Trianco Redfyre Limited

Annual report

for the year ended 31 December 2002

Registered number: 957021



Trianco Redfyre Limited

Annual Report
for the year ended 31 December 2002

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Trianco Redfyre Limited

Directors and advisors for the year ended 31 December 2002

Directors

P W Ferguson (Managing Director)
M G Faughy (Manufacturing Director)

Non-executive directors

C P Bonsey (Chairman)

Secretary and registered office

C P Bonsey
Thorncliffe
Chapeltown
Sheffield
S35 2PZ

Auditors

PricewaterhouseCoopers LLP
Temple Court
35 Bull Street
Birmingham
B4 6JT

Solicitors

Keeble Hawson
Old Cathedral Vicarage
St James Row
Sheffield
S1 1XA

Bankers

National Westminster Bank plc
2 Tavern Street
Ipswich
IP1 3BD

Trianco Redfyre Limited

Directors' report
for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

The profit and loss account for the period is set out on page 5.

The principal activity of the company is the manufacture and sale of oil and solid fuel heating appliances and heat storage cookers.

Review of business and future developments

The company made a loss during the period. The market place remains difficult but the directors are satisfied that actions have been taken to ensure that the company is very well placed with its range of high performance products to take full advantage of market opportunities as they arise.

Dividends

The directors do not recommend payment of a dividend (2001: £nil). The loss for the period of £1,299,000 (2001: £659,534) will therefore be transferred to reserves.

Directors and their interests

The current directors of the company, all of who have served throughout the period, except as noted below, are listed on page 1.

Louise Deakin	(resigned 17 September 2002)
Marek Szadurski	(resigned 17 September 2002)

CP Bonsey is a director of Bullough plc (the ultimate holding company) and his interest in the shares of Group undertakings are disclosed in the financial statements of that company.

The company's Register of Directors' Interests kept under Section 325 of the Companies Act 1985 contains full details of directors' shareholdings.

Post balance sheet events

After the year end the company has decided that members will no longer accrue defined benefit pension entitlements under existing schemes, with effect from 31 January 2003. A new defined contribution scheme will operate on a group basis.

Directors' report
for the year ended 31 December 2002 (continued)

Employees

Employees are kept informed of matters affecting their employment and of the results of the company on a regular basis.

It is the company's policy to consider applications for employment from disabled persons (whether registered disabled or not) in the light of their aptitudes and abilities and the needs of the job.

Research and development

Research and development expenditure is maintained to ensure that all the company's products retain their competitive position in the market place. All such expenditure is written off to the profit and loss account as incurred.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 of the company for that period. In preparing those financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that 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 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 18 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the Annual General Meeting at a fee determined by the directors.

By order of the Board

C P Bonsey
Secretary
9 June 2003

Independent auditors' report to the members of Trianco Redfyre Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the accounts.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham, 9 June 2003

Trianco Redfyre Limited

Profit and loss account
for the year ended 31 December 2002

	Note	2002	2001
		£'000	£'000
Turnover	2	**6,838**	6,382
Cost of sales		**(5,139)**	(4,712)
Gross profit		**1,699**	1,670
Net operating expenses	3	**(3,128)**	(3,016)
Other operating income		**225**	194
Operating loss		**(1,204)**	(1,152)
Net interest receivable	6	**12**	31
Loss on ordinary activities before taxation	7	**(1,192)**	(1,121)
Tax on loss on ordinary activities	8	**(107)**	462
Loss for the financial year	18	**(1,299)**	(659)

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

All turnover and losses relate to continuing activities.

There are no gains and losses other than as shown above and therefore no separate statement of recognised gains and losses has been presented.

Trianco Redfyre Limited

Balance sheet
as at 31 December 2002

	Note	2002	2001
		£'000	£'000
Fixed assets			
Tangible assets	9	**742**	680
Current assets			
Stock	10	**1,094**	1,237
Debtors: amounts falling due within one year	11	**3,524**	4,261
Debtors: amounts falling due after more than one year	11	**289**	396
Cash at bank and in hand		**279**	185
		5,186	6,079
Creditors: amounts falling due within one year	12	**(1,953)**	(1,510)
Net current assets		**3,233**	4,569
Total assets less current liabilities		**3,975**	5,249
Creditors: amounts falling due after more than one year	13	**(733)**	(733)
Provisions for liabilities and charges	14	**(658)**	(633)
		(1,391)	(1,366)
Net assets		**2,584**	3,883
Capital and reserves			
Called up share capital	17	**303**	303
Profit and loss account	18	**2,281**	3,580
Equity shareholders' funds	19	**2,584**	3,883

The financial statements on pages 5 to 21 were approved by the board of directors on 9 June 2003 and were signed on its behalf by:

Director

Notes to the financial statements for the year ended 31 December 2002

1 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, which have been applied consistently unless stated, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

The company has applied FRS 19 'Deferred Taxation' for the first time this year. The new accounting policy is set out below. There have been no resultant changes to either opening reserves or comparatives as a result of this change.

Cash flow statement

The company's immediate parent is a wholly owned subsidiary of Bullough plc and the cash flows of the company are therefore included in the consolidated cash flow statement of Bullough plc. Consequently the company is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight-line basis over their estimated economic lives. The principal annual rates used for this purpose are:

	%
Improvements to leasehold property	10-20
Plant and machinery	10-20
Motor vehicles, included in plant and machinery	20-30
Fixtures, fittings and tools	10-33

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and an appropriate proportion of production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Notes to the financial statements for the year ended 31 December 2002 (continued)

1 Accounting policies (continued)

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transaction differences on exchange are taken to the profit and loss account.

Product warranties

Provision for future warranty costs is provided in the year in which goods are sold and represents the directors estimate of likely costs based on historical activity and known specific items.

Research and development

Expenditure on research and development is written off to the profit and loss account as it is incurred.

Deferred taxation

Following the implementation of FRS 19 'Deferred Taxation', taxation deferred as a result of all material timing differences is provided at the rate of taxation ruling when assets or liabilities are expected to crystalise. Balances are not discounted.

Pension scheme arrangements

The company continues to account for pensions in accordance with SSAP24 accounting for pension costs. In accordance with the transitional arrangements of FRS17 retirement benefits additional information relating to the company's defined benefit scheme is included in note 16.

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining service lives of members of the scheme.

The company provides no other post retirement benefits to its employees.

2 Turnover

A geographical analysis of turnover is not disclosed as the directors consider that this information may be prejudicial to the interests of the company.

Exports during the period amounted to £154,241 (2001: £264,192).

Notes to the financial statements for the year ended 31 December 2002 (continued)

3 Net operating expenses

	2002	2001
	£'000	£'000
Administrative expenses	**1,287**	1,248
Selling and distribution costs	**1,841**	1,768
Total net operating expenses	**3,128**	3,016

4 Directors' emoluments

	2002	2001
	£'000	£'000
Aggregate emoluments	**259**	294

Retirement benefits are accruing to two (2001: four) directors under a defined benefit scheme.

Those directors who are employed as directors of Bullough plc are remunerated by that company in respect of their service to the Bullough Group as a whole. Total emoluments are dealt with in the accounts of Bullough plc; no emoluments are received from this company.

Fees and other emoluments paid to the highest paid director:

	2002	2001
Highest paid director	**£'000**	£'000
Aggregate emoluments	**72**	64
Accrued retirement benefits (defined benefit scheme) at end of year	**-**	1

Notes to the financial statements for the year ended 31 December 2002 (continued)

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	31 December 2002 Number	2001 Number
Production	**72**	72
Selling and distribution	**16**	16
Administration	**10**	12
	98	100

Staff costs (for the above persons)	2002 £'000	2001 £'000
Wages and salaries	**1,817**	1,811
Social security costs	**159**	135
Other pension costs (see note 16)	**137**	34
	2,113	1,980

6 Net interest receivable

	2002 £'000	2001 £'000
Payable on overdrafts	**-**	(10)
Receivable on bank deposits	**12**	41
	12	31

7 Loss on ordinary activities before taxation

	2002	2001
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**197**	211
Profit on sale of fixed assets	**(11)**	(4)
Research and development expenditure	**229**	171
Redundancy costs	**137**	102
Auditors' remuneration for:		
- audit	**15**	22
- other services	**1**	2
Operating lease rentals	**417**	398

8 Tax on loss on ordinary activities

	2002	2001
	£'000	£'000
United Kingdom corporation tax at 30% (2001: 30%)	-	(321)
Over provision in respect of prior years	-	(134)
Deferred tax (note 15)	107	(7)
Tax charge/(credit)	107	(462)

The tax assessed for the period is equal to the corporation tax rate applied in the UK (30%). The differences are explained below:

	2002	2001
	£'000	£'000
Loss on ordinary activities before taxation	1,192	1,121
Loss on ordinary activities at the UK tax rate (30%)	358	336
Effects of:		
Expenses not deductible for taxation purposes	(27)	(1)
Prior year adjustments	-	134
Accelerated capital allowances and losses available to carry forward	(331)	(14)
	-	455

Notes to the financial statements for the year ended 31 December 2002 (continued)

9 Tangible assets

	Leasehold improvements	Plant and machinery	Fixtures and fittings	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2002	483	2,003	949	-	3,435
Additions	3	237	18	6	264
Disposals		(41)	(210)	-	(251)
At 31 December 2002	**486**	**2,199**	**757**	**6**	**3,448**
Depreciation					
At 1 January 2002	373	1,526	856	-	2,755
Charge for the year	30	120	47	-	197
Disposals		(38)	(208)	-	(246)
At 31 December 2002	**403**	**1,608**	**695**	**-**	**2,706**
Net book amount					
At 31 December 2002	**83**	**591**	**62**	**6**	**742**
At 31 December 2001	110	477	93	-	680

10 Stocks

	2002	2001
	£'000	£'000
Raw materials and consumables	**574**	563
Work in progress	**176**	254
Finished goods and goods for resale	**344**	420
	1,094	1,237

Notes to the financial statements for the year ended 31 December 2002 (continued)

11 Debtors

	2002	2001
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**1,310**	1,323
Amounts owed by parent and fellow subsidiary undertakings	**2,094**	2,647
Corporation tax recoverable	**-**	175
Other debtors	**33**	26
Prepayments and accrued income	**87**	90
	3,524	4,261
Amounts falling due after more than one year:		
Amounts owed by parent and fellow subsidiary undertakings	**289**	289
Deferred taxation (see note 15)	**-**	107
	289	396
Total debtors	**3,813**	4,657

12 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Trade creditors	**1,086**	754
Amounts owed to fellow subsidiary undertakings	**35**	117
Group relief payable	**41**	-
Other taxation and social security	**173**	265
Other creditors	**490**	322
Accruals and deferred income	**128**	52
	1,953	1,510

Notes to the financial statements for the year ended 31 December 2002 (continued)

13 Creditors: amounts falling due after more than one year

	2002	2001
	£'000	£'000
Amounts owed to parent and fellow subsidiary undertakings	733	733

The above amounts have no fixed repayment terms, are unsecured and interest free.

14 Provisions for liabilities and charges

	Pensions and similar obligations (see note 16)	Warranty provisions	Total
	£'000	£'000	£'000
At 1 January 2002	356	277	633
Profit and loss account	25	-	25
At 31 December 2002	**381**	**277**	**658**

15 Deferred taxation

Recognised in the financial statements:

	2002	2001
	£'000	£'000
Tax effect of timing differences	-	107

The movement on the deferred tax assets recognised is as follows:

	£'000
At 1 January 2002	107
Transfer to profit and loss (note 8)	(107)
At 31 December 2002	**-**

At the year end deferred tax assets of £442,291 (2001: £5,133) have not been recognised in the financial statements due to uncertainty that the tax will become recoverable in the short term. £300,740 (2001: £nil) relates to losses available for offset and £141,551 (2001: £5,133) to timing differences.

16 Pension commitments

The company operates a pension and assurance scheme ("the Scheme") for the benefit of staff and works employees. Pensions for staff employees are based on final pensionable salary whereas benefits for works employees are related to the level of State Basic Pensions for a single person. The assets of the Scheme are held separately from those of the company being invested in managed funds operated by Britannic Asset Managers and Legal & General Investments Management. Charges to the profit and loss account are calculated so as to spread the cost of pensions over employees working lives with the Company. The contributions are determined by a professionally qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was carried out as at 1 January 2000 and identified a funding level of 117%, including an allowance for future salary increases. The market value of the Scheme's assets at the valuation date was £2,957,000. The assumptions, which had the most significant effect on the results of the valuation, are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8% per annum, and that salary increases would average 6% per annum. Dividends on UK equity investments are assumed to grow at 5.25% per annum. Pensions are increased throughout in line with statutory requirements. Pensions in excess of guaranteed minimum pensions in relation to pensionable service from 6 April 1997 are subject to Limited Price Indexation and are assumed to increase at an average rate of 3.5% per annum. In the light of the valuation results it was agreed that the company would continue with its suspension of company contributions, subject to future review.

The total pension cost for the company relating to this scheme was £24,500 (2001: £24,684), which included a credit relating to the amortisation of experience surpluses.

An amount of £381,337 (2001: £356,837) is included in provisions, which represents the excess of the accumulated pension cost over the payment of contributions to the pension fund.

The company also incurred pension costs of £112,191 (2001: £9,296) in relation to contributions payable to pension schemes of the Bullough plc group.

The disclosures required under the transitional arrangements within FRS 17 'Retirement Benefits' have been calculated by qualified independent actuaries based on the most recent full actuarial valuation at 1 January 2000, updated to 31 December 2002. The financial assumptions used to calculated scheme liabilities under FRS 17 are as follows:

	2002	2001
	%	%
Rate of increase in salaries	**3.5**	4.0
Rate of increase in pensions in payment	**2.0**	2.0
Discount rate	**6.0**	6.0
Inflation assumption	**2.0**	2.5

Notes to the financial statements for the year ended 31 December 2002 (continued)

16 Pension commitments (continued)

The assets in the schemes and the expected rates of return at 31 December 2002 were:

	2002		2001	
	Expected rate of return	**Market value**	Expected rate of return	Market value
	%	**£'000**	%	£'000
Equities	**8.0**	**1,309**	8.0	1,712
Bonds	**5.5**	**266**	6.0	390
Cash	**4.0**	**125**	4.0	102
Others	**8.0**	**-**	8.0	59
		1,700		2,263

The valuation at 31 December 2002 is set out below. Scheme assets are measured using the projected unit method discounted to present values.

	2002	2001
	£'000	£'000
Market value of scheme assets	**1,700**	2,263
Present value of scheme liabilities	**(2,612)**	(2,480)
Deficit in the scheme	**(912)**	(217)

In accordance with FRS 17 the above deficit has not been recognised in the accounts. If it had been the net assets and profit and loss reserve would be as follows:

	2002		2001	
	Net assets	**Profit and loss reserve**	Net assets	Profit and loss reserve
	£'000	**£'000**	£'000	£'000
Excluding pension deficit	**2,584**	**2,281**	3,883	3,580
Pension provision add back and associated deferred tax	**381**	**381**	357	357
Pension deficit	**(912)**	**(912)**	(217)	(217)
Including pension deficit	**2,053**	**1,750**	4,023	3,720

The deficit has not been reduced by any deferred tax asset as recoverability of any such asset is uncertain.

Notes to the financial statements for the year ended 31 December 2002 (continued)

16 Pension commitments (continued)

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS17:

	£'000
Net operating expenses:	
Current service cost	94
Net interest payable:	
Expected return on pension scheme assets	166
Interest on pension scheme liabilities	(148)
Net return	**18**
Statement of total recognised gains and losses (STRGL):	
Actual less expected return on pension scheme assets	(599)
Experience gains and losses arising on the scheme liabilities	(187)
Impact of changes in assumptions underlying the present value of the scheme liabilities	98
Actuarial loss recognised	**(688)**
Movement in deficit during the year:	
Movement scheme deficit during the year:	
Deficit in scheme at beginning of year	(217)
Current service cost	(94)
Other finance income	18
Curtailment	69
Actuarial loss	(688)
Deficit in scheme at end of year	**(912)**

Notes to the financial statements for the year ended 31 December 2002 (continued)

16 Pension commitments (continued)

Details of experience gains and losses for the year ended 31 December 2002

Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(599)
Percentage of scheme assets	(35)%
Experience gains and losses on scheme liabilities:	
Amount (£'000)	(187)
Percentage of the present value of the scheme liabilities	(7)%
Total amount recognised in the statement of total recognised gains and losses:	
Amount (£'000)	(688)
Percentage of the present value of the scheme liabilities	26%

17 Called up share capital

	2002	2001
	£'000	£'000
Authorised, allotted and fully paid		
3,000 ordinary shares of £1 each	**3**	3
300,030 deferred shares of £1 each	**300**	300
	303	303

18 Profit and loss account

	2002
	£'000
At 1 January 2002	**3,580**
Loss for the financial year	**(1,299)**
At 31 December 2002	**2,281**

Notes to the financial statements for the year ended 31 December 2002 (continued)

19 Reconciliation of movement in shareholders' funds

	2002	2001
	£'000	£'000
Loss for the financial year	**(1,299)**	(659)
Opening shareholders' funds	**3,883**	4,542
Closing shareholders' funds	**2,584**	3,883

20 Capital commitments

	2002	2001
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**8**	8

21 *Contingent liabilities*

The company is party to a cross guarantee to secure the bank borrowings of Bullough plc and certain of that company's subsidiaries. The total bank borrowings of the group at the year end amounted to £0.8m. The directors do not consider that a loss will arise from this arrangement.

22 Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other operating leases	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Expiring within one year	**-**	-	**15**	1
Expiring between two to five years inclusive	**306**	306	**74**	64
	306	306	**89**	65

23 Other related party disclosures

As Trianco Redfyre Limited is a subsidiary of Bullough plc, it has not disclosed details of transactions with other Group companies by virtue of the exemptions contained in paragraph 3 of FRS 8.

The company recharges the Trianco Redfyre Pension and Assurance Scheme with the costs of administration and independent pension advisers borne by the company. The total amount recharged in the year ended 31 December 2002 was £43,563 (2001: £36,080), of which £26,268 (2001: £22,244) is included in other debtors at 31 December 2002.

The company is a wholly owned subsidiary of Trianco Group Limited, a company registered in England and Wales.

24 Ultimate controlling party

The directors regard Bullough plc, a company incorporated in Great Britain and registered in England and Wales, as the ultimate parent company. Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, Bullough plc, 21 The Crescent, Leatherhead, Surrey, KT22 8DY.