINESS REVIEW

The profit and loss account of the Company is summarised as follows:

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Turnover	<u>8,665</u>	<u>33,522</u>
(Loss)/Profit before profit sharing	(2,394)	3,774
Profit sharing	-	<u>(190)</u>
(Loss)/Profit before taxation	(2,394)	3,584
Taxation	<u>214</u>	<u>(1,141)</u>
(Loss)/Profit for the financial year	<u>(2,180)</u>	<u>2,443</u>

During the year ended 9 April 1994, the activities of the Company also included the manufacture of domestic heating appliances. The assets and trade of this activity were transferred to a fellow subsidiary, Baxi Heating Limited (2799058) on 25 September 1993. The profit and loss account on page 5 categorises the trading results of the year ended 9 April 1994 for the manufacture of ferrous metal castings as continuing operations, and the manufacture of domestic heating appliances as discontinued operations.

EXCEPTIONAL ITEM

A provision has been made and included in cost of sales totalling £305,000 to cover the estimated costs of restructuring the remuneration of production related employees in 1995.

ALFER LIMITED

REPORT OF THE DIRECTORS

(continued)

DIVIDENDS

The directors do not propose the payment of a dividend.

RESEARCH AND DEVELOPMENT

The Company commits resources to research and development to assist it in securing its competitive position in its chosen markets.

DIRECTORS

The directors of the Company during the year were as follows:

B M Gray
L King
Prof. J Campbell

No director had any interest in the share capital of the Company.

Messrs Gray and King are directors of Baxi Partnership Limited, the Company's parent company, and their interest in the shares of that company are shown in the directors' report of that company. No other director had any interest in the shares of the parent company at 8 April 1995.

FIXED ASSETS

Information relating to the tangible fixed assets of the Company is given in note 8 to the accounts.

EMPLOYEES

The Company places considerable emphasis on the people within the business, supporting the view that its continued prosperity is dependent on the involvement and participation of every partner. The Company operates its own elected Council to represent employees in matters of employment and ownership. In addition elected representatives form a Group Council and meet quarterly with the Baxi Partnership Limited Group Board.

The Company 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. In 1993 the Group was recognised as an 'Investor in People'.

ALFER LIMITED

REPORT OF THE DIRECTORS

(continued)

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 Company's disabled employees are treated equally in every respect and are constantly encouraged to develop their skills in accordance with their abilities.

PROFIT SHARING

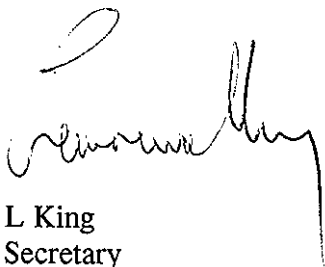
The Company's parent undertaking, Baxi Partnership Limited operates an Inland Revenue approved profit sharing scheme. The Company's Profit and Loss account includes a total profit sharing allocation of £Nil (1994: £190,000).

The Baxi Partnership Limited Savings Related Share Option Scheme launched in 1992, allows employees to apply for five or seven year share option contracts to purchase shares in Baxi Partnership Limited.

AUDITORS

On 6 February 1995, the Company's auditors changed the name under which they practice to KPMG and accordingly have signed their report in their new name.

BY ORDER OF THE BOARD



L King
Secretary
18 May 1995

REPORT OF THE AUDITORS KPMG

TO THE MEMBERS OF

ALFER LIMITED

We have audited the accounts on pages 5 to 14 in accordance with Auditing Standards.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit work, on those accounts 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 amount and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 8 April 1995 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wm G.

CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

PRESTON

18 May 1995

ALFER LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 8 APRIL 1995

		Year ended 8 April 1995	Year ended 9 April 1994		
	Note	£000	<u>Continuing Operations</u> £000	<u>Discontinued Operations</u> £000	<u>Total</u> £000
TURNOVER	2	8,665	5,886	27,636	33,522
Cost of sales : normal		(9,221)	(6,157)	(12,485)	(18,642)
: exceptional	5	<u>(305)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT		(861)	(271)	15,151	14,880
Distribution & selling expenses		(322)	-	(4,820)	(4,820)
Administrative expenses		<u>(714)</u>	<u>(910)</u>	<u>(4,432)</u>	<u>(5,342)</u>
		<u>(1,036)</u>	<u>(910)</u>	<u>(9,252)</u>	<u>(10,162)</u>
OPERATING (LOSS)/PROFIT		(1,897)	(1,181)	5,899	4,718
Loss on disposal of fixed assets		-	(48)	-	(48)
Interest receivable and similar income		-	-	82	82
Interest payable and similar charges	3	<u>(497)</u>	<u>(507)</u>	<u>(471)</u>	<u>(978)</u>
(LOSS)/PROFIT BEFORE PROFIT SHARING		<u>(2,394)</u>	<u>(1,736)</u>	<u>5,510</u>	<u>3,774</u>
Profit sharing		<u>-</u>			<u>(190)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATIONS		(2,394)			3,584
Tax on profit on ordinary activities	7	<u>214</u>			<u>(1,141)</u>
(LOSS)/PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	14	<u>(2,180)</u>			<u>2,443</u>

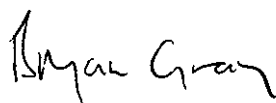
The current year corresponds to the continuing operations of the prior year (see Business Review in Directors' Report).

ALFER LIMITED

BALANCE SHEET AT 8 APRIL 1995

	Note	1995 £000	1994 £000
FIXED ASSETS			
Tangible assets	8	5,396	5,779
CURRENT ASSETS			
Stocks	9	683	482
Debtors	10	1,951	656
Cash at bank and in hand		<u>-</u>	<u>51</u>
		2,634	1,189
CREDITORS: Amounts falling due within one year	11	<u>(3,185)</u>	<u>(2,515)</u>
NET CURRENT LIABILITIES DUE WITHIN ONE YEAR		(551)	(1,326)
DEBTORS DUE AFTER MORE THAN ONE YEAR	10	<u>2,948</u>	<u>5,124</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,793	9,577
CREDITORS: Amounts falling due after more than one year	11	(6,330)	(6,330)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(187)</u>	<u>(45)</u>
NET ASSETS		<u>1,276</u>	<u>3,202</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Revaluation reserve	14	505	281
Profit and loss account	14	<u>771</u>	<u>2,921</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,276</u>	<u>3,202</u>

These accounts were approved by the Board of Directors on 18 May 1995 and signed on its behalf by:



B Gray
Director

ALFER LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 8 APRIL 1995

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
(Loss)/Profit for the financial year	(2,180)	2,443
Unrealised surplus on revaluation of fixed assets	<u>254</u>	<u>281</u>
Total recognised (losses)/gains for the financial year	<u>(1,926)</u>	<u>2,724</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 8 APRIL 1995

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
(Loss)/Profit on ordinary activities before taxation	(2,394)	3,584
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>30</u>	<u>18</u>
Historical cost (loss)/profit on ordinary activities before taxation	<u>(2,364)</u>	<u>3,602</u>
Historical cost (loss)/profit for the period retained after taxation	<u>(2,150)</u>	<u>2,461</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 8 APRIL 1995

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
(Loss)/Profit for the financial year	(2,180)	2,443
Unrealised surplus on revaluation of fixed assets	<u>254</u>	<u>281</u>
Net (reduction)/addition to shareholders' funds	(1,926)	2,724
Shareholders' funds at 9 April 1994	<u>3,202</u>	<u>478</u>
Shareholders' funds at 8 April 1995	<u>1,276</u>	<u>3,202</u>

ALFER 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 accounts.

(a) **Basis of Preparation**

The accounts have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Certain 1994 corresponding amounts have been restated for disclosure purposes.

(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) **Stocks**

Stocks and work in progress are valued at the lower of actual cost and net realisable value. Cost is defined as expenditure incurred in bringing the stock to its present location and condition, and includes direct labour and material costs, together with those production overheads which are allocated to specific products.

Net realisable value is the amount that items of stock and work in progress are expected to realise without creating either profit or loss in the year of sale.

(e) **Repairs and Renewals**

All repairs and renewals are written off as incurred.

(f) **Research and Development**

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

ALFER LIMITED
NOTES TO THE ACCOUNTS

1. **PRINCIPAL ACCOUNTING POLICIES** (continued)

(g) **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.

(h) **Group Relief**

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

(i) **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.

(j) **Cash Flow Statement**

In accordance with FRS 1 a cash flow statement for the Company has not been prepared since Alfer 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 Alfer Limited.

ALFER 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>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
UK	6,318	32,705
Rest of Europe	<u>2,347</u>	<u>817</u>
	<u>8,665</u>	<u>33,522</u>

3. **INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
On group loans	<u>497</u>	<u>978</u>

4. **STAFF NUMBERS AND COST**

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

	<u>1995</u>	<u>1994</u>
	<u>No</u>	<u>No</u>
Production	115	382
Sales and administration	25	124
Directors	<u>-</u>	<u>4</u>
	<u>140</u>	<u>510</u>

The aggregate payroll costs of these persons were as follows:

	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
Wages and salaries	3,193	9,646
Social security costs	256	787
Other pension costs	<u>222</u>	<u>714</u>
	<u>3,671</u>	<u>11,147</u>

ALFER LIMITED
NOTES TO THE ACCOUNTS
(continued)

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following:

	<u>1995</u>	<u>1994</u>
	£000	£000
Depreciation	1,098	1,924
Directors' emoluments (see note 6)	5	105
Directors' pension contributions	-	9
Auditors' remuneration	2	8
Exceptional item - provision for restructuring (See Business Review in Directors' Report)	<u>305</u>	<u>-</u>

6. EMOLUMENTS OF DIRECTORS

The emoluments of the chairman were £Nil (1994 - £Nil).

The emoluments, excluding pension contributions of the highest paid director, were as follows:

	<u>1995</u>	<u>1994</u>
	£	£
Fees/Salary, including taxable benefits	<u>5,000</u>	<u>41,364</u>

The emoluments of all directors were within the following ranges:

		<u>1995</u>	<u>1994</u>
£	£	Number	Number
NIL		2	3
1	- 5,000	1	-
25,001	- 30,000	-	1
35,001	- 40,000	-	1
40,001	- 45,000	<u>-</u>	<u>1</u>

7. TAXATION

	<u>1995</u>	<u>1994</u>
	£000	£000
Taxation (credit)/charge based on the profit for the period of the company:		
Group relief from UK Corporation tax/Corporation tax at 33%	(608)	1,514
Corporation tax underprovided in prior years	251	-
Deferred taxation	<u>143</u>	<u>(373)</u>
	<u>(214)</u>	<u>1,141</u>

Tax underprovided in prior years relates to adjustments (as agreed with the Inland Revenue) between the Company and its fellow subsidiary Baxi Heating Limited (2799058) in respect of the tax provided in each company following the transfer of the heating business.

ALFER LIMITED

NOTES TO THE ACCOUNTS

(continued)

8. **TANGIBLE FIXED ASSETS**

	Freehold Land and <u>Buildings</u> £000	Plant and <u>Equipment</u> £000	Total £000
<u>Cost or Valuation</u>			
At 9 April 1994	5,839	10,294	16,133
Transfer from Group company	-	35	35
External additions	-	462	462
Revaluation	96	158	254
Disposals	-	(16)	(16)
At 8 April 1995	<u>5,935</u>	<u>10,933</u>	<u>16,868</u>
<u>Depreciation</u>			
At 9 April 1994	3,090	7,264	10,354
Transfer from Group company	-	29	29
Charged in the period	63	1,035	1,098
External disposals	-	(9)	(9)
At 8 April 1995	<u>3,153</u>	<u>8,319</u>	<u>11,472</u>
<u>Net Book Value</u>			
At 8 April 1995	<u>2,782</u>	<u>2,614</u>	<u>5,396</u>
At 9 April 1994	<u>2,749</u>	<u>3,030</u>	<u>5,779</u>
<u>Historical Cost</u>			
At 8 April 1995			
Historical cost	2,790	3,642	6,432
Accumulated depreciation	(90)	(1,451)	(1,541)
Net historical cost	<u>2,700</u>	<u>2,191</u>	<u>4,891</u>

Included in freehold land and buildings is an amount of £54,374 (1994 - £54,374) in respect of freehold land at cost.

9. **STOCKS**

	<u>1995</u> £000	<u>1994</u> £000
Raw materials and consumables	110	-
Work in progress	573	482
Finished goods and goods for resale	-	-
	<u>683</u>	<u>482</u>

ALFER LIMITED

NOTES TO THE ACCOUNTS

(continued)

10. **DEBTORS**

	<u>1995</u> £000	<u>1994</u> £000
Amounts falling due within one year:		
Trade debtors	1,213	515
Group corporation tax relief recoverable	608	-
Prepayments and accrued income	112	134
Other debtors	<u>18</u>	<u>7</u>
	<u>1,951</u>	<u>656</u>
Amounts falling due after more than one year:		
Amounts owed by		
Group undertakings	<u>2,948</u>	<u>5,124</u>
Total debtors	<u>4,899</u>	<u>5,780</u>

11. **CREDITORS: Amounts falling due within one year**

	<u>1995</u> £000	<u>1994</u> £000
Trade creditors	236	160
Group trade creditors	2,629	642
Group loans	15	9
Corporation tax	-	1,514
Other creditors	<u>305</u>	<u>190</u>
	<u>3,185</u>	<u>2,515</u>

CREDITORS: Amounts falling due after more than one year

	<u>1995</u> £000	<u>1994</u> £000
Amounts owed to Group companies	<u>6,330</u>	<u>6,330</u>

12. **PROVISION FOR LIABILITIES AND CHARGES**

DEFERRED TAXATION

	<u>1995</u> £000	<u>1994</u> £000
Brought forward	45	1,192
Transfer to Group company	(1)	(774)
Charge/(Credit) for the period in the profit and loss account	<u>143</u>	<u>(373)</u>
At 8 April 1995	<u>187</u>	<u>45</u>

ALFER LIMITED

NOTES TO THE ACCOUNTS

(continued)

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

	1995		1994	
	<u>Amount Provided £000</u>	<u>Amount Unprovided £000</u>	<u>Amount Provided £000</u>	<u>Amount Unprovided £000</u>
Difference between accumulated depreciation and capital allowances	150	147	-	192
Revaluation of properties	-	203	-	161
Other timing differences	<u>37</u> <u>187</u>	<u>-</u> <u>350</u>	<u>45</u> <u>45</u>	<u>-</u> <u>353</u>

13. **CALLED UP SHARE CAPITAL**

	1995	1994
<u>AUTHORISED</u>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<u>ALLOTTED, CALLED UP, AND FULLY PAID</u>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

14. **RESERVES**

	<u>Revaluation Reserve £000</u>	<u>Profit & Loss Account £000</u>	<u>Total £000</u>
At 9 April 1994	281	2,921	3,202
Retained(loss)/profit for the financial year	-	(2,180)	(2,180)
Revaluation	254	-	254
Transfer from revaluation reserve to profit and loss account	<u>(30)</u>	<u>30</u>	<u>-</u>
At 8 April 1995	<u>505</u>	<u>771</u>	<u>1,276</u>

ALFER LIMITED

NOTES TO THE ACCOUNTS

(continued)

15. **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 as at 1 February 1992. Further details are disclosed in the accounts of the parent company, Baxi Partnership Limited.

16. **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.