

Alfer Limited  
Annual report  
for the year ended 31 December 2000

Registered Number 2799059



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for the year ended 31 December 2000

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# **Alfer Limited**

## **Directors and Advisors for the year ended 31 December 2000**

### **Directors**

M T Davies  
M J Edwards  
C D Tyrer

### **Secretary**

P J Rothwell

### **Auditors**

PricewaterhouseCoopers  
Temple Court  
Bull Street  
Birmingham  
B4 6JT

### **Registered Office**

Sceptre Way  
Bamber Bridge  
Preston  
Lancashire

### **Registered Number**

2799059

# Alfer Limited

## Directors' report for the year ended 31 December 2000

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

### Principal activities

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

### Business review and future developments

Both the level of business and the year end financial position were considered to be satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future. The current year profitability of the company was adversely affected by the reorganisation costs of integrating the activities of the Warwick foundry acquired by a fellow group company in December 1999.

The company's ultimate holding company until 22 November 2000 was Baxi Partnership Limited. On that date, Baxi Partnership Limited sold its interest in the share capital of Baxi Holdings plc, and therefore in the Baxi trading group, to Baxi Group Limited. As a result, from that date, Baxi Group Limited became the company's ultimate holding company.

### Results and dividends

The directors do not recommend the payment of a dividend. The loss for the year retained in the company was £321,000 (1999: profit £45,000).

### Directors and their interests

The directors who held office during the year are given below.

M T Davies	(appointed 22 November 2000)
M J Edwards	(appointed 22 November 2000)
B M Gray	(resigned 22 November 2000)
J K Acornley	(resigned 22 November 2000)
C D Tyrer	(appointed 13 December 2000)

No director had any interest in the share capital of the company or any subsidiary of Baxi Group Limited at the balance sheet date.

As permitted by statutory instrument the interests of M T Davies and M J Edwards are disclosed in the financial statements of the ultimate parent undertaking Baxi Group Limited. C D Tyrer had no interests in the share capital of the ultimate parent undertaking, Baxi Group Limited.

### Research and development

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

### 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.

**Directors' report for the year ended 31 December 2000 (continued)**

**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 supplies**

The company supports the CBI initiative to address the problem of delayed payments to suppliers, consequently the company always endeavours to meet agreed supplier 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.

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

During the year KPMG Audit plc resigned as auditors to the company and PricewaterhouseCoopers were appointed in their place. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

**By order of the Board**



**P Rothwell**  
**Secretary**  
15 June 2001

# Alfer Limited

## Auditors' report to the members of Alfer Limited

We have audited the financial statements on pages 5 to 17.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

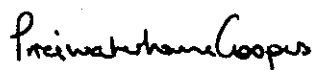
### Basis of audit opinion

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 at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Birmingham  
15 June 2001

# Alfer Limited

## Profit and loss account for the year ended 31 December 2000

	Notes	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
<b>Turnover - continuing operations</b>	1	<b>6,014</b>	5,518
Cost of sales		<b>(5,599)</b>	(4,885)
<b>Gross profit</b>		<b>415</b>	633
Distribution costs		<b>(173)</b>	(134)
Administrative expenses		<b>(634)</b>	(362)
<b>Operating (loss)/profit - continuing operations</b>		<b>(392)</b>	137
Net interest payable/(receivable) and similar charges	6	<b>23</b>	(268)
<b>Loss on ordinary activities before taxation</b>	2	<b>(369)</b>	(131)
Tax credit on (loss) on ordinary activities	7	<b>48</b>	176
<b>Retained (loss)/profit for the financial year</b>	15	<b>(321)</b>	45

The notes on pages 10 to 17 form part of these financial statements

## Alfer Limited

### Statement of total recognised gains and losses for the year ended 31 December 2000

	2000 £'000	1999 £'000
(Loss)/profit for the financial year	(321)	45
Total recognised gains and losses relating to the year	(321)	45
Prior year adjustment (as explained on page 8)	(159)	(264)
Total gains and losses recognised since the last annual report	(480)	(219)

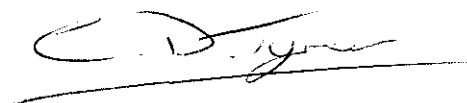


# Alfer Limited

## Balance sheet as at 31 December 2000

	Notes	2000 £'000	1999 (as restated) £'000
<b>Fixed assets</b>			
Tangible assets	8	3,703	3,407
<b>Current assets</b>			
Stocks	9	247	226
Debtors	10	1,275	1,294
Cash at bank and in hand		566	1,548
		2,088	3,068
Creditors: amounts falling due within one year	11	(1,284)	(894)
<b>Net current assets</b>		804	2,174
<b>Total assets less current liabilities</b>		4,507	5,581
Creditors: amounts falling due after more than one year	12	(4,142)	(5,451)
Provisions for liabilities and charges	13	(397)	(441)
<b>Net liabilities</b>		(32)	(311)
<b>Capital and reserves</b>			
Called up share capital	14	600	-
Profit and loss account	15	(632)	(311)
<b>Total equity shareholders' funds</b>	16	(32)	(311)

The financial statements on pages 5 to 17 were approved by the board of directors on 15 June 2001 and signed on its behalf by:



**C D Tyrer**  
Director

# Alfer Limited

## Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

### Prior year adjustment

The company has adopted the recent accounting standard on deferred taxation, FRS19. These financial statements have been restated to reflect this change on the 1999 comparative numbers. The impact on the reported results for 1999 and 2000 as a result of this change are not material. In the financial period ended 31 December 1999, the company adopted FRS 15 "Tangible Fixed Assets" and land and buildings that were previously held at a revalued amount were restated to depreciated historic cost.

### Tangible fixed assets

Depreciation is provided by the company to write off the cost of the assets over their estimated useful economic lives as follows:

Freehold buildings	50 years straight line
Plant and machinery	3 – 15 straight line

No depreciation is provided on freehold land. Tangible fixed assets are not revalued.

### 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. Provision is made for obsolete and slow moving stock where appropriate.

### 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.

### Pensions

The company's parent undertaking, Baxi Group Limited, 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 costs and these are spread forward over the average expected remaining service lives of employees.

### Deferred taxation

Full provision is made for the tax liability on all timing differences in accordance with FRS19. Deferred tax balances have not been subject to discounting.

# Alfer Limited

## **Turnover**

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

## **Cash flow statement and related party disclosures**

The company's ultimate parent undertaking is Baxi Group Limited and the company is included in the consolidated financial statements of Baxi Group Limited for the period ended 31 December 2000. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt, under the terms of Financial Reporting Standard 8, from disclosing related party transactions with entities that are part of the Baxi Group of companies.

## **Operating leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**Notes to the financial statements  
for the year ended 31 December 2000**

**1 Segmental analysis**

Turnover and profit 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:

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
UK	5,340	4,857
Rest of Europe	674	661
	<b>6,014</b>	<b>5,518</b>

**2 Loss on ordinary activities before taxation**

	2000 £'000	1999 £'000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for:		
Audit	5	3
Non-audit services	6	3
Depreciation	425	310
Exchange losses	-	4
Rentals payable under operating leases – plant and machinery	21	21

**3 Directors' emoluments**

Directors' emoluments and pension contributions for the year were £2,208 (1999: £Nil) and £188 (1999: £Nil). The emoluments of Messrs Davies and Edwards are paid by the ultimate parent company Baxi Group Limited. Their services to the company are of a non executive nature.

**4 Employee information**

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

	2000 Number	1999 Number
Production	82	83
Sales and administration	13	11
	<b>95</b>	<b>94</b>

# Alfer Limited

## 5 Employee costs

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
<b>Aggregate payroll costs for the above persons:</b>		
Wages and salaries	1,924	1,539
Social security costs	149	123
Other pension costs	124	95
	<b>2,197</b>	<b>1,757</b>

## 6 Interest payable and similar charges

	2000 £'000	1999 £'000
Bank interest receivable	23	28
Interest payable on group loans	-	(296)
	<b>23</b>	<b>(268)</b>

## 7 Tax on loss on ordinary activities

### (a) Analysis of (credit)/charge in year:

	2000 £'000	1999 £'000
<b>Current tax:</b>		
United Kingdom corporation tax at 30% (1999: 30.25%)	30	36
Adjustments in respect of prior year	(34)	-
Total current tax (7b)	(4)	36
<b>Deferred tax:</b>		
United Kingdom corporation tax at 30% (1999: 30.25%)	(110)	(60)
Adjustment in respect of prior periods	66	(152)
Total deferred tax (note 13)	(44)	(212)
	<b>(48)</b>	<b>(176)</b>

# Alfer Limited

## 7 Tax on loss on ordinary activities

### (b) Factors affecting tax credit for the period

	2000 £'000	1999 £'000
<b>Loss on ordinary activities before tax</b>	<b>(369)</b>	<b>(131)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (1999: 30.25%)	(111)	(40)
<b>Effect of:</b>		
Expenses net deductible for tax purposes	31	16
Depreciation in excess of capital allowances	7	9
Adjustment in respect of prior period	(34)	-
Short term timing differences	103	51
<b>Current tax charge for the year (Note 7a)</b>	<b>(4)</b>	<b>36</b>

### (c) Factors that may effect future tax charges

The future effective rate of tax is expected to be in line with the effective rate of tax for the current period.

# Alfer Limited

## 8 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2000	2,345	10,095	12,440
Additions	4	715	719
Disposals	-	(28)	(28)
Transfers from group companies	-	15	15
<b>At 31 December 2000</b>	<b>2,349</b>	<b>10,797</b>	<b>13,146</b>
<b>Depreciation</b>			
At 1 January 2000	258	8,775	9,033
Charge in the year	45	380	425
Disposals	-	(25)	(25)
Transfers from group companies	-	10	10
<b>At 31 December 2000</b>	<b>303</b>	<b>9,140</b>	<b>9,443</b>
<b>Net book value</b>			
<b>At 31 December 2000</b>	<b>2,046</b>	<b>1,657</b>	<b>3,703</b>
At 31 December 1999	2,087	1,320	3,407

## 9 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	84	54
Work in progress	123	112
Finished goods and goods for resale	40	60
	<b>247</b>	<b>226</b>

# Alfer Limited

## 10 Debtors

	2000 £'000	1999 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	398	463
Group corporation tax relief recoverable	277	273
Amounts owed by group undertakings	344	371
Prepayments and accrued income	138	27
	1,157	1,134
<b>Amounts falling due after more than one year</b>		
Prepayments	118	160
<b>Total debtors</b>	<b>1,275</b>	<b>1,294</b>

## 11 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	687	495
Amounts owed to group undertakings	5	28
Other creditors	592	371
	1,284	894

## 12 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Amounts owed to group undertakings	4,142	5,451



### 13 Provisions for liabilities and charges

	Amount provided		Amount unprovided	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
<b>Tax effect of timing differences because of:</b>				
Excess of capital allowances over depreciation	245	252	-	-
Other short term timing differences	152	189	-	-
	397	441	-	-
				£'000
At 1 January 2000				
As previously reported				282
Prior year adjustment on adoption of FRS19				159
As restated				441
Deferred tax credit to profit and loss account				(44)
<b>At 31 December 2000</b>				<b>397</b>

The company has adopted the recent accounting standard on deferred taxation, FRS19. These financial statements have been restated to reflect this change on the 1999 comparative numbers. The impact on the reported results for 1999 and 2000 are a result of this change are not material.

### 14 Called up share capital

	2000	1999
	£'000	£'000
<b>Authorised</b>		
Ordinary shares of £1 each	601	601
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	600	-

On 22 November 2000 the authorised share capital was increased from £1,000 to £601,000 by the creation of 600,000 additional ordinary shares of £1 each. On 22 November 2000, 600,000 ordinary shares of £1 each were issued at par.

# Alfer Limited

## 15 Profit and loss account

	2000 £'000	1999 £'000
Opening balance as previously reported	(152)	(197)
Prior year adjustment – adoption of FRS 19 (see page 8)	(159)	(159)
At start of year as restated	(311)	(356)
Retained (loss)/profit for the year	(321)	45
<b>At 31 December 2000</b>	<b>(632)</b>	<b>(311)</b>

## 16 Reconciliation of movements in equity shareholders' funds

	2000 £'000	1999 (as restated) £'000
(Loss)/profit for the financial year	(321)	45
Net proceeds of issue of ordinary share capital	600	-
Opening shareholders' funds (originally £152,000 before deducting prior year adjustment of £159,000)	(311)	(356)
<b>Closing shareholders' funds</b>	<b>(32)</b>	<b>(311)</b>

## 17 Pension scheme

The company's parent undertaking, Baxi Group Limited, 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 at 1 February 1998. Further details are disclosed in the financial statements of Baxi Group Limited.

The pension charge in the profit and loss account is £124,000 (1999: £95,000) for the year. There is a pension prepayment in the balance sheet at 31 December 2000 £160,000 (1999: £160,000).

## 18 Financial commitments

At 31 December 2000 the company had annual commitments under operating leases as follows:

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	-	21	-	21
Expiring after five years	-	-	-	-
	-	21	-	21

## **19 Contingent liabilities**

The company is a guarantor, with other group companies, of loans totalling £405.7 million made by Baxi group bankers to New Baxi Holdings Limited, Baxi Finance Limited, and Financiere Celsius SA, which are all fellow group companies.

The company has also guaranteed the bank borrowings of its fellow subsidiaries. At 31 December 2000, the borrowings from banks under such guarantees were £33.8 million.

## **20 Ultimate parent company**

The company's ultimate holding company and controlling party became Baxi Group Limited, a company incorporated in England and Wales with effect from 22 November 2000. Copies of the Baxi Group Limited's audited financial statements are available from: The Secretary, Baxi Group Limited, Pentagon House, Sir Frank Whittle Road, Derby, DE21 4XA