

**ALFER LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS  
FOR THE YEAR ENDED  
6 APRIL 1996**

**Company Number 2799059**



## **ALFER LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their report and audited accounts for the year ended 6 April 1996.

#### **Principal activity**

The principal activity of the Company is the manufacture and sale 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 included on page 5.

#### **Dividends**

The directors do not propose the payment of a dividend (1995 - £Nil).

#### **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 (resigned 20 November 1995)

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 6 April 1996.

## **ALFER LIMITED**

### **REPORT OF THE DIRECTORS**

(continued)

#### **Fixed assets**

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

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

#### **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'.

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 £29,000 (1995: £Nil).

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.

**ALFER LIMITED**

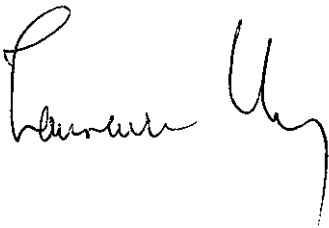
**REPORT OF THE DIRECTORS**

(continued)

**Auditors**

Pursuant to a shareholders resolution, the Company is not obliged to re-appoint its auditors annually and KPMG will therefore continue in office.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'L. King', with a stylized flourish extending from the end.

L King  
Secretary  
16 December 1996

**REPORT OF THE AUDITORS KPMG**

**TO THE MEMBERS OF**

**ALFER LIMITED**

We have audited the accounts on pages 5 to 15 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 6 April 1996 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*  
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KPMG  
Chartered Accountants  
Registered Auditors

PRESTON

16 December 1996

**ALFER LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 6 APRIL 1996**

		Year Ended 6 April 1996	Year Ended 8 April 1995
		£000	£000
	Note		
<b>Turnover</b>	2	11,489	8,665
Cost of sales			
- normal		(10,835)	(9,221)
- exceptional	5	<u>(129)</u>	<u>(305)</u>
<b>Gross profit/loss</b>		525	(861)
Distribution & selling expenses		(583)	(322)
Administrative expenses - normal		(354)	(239)
- exceptional	5	<u>(417)</u>	<u>(475)</u>
<b>Operating loss</b>		(829)	(1,897)
Profit on disposal of fixed assets		8	-
Interest payable and similar charges	3	<u>(853)</u>	<u>(497)</u>
<b>Loss before profit sharing</b>		<u>(1,674)</u>	<u>(2,394)</u>
Profit sharing		<u>(29)</u>	<u>-</u>
<b>Loss on ordinary activities before taxation</b>	5	(1,703)	(2,394)
Tax on loss on ordinary activities	7	<u>362</u>	<u>214</u>
<b>Loss for the year transferred to reserves</b>	14	<u><u>(1,341)</u></u>	<u><u>(2,180)</u></u>

All amounts relate to continuing operations.

**ALFER LIMITED****BALANCE SHEET AT 6 APRIL 1996**

	Note	£000	<u>1996</u> £000	£000	<u>1995</u> £000
<b>Fixed assets</b>					
Tangible assets	8		4,924		5,396
<b>Current assets</b>					
Stocks	9	674		683	
Debtors	10	2,550		1,951	
Cash at bank and in hand		-		-	
		<u>3,224</u>		<u>2,634</u>	
<b>Creditors: Amounts falling due within one year</b>	11	<u>(4,495)</u>		<u>(3,185)</u>	
<b>Net current liabilities</b>			(1,271)		(551)
<b>Debtors due after more than one year</b>	10		<u>2,948</u>		<u>2,948</u>
<b>Total assets less current liabilities</b>			6,601		7,793
<b>Creditors: Amounts falling due after more than one year</b>	11		(6,330)		(6,330)
<b>Provisions for liabilities and charges</b>	12		<u>(23)</u>		<u>(187)</u>
<b>Net assets</b>			<u>248</u>		<u>1,276</u>
<b>Capital and reserves</b>					
Called up share capital	13		-		-
Revaluation reserve	14		650		505
Profit and loss account	14		<u>(402)</u>		<u>771</u>
<b>Equity shareholders' funds</b>			<u>248</u>		<u>1,276</u>

These accounts were approved by the Board of Directors on 16 December 1996 and signed on its behalf by:



B M Gray  
Director

**ALFER LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 6 APRIL 1996**

	<u>1996</u> £000	<u>1995</u> £000
Loss for the financial year	(1,341)	(2,180)
Unrealised surplus on revaluation of fixed assets	<u>313</u>	<u>254</u>
Total recognised losses for the financial year	<u>(1,028)</u>	<u>(1,926)</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

**FOR THE YEAR ENDED 6 APRIL 1996**

	<u>1996</u> £000	<u>1995</u> £000
Loss on ordinary activities before taxation	(1,703)	(2,394)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>168</u>	<u>30</u>
Historical cost loss on ordinary activities before taxation	<u>(1,535)</u>	<u>(2,364)</u>
Historical cost loss for the period retained after taxation	<u>(1,173)</u>	<u>(2,150)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**FOR THE YEAR ENDED 6 APRIL 1996**

	<u>1996</u> £000	<u>1995</u> £000
Loss for the financial year	(1,341)	(2,180)
Unrealised surplus on revaluation of fixed assets	<u>313</u>	<u>254</u>
Net reduction to shareholders' funds	(1,028)	(1,926)
Shareholders' funds at 8 April 1995	<u>1,276</u>	<u>3,202</u>
Shareholders' funds at 6 April 1996	<u>248</u>	<u>1,276</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 1995 comparatives have been restated in order to provide a fairer reflection of the Company's results.

**(b) Fixed Assets**

- (i) Land and buildings are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost or existing use value as considered appropriate.
- (ii) Plant and equipment, excluding motor vehicles, are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost.
- (iii) 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 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.

**(e) 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.

**(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 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.

**(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 loss before tax are attributable to the Company's principal activity.

Turnover by destination is as follows:

	<u>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>
UK	7,112	6,318
Rest of Europe	<u>4,377</u>	<u>2,347</u>
	<u>11,489</u>	<u>8,665</u>

3. **Interest payable and similar charges**

	<u>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>
On group loans	<u>853</u>	<u>497</u>

4. **STAFF NUMBERS AND COST**

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

	<u>1996</u>	<u>1995</u>
	<u>No</u>	<u>No</u>
Production	118	115
Sales and administration	<u>31</u>	<u>25</u>
	<u>149</u>	<u>140</u>

The aggregate payroll costs of these persons were as follows:

	<u>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>
Wages and salaries	3,234	3,193
Social security costs	258	256
Other pension costs	<u>230</u>	<u>222</u>
	<u>3,722</u>	<u>3,671</u>

**ALFER LIMITED**  
**NOTES TO THE ACCOUNTS**  
(continued)

**5. Loss on ordinary activities before taxation**

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

	<u>1996</u>	<u>1995</u>
	£000	£000
Depreciation	1,336	1,098
Directors' emoluments (see note 6)	3	5
Auditors' remuneration in respect of audit services	3	2
Exceptional items - restructuring costs	129	305
- aluminium casting development costs	<u>417</u>	<u>475</u>

Additional restructuring costs have been incurred during the year reflecting the actual settlement of compensation for changes in the areas of pay and productivity.

Development work has continued on the company's aluminium casting process and will shortly be commercialised.

**6. Emoluments of directors**

The emoluments of the chairman were £Nil (1995 - £Nil).

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

	<u>1996</u>	<u>1995</u>
	£	£
Fees	<u>3,199</u>	<u>5,000</u>

The emoluments of all directors were within the following ranges:

	<u>1996</u>	<u>1995</u>
Nil	2	2
1 - £5,000	<u>1</u>	<u>1</u>

**7. Taxation**

	<u>1996</u>	<u>1995</u>
	£000	£000
Taxation credit/(charge) based on the loss for the year:		
Group relief from UK corporation tax	198	608
Corporation tax underprovided in prior years	-	(251)
Deferred taxation	<u>164</u>	<u>(143)</u>
	<u>362</u>	<u>214</u>

**ALFER LIMITED**

**NOTES TO THE ACCOUNTS**

(continued)

**8. Tangible fixed assets**

	Freehold Land and Buildings £000	Plant and Equipment £000	Total £000
<u>Cost or Valuation</u>			
At 8 April 1995	5,935	10,933	16,868
Elimination on revaluation	(3,153)	-	(3,153)
Transfer from Group company	-	44	44
External additions	-	694	694
Revaluation	(159)	472	313
Disposals	-	(214)	(214)
At 6 April 1996	<u>2,623</u>	<u>11,929</u>	<u>14,552</u>
<u>Depreciation</u>			
At 8 April 1995	3,153	8,319	11,472
Elimination on revaluation	(3,153)	-	(3,153)
Transfer from Group company	-	44	44
Charged in the period	73	1,263	1,336
External disposals	-	(71)	(71)
At 6 April 1996	<u>73</u>	<u>9,555</u>	<u>9,628</u>
<u>Net Book Value</u>			
At 6 April 1996	<u>2,550</u>	<u>2,374</u>	<u>4,924</u>
At 8 April 1995	<u>2,782</u>	<u>2,614</u>	<u>5,396</u>
<u>Historical Cost</u>			
At 6 April 1996			
Historical cost	2,345	4,138	6,483
Accumulated depreciation	(73)	(2,136)	(2,209)
Net historical cost	<u>2,272</u>	<u>2,002</u>	<u>4,274</u>

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.

Freehold properties were valued by external valuers, Lambert Smith Hampton, Consultant Surveyors on 6 April 1996 on the basis of existing use value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

**9. Stocks**

	<u>1996</u> £000	<u>1995</u> £000
Raw materials and consumables	80	110
Work in progress	594	573
Finished goods and goods for resale	-	-
	<u>674</u>	<u>683</u>

**ALFER LIMITED**

**NOTES TO THE ACCOUNTS**

(continued)

**10. Debtors**

	<u>1996</u> £000	<u>1995</u> £000
Amounts falling due within one year:		
Trade debtors	1,471	1,213
Group corporation tax relief recoverable	806	608
Prepayments and accrued income	273	112
Other debtors	-	18
	<u>2,550</u>	<u>1,951</u>
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	<u>2,948</u>	<u>2,948</u>
<b>TOTAL DEBTORS</b>	<u>5,498</u>	<u>4,899</u>

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

	<u>1996</u> £000	<u>1995</u> £000
Trade creditors	174	236
Group trade creditors	4,247	2,629
Group loans	-	15
Other creditors	<u>74</u>	<u>305</u>
	<u>4,495</u>	<u>3,185</u>

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

	<u>1996</u> £000	<u>1995</u> £000
Amounts owed to Group companies	<u>6,330</u>	<u>6,330</u>

**12. Provision for liabilities and charges**

**Deferred taxation**

	<u>1996</u> £000	<u>1995</u> £000
Brought forward	187	45
Transfer to Group company	-	(1)
(Credit)/Charge for the period in the profit and loss account	<u>(164)</u>	<u>143</u>
At 6 April 1996	<u>23</u>	<u>187</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.

	<u>1996</u>		<u>1995</u>	
	<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	89	454	150	147
Revaluation of properties	-	68	-	203
Other timing differences	<u>(66)</u> <u>23</u>	<u>-</u> <u>522</u>	<u>37</u> <u>187</u>	<u>-</u> <u>350</u>

**13. Called up share capital**

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

**14. Reserves**

	<u>Revaluation Reserve £000</u>	<u>Profit &amp; Loss Account £000</u>	<u>Total £000</u>
At 8 April 1995	505	771	1,276
Retained loss for the financial year	-	(1,341)	(1,341)
Revaluation	313	-	313
Transfer from revaluation reserve to profit and loss account	<u>(168)</u>	<u>168</u>	<u>-</u>
At 6 April 1996	<u>650</u>	<u>(402)</u>	<u>248</u>

**ALFER LIMITED**

**NOTES TO THE ACCOUNTS**

(continued)

**15. Pension scheme**

The Group operates a contributory defined benefit 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 £169,000 for the year. There is a pension prepayment in the balance sheet at 6 April 1996 of £118,000 which increased by £6,000 in the year.

**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.