

BODYCOTE (CHELTENHAM) LIMITED

COMPANY REGISTRATION NO. 1760832

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1995



Report of the Directors

The directors submit their report and the audited accounts of the company for the year ended 31 December 1995.

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 £141,900 be paid, which leaves a profit of £64,727 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

In the opinion of the directors, the difference between the market value of the company's interest in land and buildings and the amount at which it is shown in the accounts is not material. 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:

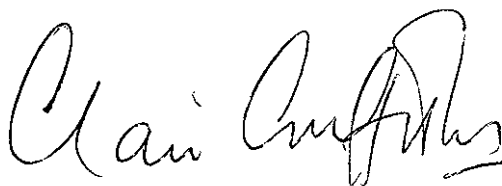
J Chesworth	J C Dwek
B Ellis	R M Green
M Hallas	Professor T Bell
M A Wilton	P C Lee

Messrs J Chesworth, J C Dwek, R M Green, M Hallas and M A Wilton 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:

	At 31 December 1995		At 1 January 1995	
	Beneficial	Options	Beneficial	Options
B Ellis	40,000	75,000	-	95,000
Professor T Bell	5,000	-	5,000	-
P C Lee	5,200	15,000	-	25,000

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 30 May 1998 and 28 November 2004 at prices between 161.5p and 309p per share.

By Order of the Board



C Griffiths
Secretary

140 Kingsway
MANCHESTER
M19 1BB

18 April 1996

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 1995 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

18 April 1996

**Profit & Loss Account
for the year ended 31 December 1995**

	Notes	1995 £	1994 £
Turnover	1	1,187,313	1,152,102
Cost of sales		642,096	553,049
Gross Profit		<u>545,217</u>	<u>599,053</u>
Other operating expenses	2	213,276	207,139
Operating Profit		<u>331,941</u>	<u>391,914</u>
Interest payable	3	29,328	35,310
Profit on ordinary activities before taxation	4	<u>302,613</u>	<u>356,604</u>
Tax on profit on ordinary activities	7	95,986	90,261
Profit on ordinary activities after taxation		<u>206,627</u>	<u>266,343</u>
Proposed dividends		141,900	167,200
Retained profit for the financial year		<u>64,727</u>	<u>99,143</u>
Retained profit at 1 January		<u>734,026</u>	<u>634,883</u>
Retained profit at 31 December		<u><u>798,753</u></u>	<u><u>734,026</u></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	206,627	266,343
Proposed dividends	141,900	167,200
Net addition to shareholders' funds	<u>64,727</u>	<u>99,143</u>
Shareholders' funds at 1 January	<u>734,028</u>	<u>634,885</u>
Shareholders' funds at 31 December	<u><u>798,755</u></u>	<u><u>734,028</u></u>

Balance Sheet as at 31 December 1995

	Notes	1995 £	1995 £	1994 £	1994 £
Fixed Assets					
Tangible Assets	8		1,728,394		1,252,178
Current Assets					
Stocks	9	29,907		30,365	
Debtors	10	332,001		364,965	
Cash at bank and in hand		138		160	
		<u>362,046</u>		<u>395,490</u>	
Creditors					
Amounts falling due within one year	11	<u>953,760</u>		<u>621,415</u>	
Net Current Liabilities			<u>(591,714)</u>		<u>(225,925)</u>
Total Assets less Current Liabilities			1,136,680		1,026,253
Creditors					
Amounts falling due after one year	11		<u>144,125</u>		<u>144,125</u>
			992,555		882,128
Provision for Liabilities & Charges					
Deferred taxation	12		<u>193,800</u>		<u>148,100</u>
			<u><u>798,755</u></u>		<u><u>734,028</u></u>
Capital & Reserves					
Called up share capital	13		2		2
Profit & Loss account			<u>798,753</u>		<u>734,026</u>
			<u><u>798,755</u></u>		<u><u>734,028</u></u>

Approved by the board of directors
on 18 April 1996 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 - 10%
Fixtures, fittings & equipment	10 - 20%
Motor Vehicles	25%

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 except to the extent that there is a reasonable probability that the liability will not crystallise in the foreseeable future.

Research & Development

Research and development costs are written off as incurred.

Leasing

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

Pension costs

Contributions are charged against profits so as to spread the cost of pensions over the employees working lives.

Notes on the Accounts

1. **Turnover**

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

	1995	1994
	£	£
United Kingdom	1,187,313	1,143,462
Eire	-	8,640
	<u> </u>	<u> </u>

Included in turnover are sales to fellow group undertakings of £41,284 (1994: £34,758).

2. **Other operating expenses**

	£	£
Selling and distribution costs	39,476	40,558
Administrative expenses	175,695	170,014
Other operating income	(1,895)	(3,433)
	<u> </u>	<u> </u>
	<u>213,276</u>	<u>207,139</u>

3. **Interest payable**

	£	£
Payable on bank balance	11,328	17,310
Payable on intergroup loan	18,000	18,000
	<u> </u>	<u> </u>
	<u>29,328</u>	<u>35,310</u>

4. **Profit on ordinary activities before taxation**

The profit is stated after charging/(crediting) :

	£	£
Directors' emoluments incl pension contributions	34,770	33,558
Depreciation	101,852	106,955
Hire charges	14,305	14,838
Auditors' remuneration - audit	2,100	1,410
Auditors' remuneration - non-audit	750	690
Profit on sale of fixed assets	(1,895)	-
	<u> </u>	<u> </u>

5. **Directors' Emoluments**

	£	£
Emoluments	32,715	31,676
Pension contributions	2,085	1,882
	<u> </u>	<u> </u>
Chairman's emoluments	Nil	Nil
Emoluments of highest paid director	32,715	31,676
	<u> </u>	<u> </u>

Notes on the Accounts /Cont'd

5. Directors' Emoluments /Cont'd

Directors' emoluments were within the following ranges :		1995	1994
		Number	Number
£0	- £5,000	7	7
£30,001	- £35,000	1	1
		<hr/>	<hr/>

6. Employees

The average number of persons employed during the period was :-		Number	Number
Office and management		3	3
Production and sales		14	12
		<hr/>	<hr/>
		17	15
		<hr/>	<hr/>

Total employee costs were :	£	£
Wages and salaries	261,897	230,364
Social security costs	20,902	18,871
Other pension costs	8,100	6,035
	<hr/>	<hr/>
	290,899	255,270
	<hr/>	<hr/>

7. Tax on profit on ordinary activities

The charge for tax comprises	£	£
Corporation tax at 33% (1994 : 33%)	51,100	100,900
Adjustment to previous year	(814)	(23,339)
Deferred taxation	45,700	12,700
	<hr/>	<hr/>
	95,986	90,261
	<hr/>	<hr/>

Notes on the Accounts /Cont'd

8. <u>Tangible Fixed Assets</u>	Land & Buildings Freehold £	Plant & Machinery £	Fixtures Fittings & Equipment £	Total £
Cost				
1 January 1995	416,588	1,137,940	111,462	1,665,990
Additions	3,222	554,764	27,937	585,923
Disposals	-	(43,325)	-	(43,325)
31 December 1995	<u>419,810</u>	<u>1,649,379</u>	<u>139,399</u>	<u>2,208,588</u>
Depreciation				
1 January 1995	21,906	326,695	65,211	413,812
Charge for the year	8,311	79,484	14,057	101,852
Disposals	-	(35,470)	-	(35,470)
31 December 1995	<u>30,217</u>	<u>370,709</u>	<u>79,268</u>	<u>480,194</u>
Net book value				
31 December 1995	<u>389,593</u>	<u>1,278,670</u>	<u>60,131</u>	<u>1,728,394</u>
31 December 1994	<u>394,682</u>	<u>811,245</u>	<u>46,251</u>	<u>1,252,178</u>

9. <u>Stocks</u>	1995 £	1994 £
Raw materials	<u>29,907</u>	<u>30,365</u>

10. <u>Debtors</u>	£	£
Trade debtors	279,953	350,995
Amounts owed by group undertakings	9,093	3,991
Other debtors	31,074	1,014
Prepayments and accrued income	11,881	8,965
	<u>332,001</u>	<u>364,965</u>

Notes on the Accounts /Cont'd

11.	<u>Creditors</u>	1995	1994
	Amounts falling due within one year	£	£
	Bank overdraft	441,429	205,843
	Trade creditors	131,959	77,357
	Amounts owed to group undertakings	14,501	17,266
	Proposed dividends	141,900	167,200
	Corporation tax	51,100	100,900
	Other taxes and social security	7,503	47,049
	Accruals and deferred income	165,368	5,800
		<u>953,760</u>	<u>621,415</u>
	Amounts falling due after one year		
	Amounts owed to group undertakings	<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:-

	Amount provided		Full potential liability	
	1995	1994	1995	1994
	£	£	£	£
Accelerated capital allowances	<u>193,800</u>	<u>148,100</u>	<u>202,600</u>	<u>153,000</u>

13.	<u>Share capital</u>	1995	1994
		£	£
	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>

14.	<u>Financial Commitments</u>		
	Capital expenditure not provided for in the accounts:	£	£
	Contracted	37,350	-
	Authorised but not contracted	<u>93,450</u>	<u>359,530</u>

Lease Commitments

The company had commitments for payments under operating leases in respect of plant and equipment as follows :-

	1995	1994
	£	£
Within 12 months	-	7,540
Between 2 - 5 years	<u>8,652</u>	<u>666</u>
	<u>8,652</u>	<u>8,206</u>

Notes on the Accounts /Cont'd15. Pension Commitments

Pensions for employees are provided through the Bodycote Group Pension Scheme. This scheme is 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 scheme 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.