

Alfer Limited

Directors' report and financial statements

Year ended 29 March 1997

Registered number 2799059



Alfer Limited

Directors' report and financial statements

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Alfer Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 March 1997.

Principal activities

The principal activity of the company is the manufacture and sale of ferrous metal castings.

Business review

The results for the year show a 6% increase in turnover for the company, which is primarily attributable to an increase in sales volumes in improved market conditions. Gross profit margin was strengthened to 10% in the year, reflecting a 5% increase on last year due to efficiencies introduced over the past two years.

The sale of patent rights contributed significantly to the result for the year.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the year retained in the company was £691,000 (1996: loss £1,341,000).

Directors and directors' interests

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

BM Gray

L King (resigned 20 December 1996)

DE Cook (appointed 24 September 1996)

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

The interests of Mr BM Gray in the shares of the company's parent are disclosed in the directors' report of that company.

Research and development

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

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 £81,000 (1996: £29,000).

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

Alfer Limited

Directors' report

Employees

The company 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 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.

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.

Health and safety

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

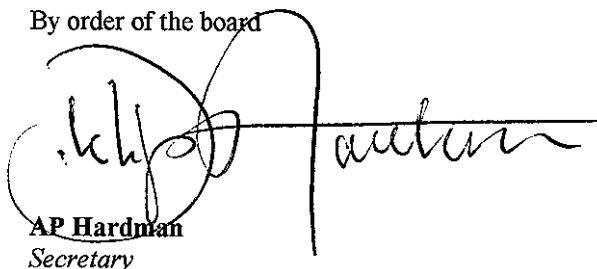
Political and charitable contributions

The company made no political or charitable contributions during the year.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

By order of the board



AP Hardman
Secretary

Brownedge Road
Bamber Bridge
Preston
Lancashire

12 June 1997

Alfer Limited

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 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 company 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 to enable them to ensure that the financial statements 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.



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Navigation Way
Ashton-on-Ribble
PRESTON
Lancashire PR2 2YF

Auditors' report to the members of Alfer Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

12 June 1997

Alfer Limited

Profit and loss account

for the year ended 29 March 1997

	Notes	1997 £000	1996 £000
Turnover - continuing operations	2	12,144	11,489
Cost of sales		(10,891)	(10,835)
- normal			
- exceptional	3	-	(129)
Gross profit		1,253	525
Distribution costs		(765)	(583)
Administrative expenses		(489)	(354)
- normal			
- exceptional	3	-	(417)
Operating loss - continuing operations		(1)	(829)
Profit on disposal of fixed assets		1,312	8
Interest payable and similar charges	6	(255)	(853)
Profit/(loss) before profit sharing		1,056	(1,674)
Profit sharing		(81)	(29)
Profit/(loss) on ordinary activities before taxation	3	975	(1,703)
Tax on (profit)/loss on ordinary activities	7	(284)	362
Retained profit/(loss) for the financial year		691	(1,341)

Statement of total recognised gains and losses

for the year ended 29 March 1997

	1997 £000	1996 £000
Profit/(loss) for the financial year	691	(1,341)
Unrealised surplus on revaluation of fixed assets	8	313
Total recognised gains and losses relating to the financial year	699	(1,028)

Note of historical cost profits and losses

for the year ended 29 March 1997

	1997 £000	1996 £000
Reported profit/(loss) on ordinary activities before taxation	975	(1,703)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	70	168
Historical cost profit on ordinary activities before taxation	1,045	(1,535)
Historical cost profit for the year retained after taxation	761	(1,173)

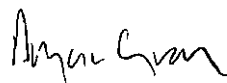
Alfer Limited

Balance sheet

at 29 March 1997

	Note	1997 £000	1996 £000
Fixed assets			
Tangible assets	8	4,578	4,924
Current assets			
Stocks	9	483	674
Debtors	10	1,976	2,550
		<u>2,459</u>	<u>3,224</u>
Creditors: amounts falling due within one year	11	<u>(3,135)</u>	<u>(4,495)</u>
Net current liabilities		(676)	(1,271)
Debtors due after one year	10	2,926	2,948
Total assets less current liabilities		<u>6,828</u>	<u>6,601</u>
Creditors: amounts falling due after more than one year	12	(5,484)	(6,330)
Provisions for liabilities and charges	13	(397)	(23)
Net assets		<u>947</u>	<u>248</u>
Capital and reserves			
Called up share capital	14	-	-
Revaluation reserve	15	588	650
Profit and loss account	15	359	(402)
Equity shareholders' funds		<u>947</u>	<u>248</u>

These financial statements were approved by the board of directors on 12 June 1997 and were signed on its behalf by:



BM Gray
Director

Alfer Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

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.

Related party transactions

The directors have taken advantage of the exemption in Financial Reporting Standard 8, paragraph 3 (c), and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

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

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

No depreciation is provided on freehold land.

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.

Stocks

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

Foreign currencies

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

Research and development expenditure

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

Alfer Limited

Notes (continued)

1 Accounting policies (continued)

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 employee's 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.

Taxation

The charge for taxation is based on the result 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.

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

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Cashflow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Baxi Partnership Limited and its cash flows are included within the consolidated cash flow statement of that company.

2 Segmental analysis

Turnover and profit/(loss) on ordinary activities before taxation are attributable to the company's principal activity.

The analysis of turnover between home and export markets is as follows:

	1997 £000	1996 £000
UK	6,462	7,112
Rest of Europe	5,682	4,377
	<hr/> 12,144 <hr/>	<hr/> 11,489 <hr/>

Alfer Limited

Notes (continued)

3 Profit/(loss) on ordinary activities before taxation

	1997 £000	1996 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	4	3
Other services	3	-
Depreciation	544	1,336
Exchange losses	7	-
Directors' emoluments	3	3
Exceptional items:		
Restructuring costs	-	129
Aluminium casting development costs	-	417
	<hr/>	<hr/>

The profit on sale of fixed assets relates to the sale of patent rights referred to in note 17.

4 Remuneration of directors

The directors received no remuneration from the company, however, they are also directors of the company's holding company, Baxi Partnership Limited, and accordingly are remunerated by that company.

5 Staff numbers and costs

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

	Number of employees	
	1997	1996
Production	129	118
Sales and administration	33	31
	<hr/>	<hr/>
	162	149
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	3,165	3,234
Social security costs	251	258
Other pension costs	168	230
	<hr/>	<hr/>
	3,584	3,722
	<hr/>	<hr/>

Alfer Limited

Notes (continued)

6 Interest payable and similar charges

	1997 £000	1996 £000
On group loans	255	853

7 Taxation

	1997 £000	1996 £000
Group relief from UK corporation tax	(15)	(198)
Corporation tax overprovided in prior years	(75)	-
Deferred taxation	374	(164)
Tax charge/(credit)	284	(362)

8 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost or valuation			
At beginning of year	2,623	11,929	14,552
Revaluation	-	8	8
External additions	-	190	190
At end of year	2,623	12,127	14,750
Depreciation			
At beginning of year	73	9,555	9,628
Charge in the period	55	489	544
At end of year	128	10,044	10,172
Net book value			
At 29 March 1997	2,495	2,083	4,578
At 6 April 1996	2,550	2,374	4,924
Historical cost			
Historical cost	2,345	4,328	6,673
Accumulated depreciation	(119)	(2,564)	(2,683)
At 29 March 1997	2,226	1,764	3,990

Alfer Limited

Notes (continued)

8 Tangible fixed assets (continued)

Included in freehold land and buildings is an amount of £400,000 in respect of freehold land, being cost £54,374 and valuation £345,626.

The company's freehold property was valued by external valuers, Lambert Smith Hampton, Consultant Surveyors on 6 April 1996 on the existing use basis in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

9 Stocks

	1997 £000	1996 £000
Raw materials and consumables	227	80
Work in progress	253	594
Finished goods and goods for resale	3	-
	<u>483</u>	<u>674</u>

10 Debtors

	1997 £000	1996 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	1,520	1,471
Group corporation tax relief recoverable	72	806
Amounts owed by group undertakings	126	-
Prepayments and accrued income	258	273
	<u>1,976</u>	<u>2,550</u>
<i>Amounts falling due after more than one year:</i>		
Amounts owed by group undertakings	2,926	2,948
	<u>2,926</u>	<u>2,948</u>
Total debtors	<u>4,902</u>	<u>5,498</u>

11 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Trade creditors	-	174
Amounts owed to group undertakings	2,919	4,247
Other creditors	216	74
	<u>3,135</u>	<u>4,495</u>

Alfer Limited

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
Amounts owed to group undertakings	5,484	6,330

13 Provisions for liabilities and charges

	1997 £000	1996 £000
Deferred tax		
At beginning of year	23	187
Utilised during year	-	(164)
Charge for the year	374	-
At end of year	397	23

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1997		1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	114	144	89	454
On revaluation of land and buildings	-	127	-	68
Other timing differences	283	-	(66)	-
	397	271	23	522

14 Called up share capital

	1997 £000	1996 £000
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

Alfer Limited

Notes (continued)

15 Reconciliation of movements in equity shareholders' funds

	Revaluation reserve £000	Profit and loss account £000	Total 1997 £000	Total 1996 £000
At beginning of year	650	(402)	248	1,276
Retailed profit/(loss) for the year	-	691	691	(1,341)
Surplus on revaluation of fixed assets	8	-	8	313
Transfer	(70)	70	-	-
At end of year	588	359	947	248

16 Pension scheme

The group operates a defined contribution pension scheme in the UK. The schemes 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 1995. Further details are disclosed in the accounts of the parent company, Baxi Partnership Limited.

The pension charge in the profit and loss account is £168,000 (1996: £169,000) for the year. There is a pension prepayment in the balance sheet at 29 March 1997 of £139,000 (1996: £118,000) which increased by £21,000 in the year.

17 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 £1.5m was invoiced to ATL and paid during the year. Proceeds were allocated in a 7:1 ratio between Alfer Limited and Baxi Partnership Limited.

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Baxi Partnership Limited, a company incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Baxi Partnership Limited. The consolidated accounts of this company are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, CARDIFF CF4 3UZ.