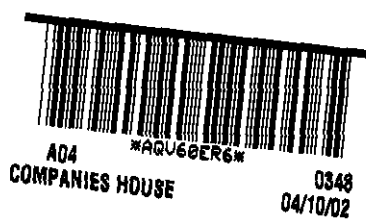


Alfer Limited

Annual report

for the year ended 31 December 2001

Registered Number 2799059



Alfer Limited

Annual report

for the year ended 31 December 2001

Contents

Directors and Advisors for the year ended 31 December 2001	1
Directors' report for the year ended 31 December 2001	2
Independent auditors' report to the members of Alfer Limited.....	4
Profit and loss account for the year ended 31 December 2001	5
Balance sheet as at 31 December 2001	6
Accounting policies	7
Notes to the financial statements for the year ended 31 December 2001	9

Alfer Limited

Directors and Advisors for the year ended 31 December 2001

Directors

M T Davies
M J Edwards
C D Tyrer

Secretary

P J Rothwell (resigned 27 July, 2001)
M W Perkins (appointed 27 July, 2001)

Auditors

PricewaterhouseCoopers
Temple Court
Bull Street
Birmingham
B4 6JT

Registered Office

Pentagon House
Sir Frank Whittle Road
Derby
DE21 4XA

Registered Number

2799059

Alfer Limited

Directors' report for the year ended 31 December 2001

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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.

Results and dividends

The directors do not recommend the payment of a dividend. The profit for the year retained in the company was £456,000 (2000: loss £321,000).

Directors and their interests

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

M T Davies
M J Edwards
C D Tyrer

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.

Alfer Limited

Directors' report for the year ended 31 December 2001

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.

Policy and practice on payment of creditors

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. Trade creditors at the year end represented 65 days (2000: 63 days) of purchases.

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 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 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

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue office, and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

By order of the Board



C D Tyrer
Director
7 March 2002

Alfer Limited

Independent auditors' report to the members of Alfer Limited

We have audited the financial statements which comprise profit and loss account, the balance sheet and the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Companies Act 1985. 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. The other information comprises only the directors' report.

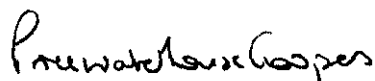
Basis of audit opinion

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 company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Birmingham

7 March 2002

Alfer Limited

Profit and loss account for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover - continuing operations	1	9,568	6,014
Cost of sales		(7,926)	(5,599)
Gross profit		1,642	415
Distribution costs		(160)	(173)
Administrative expenses		(806)	(634)
Operating profit / (loss) - continuing operations		676	(392)
Net interest receivable and similar income	6	-	23
Profit / (loss) on ordinary activities before taxation	2	676	(369)
Tax on profit / (loss) on ordinary activities	7	(220)	48
Retained profit / (loss) for the financial year	15	456	(321)

Statement of total recognised gains and losses for the year ended 31 December 2001

	2001 £'000	2000 £'000
Profit / (loss) for the financial year	456	(321)
Total recognised gains and losses relating to the year	456	(321)
Prior year adjustment (as explained on page 7)	-	(159)
Total gains and losses recognised since the last annual report	456	(480)

Alfer Limited

Balance sheet as at 31 December 2001

		2001 £'000	2000 £'000
Fixed assets			
Tangible assets	8	3,744	3,703
Current assets			
Stocks	9	304	247
Debtors	10	1,143	1,275
Cash at bank and in hand		1,094	566
		2,541	2,088
Creditors: amounts falling due within one year	11	(1,838)	(1,284)
Net current assets		703	804
Total assets less current liabilities		4,447	4,507
Creditors: amounts falling due after more than one year	12	(4,001)	(4,142)
Provisions for liabilities and charges	13	(22)	(397)
Net assets / (liabilities)		424	(32)
Capital and reserves			
Called up share capital	14	600	600
Profit and loss account	15	(176)	(632)
Total equity shareholders' funds	16	424	(32)

The financial statements on pages 5 to 16 were approved by the board of directors on 7 March 2002 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

During the year ended 31 December 2000 the company adopted the recent accounting standard on deferred taxation, FRS19. These financial statements reflect this change on the 2000 comparative numbers. The impact on the reported results for 2000 as a result of this change was not material.

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 equipment	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 costs

The majority of employees of the company are members of the Baxi Group Pension Plan, a group pension scheme, which is funded partly from the employees and partly from the company at rates determined by an independent actuary. These contributions are invested separately from the company's assets. Details are disclosed in the accounts of Baxi Group Limited.

The Company is applying the transitional provisions of Financial Reporting Standard No.17 "Retirement Benefits" in the current year. In the opinion of the directors, it is not possible to separately identify the proportion of the pension schemes' assets and liabilities attributable to the company. As a result, the financial statements do not include the transitional disclosures required by FRS 17. Furthermore, once the full provisions of FRS 17 apply, the company will account for the defined benefit scheme as if it were a defined contribution scheme. FRS 17 disclosures will be provided in the financial statements of Baxi Group Limited.

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

Accounting policies (continued)

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 2001. 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.

Alfer Limited

Notes to the financial statements for the year ended 31 December 2001

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:

	2001 £'000	2000 £'000
UK	9,159	5,340
Rest of Europe	364	674
South Africa	45	-
	9,568	6,014

2 Profit / (loss) on ordinary activities before taxation

	2001 £'000	2000 £'000
Profit / (loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for:		
Audit	6	5
Non-audit services	6	6
Depreciation	568	425
Rentals payable under operating leases – plant and machinery	18	21

3 Directors' emoluments

Directors' emoluments and pension contributions for the year were £61,825 (2000: £2,208) and £4,500 (2000: £188). 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:

	2001 Number	2000 Number
Production	103	82
Sales and administration	13	13
	116	95

Alfer Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

5 Employee costs

	2001 £'000	2000 £'000
Aggregate payroll costs for the above persons:		
Wages and salaries	2,323	1,924
Social security costs	188	149
Other pension costs	117	124
	2,628	2,197

6 Interest receivable and similar income

	2001 £'000	2000 £'000
Bank interest receivable	-	23

7 Tax on profit / (loss) on ordinary activities

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

	2001 £'000	2000 £'000
Current tax:		
United Kingdom corporation tax at 30% (2000: 30%)	447	30
Adjustments in respect of prior year	148	(34)
Total current tax (7b)	595	(4)
Deferred tax:		
United Kingdom corporation tax at 30% (2000: 30%)	(196)	(110)
Adjustment in respect of prior periods	(179)	66
Total deferred tax (note 13)	(375)	(44)
	220	(48)

Alfer Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

7 Tax on profit / (loss) on ordinary activities (continued)

(b) Factors affecting tax charge / (credit) for the period

	2001 £'000	2000 £'000
Profit / (loss) on ordinary activities before tax	676	(369)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2000: 30%)	203	(111)
Effect of:		
Expenses not deductible for tax purposes	48	31
Depreciation in excess of capital allowances	106	7
Adjustment in respect of prior period	148	(34)
Short term timing differences	90	103
Current tax charge for the year (Note 7a)	595	(4)

(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

Notes to the financial statements for the year ended 31 December 2001 (continued)

8 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2001	2,349	10,797	13,146
Additions	-	339	339
Disposals	-	(123)	(123)
Transfers from group companies	-	347	347
At 31 December 2001	2,349	11,360	13,709
Depreciation			
At 1 January 2001	303	9,140	9,443
Charge in the year	55	513	568
Disposals	-	(113)	(113)
Transfers from group companies	-	67	67
At 31 December 2001	358	9,607	9,965
Net book value			
At 31 December 2001	1,991	1,753	3,744
At 31 December 2000	2,046	1,657	3,703

9 Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	65	84
Work in progress	118	123
Finished goods and goods for resale	121	40
	304	247

Alfer Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

10 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year		
Trade debtors	352	398
Group corporation tax relief recoverable	-	277
Amounts owed by group undertakings	633	344
Prepayments and accrued income	158	138
	1,143	1,157
Amounts falling due after more than one year		
Prepayments	-	118
Total debtors	1,143	1,275

11 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	890	687
Amounts due to group undertakings	49	5
Corporation tax payable	317	-
Other creditors	582	592
	1,838	1,284

12 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Amounts due to group undertakings	4,001	4,142

Alfer Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

13 Provisions for liabilities and charges

Deferred tax	2001 £'000	2000 £'000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	24	245
Other short term timing differences	(2)	152
	22	397
		£'000
As at 1 January 2001		397
Deferred tax credit to profit and loss account		(375)
At 31 December 2001		22

14 Called up share capital

	2001 £'000	2000 £'000
Authorised		
Ordinary shares of £1 each	601	601
Allotted, called up and fully paid		
Ordinary shares of £1 each	600	600

15 Profit and loss account

	2001 £'000	2000 £'000
Opening balance as previously reported	(632)	(152)
Prior year adjustment – adoption of FRS 19 (see page 7)	-	(159)
At start of year as restated	(632)	(311)
Retained profit / (loss) for the year	456	(321)
At 31 December 2001	(176)	(632)

Alfer Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

16 Reconciliation of movements in equity shareholders' funds

	2001 £'000	2000 £'000
Profit / (loss) for the financial year	456	(321)
Net proceeds of issue of ordinary share capital	-	600
Opening shareholders' funds	(32)	(311)
Closing shareholders' funds	424	(32)

17 Pension scheme

During the year the majority of the company's employees were members of the Baxi Group Pension Plan, which is one of the pension plans operated for employees of the Baxi group. This plan is of the defined benefit type, and costs are assessed with the advice of a qualified actuary using the projected unit method. Further details are included in the accounts of Baxi Group Limited.

The contributions made by the company are based on pension costs across the Baxi Group Limited group as a whole.

The actuarial method used, the description of the main actuarial assumptions, and the results of the most recent formal valuation including the level of trading are included in the financial statements of Baxi Group Limited for the year ended 31 December 2001.

The cost of contributions to the group pension scheme amount to £117,000 (2000: £124,000).

There is a pension prepayment in the balance sheet at 31 December 2001 of £nil (2000: £160,000).

Alfer Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

18 Financial commitments

At 31 December 2001 the company had annual commitments under operating leases as follows:

	2001		2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	13	-	-
Expiring between two and five years inclusive	-	5	-	21
Expiring after five years	-	-	-	-
	-	18	-	21

19 Contingent liabilities

The company is a guarantor, with other group companies, of loans totalling £331.9 (2000: £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 2001, the borrowings from banks under such guarantees were £2.9 (2000: £33.8 million).

20 Capital and other commitments

	2001 £'000	2000 £'000
Contracts placed for future capital expenditure not provided in the financial statements	11	248

21 Ultimate parent company

The company's ultimate holding company and controlling party is Baxi Group Limited, a company incorporated in England and Wales. 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.