

BODYCOTE (CHELTENHAM) LIMITED

COMPANY REGISTRATION NO. 1760832

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1994



Report of the Directors

The directors submit their report and the audited accounts of the company for the year ended 31 December 1994.

Principal Activity

The principal activity of the company is that of sub-contract heat treatment of metal components.

Business Review

A summary of the results of the year's trading is given on page 5 of the accounts.

The directors consider the profit achieved on ordinary activities before taxation and the state of affairs of the company to be satisfactory.

Dividends

The directors recommend that a dividend of £167,200 be paid, which leaves a profit of £99,143 to be added to retained profits.

Future Developments

The company will continue to improve those services relating to its principal activity.

Research and Development

Product improvement and development is an ongoing process, the costs of which are written off in the year in which they are incurred.

Tangible Fixed Assets

Changes in the amount of tangible fixed assets are shown in note 8 to the accounts.

Report of the Directors (continued)Directors

The directors who served during the year were:

J Chesworth	J C Dwek
B Ellis	R M Green
M Hallas	Professor T Bell
M A Wilton	P C Lee

Messrs J Chesworth, J C Dwek and R M Green are also directors of the ultimate holding company, Bodycote International plc, and their interests in the share capital of group companies are shown in the directors' report of that company. The interests of the remaining directors in the shares of the ultimate holding company, Bodycote International plc, are set out below:

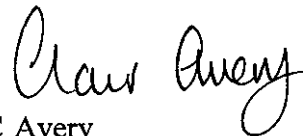
	<u>At 31 December 1994</u>		<u>At 1st January 1994</u>	
	Beneficial	Options	Beneficial	Options
B Ellis	-	95,000	-	70,000
M Hallas	22,560	70,000	27,060	40,000
M A Wilton	15,000	80,000	12,000	50,000
Professor T Bell	5,000	-	5,000	-
P C Lee	-	25,000	-	10,000

The above options were granted under the terms of the Bodycote International Senior Executive Share Option Scheme and the Bodycote International Executive Share Option Scheme 1994, and are exercisable between 4 May 1995 and 28 November 2004 at prices between 100.5p and 309p per share.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 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


C Avery
Secretary

140 Kingsway
MANCHESTER
M19 1BB

7 April 1995

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts 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 year. 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 accounts;
- ♦ 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 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 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.

Report of the Auditors - KPMG

**to the Members of
Bodycote (Cheltenham) Limited**

We have audited the accounts on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, 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 relating to the amounts 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 the 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 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1994 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

7 April 1995

Profit & Loss Account
for the year ended 31 December 1994

	Notes	1994 £	1993 £
Turnover	1	1,152,102	1,043,207
Cost of sales		553,049	490,127
Gross Profit		599,053	553,080
Other operating expenses	2	207,139	207,272
Operating profit		391,914	345,808
Interest payable	3	35,310	19,443
Profit on ordinary activities before taxation	4	356,604	326,365
Tax on profit on ordinary activities	7	90,261	127,058
Profit on ordinary activities after taxation		266,343	199,307
Proposed dividends		167,200	155,400
Retained profit for the financial year		99,143	43,907
Retained profit at 1 January 1994		634,883	590,976
Retained profit at 31 December 1994		<u>734,026</u>	<u>634,883</u>

The accompanying notes are an integral part of this profit and loss account.

The results for the current and preceding years relate wholly to continuing activities.

There have been no recognised gains or losses other than the profit for the current and preceding years.

Reconciliation of movements in shareholders' funds

	£	£
Profit for the financial year	266,343	199,307
Proposed dividends	<u>167,200</u>	<u>155,400</u>
	99,143	43,907
Shareholders' funds at 1 January 1994	<u>634,885</u>	<u>590,978</u>
Shareholders' funds at 31 December 1994	<u>734,028</u>	<u>634,885</u>

Balance Sheet as at 31 December 1994

	Notes	1994 £	1994 £	1993 £	1993 £
Fixed Assets					
Tangible Assets	8		1,252,178		1,292,715
Current Assets					
Stocks	9	30,365		30,712	
Debtors	10	364,965		309,065	
Cash at bank and in hand		160		414	
		<u>395,490</u>		<u>340,191</u>	
Creditors					
Amounts falling due within one year	11	621,415		718,496	
		<u> </u>		<u> </u>	
Net Current Liabilities			(225,925)		(378,305)
			<u> </u>		<u> </u>
Total Assets less Current Liabilities			1,026,253		914,410
Creditors					
Amounts falling due after one year	11		144,125		144,125
			<u>882,128</u>		<u>770,285</u>
Provision for liabilities and charges	12		148,100		135,400
			<u>734,028</u>		<u>634,885</u>
Capital and Reserves					
Called up share capital	13		2		2
Profit and loss account			734,026		634,883
			<u>734,028</u>		<u>634,885</u>

Approved by the board of directors
on 7 April 1995 and signed on its behalf by:-

J Chesworth
Director



The accompanying notes are an integral part of this balance sheet

Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the accounts.

Accounting Convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents amounts receivable for goods sold, excluding value added tax.

Tangible Fixed Assets

Tangible fixed assets are stated at cost or at valuation. Depreciation is provided on a straight line basis at the following annual rates:-

Land	Nil
Buildings	2%
Plant & Machinery	5% to 10%
Motor Vehicles	25%
Fixtures, fittings & equipment	10% to 20%

Stock

Stock is valued at the lower of cost and net realisable value.

Deferred Taxation

Provision is made under the liability method for taxation deferred by all timing differences to the extent that there is a reasonable probability that the liability will crystallise in the foreseeable future.

Research and Development

Research and development costs are written off as incurred.

Leasing

Operating lease rentals are charged to the profit and loss account as incurred.

Notes on the Accounts1. Turnover

This is attributable to the principal activity of the company. A geographical analysis of turnover is given below:-

	1994	1993
	£	£
United Kingdom	1,143,462	1,043,207
Eire	<u>8,640</u>	<u>-</u>

Included in turnover are sales to fellow group undertakings of £34,758 (1993: £30,163)

2. Other operating expenses

	£	£
Selling and distribution costs	40,558	38,539
Administrative expenses	170,014	169,344
Other operating income	(3,433)	(611)
	<u>207,139</u>	<u>207,272</u>

3. Interest payable/(receivable)

	£	£
Payable on bank balances	17,310	4,443
Payable on intergroup loan	18,000	20,400
Receivable on bank balances	-	(5,400)
	<u>35,310</u>	<u>19,443</u>

4. Profit on ordinary activities before taxation

The profit is stated after charging/(crediting)	£	£
Depreciation	106,955	82,798
Hire of plant and machinery	14,838	14,838
Auditors' remuneration - audit	1,410	1,410
Auditors' remuneration - non-audit	690	690
Profit on sale of fixed assets	<u>-</u>	<u>(611)</u>

5. Directors' Emoluments

	£	£
Emoluments	31,676	30,616
Pension contributions	<u>1,882</u>	<u>1,833</u>
Chairman's emoluments	Nil	Nil
Emoluments of highest paid director	<u>31,676</u>	<u>30,616</u>

Notes on the Accounts (continued)

5. Directors' Emoluments /Cont'd

Directors' emoluments were within the following ranges:

		1994	1993
		Number	Number
£'0	- £5,000	7	7
£30,001	- £35,000	<u>1</u>	<u>1</u>

6. Employees

The average number of persons employed during the year was:-

	Number	Number
Office and management	3	3
Production and sales	12	14
	<u>15</u>	<u>17</u>

Total employee costs were :-

	£	£
Wages and salaries	230,364	246,049
Social security costs	18,871	20,342
Other pension costs	6,035	5,400
	<u>255,270</u>	<u>271,791</u>

7. Tax on profit on ordinary activities

The charge for tax comprises :-

	£	£
Corporation tax at 33% (1993 : 33%)	100,900	35,800
Adjustment to prior years	(23,339)	24,258
Deferred tax	12,700	67,000
	<u>90,261</u>	<u>127,058</u>

Notes on the Accounts (continued)

8. <u>Tangible Fixed Assets</u>	<u>Freehold Land & Buildings</u>	<u>Plant & Machinery</u>	<u>Fixtures Fittings & Equipment</u>	<u>Total</u>
	£	£	£	£
Cost				
1st January 1994	416,588	1,086,349	98,876	1,601,813
Additions	-	53,832	12,586	66,418
Disposals	-	(2,241)	-	(2,241)
31 December 1994	<u>416,588</u>	<u>1,137,940</u>	<u>111,462</u>	<u>1,665,990</u>
Depreciation				
1st January 1994	13,601	244,560	50,937	309,098
Charge for the year	8,305	84,376	14,274	106,955
Disposals	-	(2,241)	-	(2,241)
31 December 1994	<u>21,906</u>	<u>326,695</u>	<u>65,211</u>	<u>413,812</u>
Net book value				
31 December 1994	<u>394,682</u>	<u>811,245</u>	<u>46,251</u>	<u>1,252,178</u>
31 December 1993	<u>402,987</u>	<u>841,789</u>	<u>47,939</u>	<u>1,292,715</u>
9. <u>Stocks</u>			1994	1993
			£	£
Raw materials			<u>30,365</u>	<u>30,712</u>
10. <u>Debtors</u>			£	£
Trade debtors			350,995	281,367
Amounts due from group undertakings			3,991	9,789
Other debtors			1,014	11,164
Prepayments and accrued income			8,965	6,745
			<u>364,965</u>	<u>309,065</u>

Notes on the Accounts (continued)

11.	<u>Creditors</u>	1994	1993
		£	£
	Amounts falling due within 1 year		
	Bank overdraft	205,843	315,069
	Trade creditors	77,357	150,049
	Amounts owed to group undertakings	17,266	21,452
	Proposed dividends	167,200	155,400
	Corporation tax	100,900	35,800
	Other taxes and social security	47,049	31,593
	Other creditors	-	2,856
	Accruals and deferred income	5,800	6,277
		<u>621,415</u>	<u>718,496</u>

Amounts falling due after 1 year		
Amounts owed to group undertakings	144,125	144,125
	<u>144,125</u>	<u>144,125</u>

12. Provision for liabilities and charges

The amount provided and full potential liability for deferred taxation is as follows :-

	<u>Amount provided</u>		<u>Full potential liability</u>	
	1994	1993	1994	1993
	£	£	£	£
Accelerated capital allowances	<u>148,100</u>	<u>135,400</u>	<u>153,000</u>	<u>136,100</u>

13.	<u>Share capital</u>	£	£
	Authorised		
	Ordinary Shares of £1 each	<u>100,000</u>	<u>100,000</u>
	Called up and fully paid		
	Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

Notes on the Accounts (continued)

14.	<u>Financial Commitments</u>	1994	1993
		£	£

Capital expenditure not provided for in the accounts :-

Contracted

-

-

Authorised but not contracted

359,53041,600**Lease commitments**

The minimum commitment for payments under operating leases in respect of plant and equipment was as follows :-

Within 12 months	£	£
Between 2 and 5 years	7,540	-
	666	9,714
	<u>8,206</u>	<u>9,714</u>

15. Pension Commitments

Pensions for employees are provided through a number of group schemes. These schemes are of the defined benefit type and the pension costs are assessed with the advice of qualified actuaries using the projected unit method and the attained age method. Actuarial information on the schemes is disclosed in the accounts of the ultimate parent company, Bodycote International plc.

16. Contingent Liabilities

The company has a contingent liability under interlocking guarantees given to National Westminster Bank plc and Midland Bank plc covering certain group companies.

17. Ultimate Holding Company

The ultimate holding company is Bodycote International plc, a company incorporated in England and Wales. Copies of the group accounts may be obtained from The Secretary, Bodycote International plc, 140 Kingsway, Manchester, M19 1BB.

18. Cash Flow Statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate holding company has published a group cash flow statement.