

Nu-way Limited

Annual Report

Year ended 31 December 2007

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NU-WAY LIMITED

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NU-WAY LIMITED

Company Information

Directors	R F Hancox N J Anton J Sopwith R Wilcox R Woods S C Day
Secretary	R Wilcox
Registered office	Vines Lane Droitwich Worcestershire WR9 8LU
Registered number	299044
Auditors	Grant Thornton UK LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Solicitors	Eversheds 115 Colmore Row Birmingham B3 3AL

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activities

Nu-way Limited manufactures and distributes oil, gas and dual fuel burners, heat pumps and renewable energy boilers, and spare parts. The company is a member of the Enertech group and distributes products manufactured by other members of the group. The company also provides service for the products that it sells.

Business review and future developments

The introduction of new products with their related initial investment costs, combined with rising material prices, produced a disappointing result. Action has been taken to reduce the cost base. Continuing material cost inflation allied with significant adverse exchange rate movements will make 2008 a difficult year.

Key performance indicators

The key performance indicators which the Directors target are sales growth, operating (loss)/profit as a percentage of sales, and return on capital employed. The objective is to at least exceed inflation in sales growth and to improve the operating ratios year on year.

Key performance indicator	2007	2006
Sales growth	0.1%	5.4%
Operating (loss)/profit as a percentage of sales	(3.6%)	6.2%
Return on capital employed	(10.4%)	23.2%

Notes to KPIs

Sales growth is calculated by dividing the current year sales by the prior year sales and expressing the result as a percentage.

Operating (loss)/profit percentage is calculated by expressing operating (loss)/profit as a percentage of sales.

Return on capital employed is calculated by expressing operating (loss)/profit as a percentage of shareholders funds plus debt minus cash.

Report of the Directors

(Continued)

Principal risks and uncertainties facing the company

The company's markets are affected by the performance of the economy, government targets for emission reductions, customer attitudes to the cost and reliability of supply of alternative energy sources and technical standards

The company manages these risks by pursuing multiple strategies. Product offerings are continually reviewed and updated to meet market demands. The company has a wide portfolio of products which is able to satisfy all foreseeable requirements for energy efficient solutions. Management participate in professional associations discussing technical standards and ensuring such matters are reflected in development and sales plans. The company is represented in many markets in the world and efforts are being made to develop those markets where the current market share can be increased.

Financial instruments

The company's principal financial instruments comprise bank overdrafts, trade debtors and trade creditors. The company's operations expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates, credit risk and liquidity risk.

Foreign currency risk

The company aims to limit the transactional exposure of the company to foreign currency exchange rates with most sales and purchases being made in sterling. Where foreign currency exposures do exist it is the policy of the company to forecast the flows over a six month period and to hedge approximately half of the forecast exposure using forward exchange contracts. This policy limits the downside risk whilst allowing opportunity to benefit should rates move in the company's favour.

Credit risk

The company grants trade credit to customers in the normal course of business. Prior to granting credit investigations are made to determine the creditworthiness of customers and to establish credit limits and payment terms. The customer base of the group is diverse and generally of high quality. The company is not exposed to any single customer whose failure would give rise to any cash flow difficulty. Customer balances are closely monitored and a hierarchy of procedures are applied to pursue collection where it is delayed. The company has a prudent approach to the provision for bad and doubtful debts. Trade debtors are presented in the balance sheet net of bad and doubtful debt provisions.

Liquidity risk

The company is party to a UK group banking arrangement between the company, its parent company and fellow subsidiary companies. These facilities provide adequate flexibility to meet future funding needs.

Cash flow interest rate risk

The company has borrowings on which it pays interest at market rates. The company does not hedge interest rate risk. The directors monitor interest rates and the borrowing position of the company to ensure that there will be no material adverse effect on the performance of the company through interest rate and borrowing changes.

Report of the Directors

(Continued)

Environment

As a heating products manufacturer, the company is closely associated with developments to minimise the emissions of CO₂. Changing government regulations and customer expectations have the potential to profoundly affect demand for the group's products and therefore environmental impact is always at the forefront of the group's planning.

Dividends

An interim ordinary dividend of £490,000 has been paid. No final dividend is proposed (2006: £nil). A preference dividend of £10,400 was also paid during the year (2006: £31,000 accrued).

Research and development

The company is committed to develop products to meet environmental and energy conservation demands combined with high efficiency performance.

Directors

The present directors of the company are set out on page 1. S C Day was appointed a director on 5 March 2007. P G Greengrass resigned as a director on 31 July 2007.

Employees

The Board pursues policies designed to encourage employees to identify with the company and use their knowledge and skills actively towards its success. Managers are encouraged to make employees aware of the financial and economic factors affecting the company's performance.

Full consideration is given to employment applications from disabled persons who have the necessary aptitudes and abilities. Where an employee becomes disabled while employed, arrangements are made wherever practicable to maintain employment. The company seeks to develop the skills of disabled persons by providing appropriate training, taking into account their particular needs.

Report of the Directors

(Continued)

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 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 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.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

RSM Robson Rhodes LLP ('Robson Rhodes') merged its practice with that of Grant Thornton UK LLP ('Grant Thornton') with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 1 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 25 April 2008 and signed on its behalf by



N J Anton
Director

Independent Auditors' Report to the Shareholders of Nu-way Limited

We have audited the financial statements of Nu-way Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Birmingham, England
25 April 2008

Profit and Loss Account

for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	2	11,878	11,868
Change in stocks of finished goods and work in progress		414	46
Raw materials and consumables		(7,393)	(6,652)
Other external charges		(2,186)	(1,604)
Staff costs	4	(3,054)	(2,865)
Depreciation		(134)	(98)
Other operating income		43	35
		<hr/>	<hr/>
Operating (loss)/profit	3	(432)	730
Net interest	5	(210)	(150)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(642)	580
Tax on (loss)/profit on ordinary activities	6	197	(176)
		<hr/>	<hr/>
(Loss)/profit for the financial year	13	(445)	404
		<hr/>	<hr/>

There have been no other gains or losses recognised during the current or prior year

All activities are derived from continuing operations

Balance Sheet

at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	7	226	264
Current assets			
Stocks	8	2,113	1,848
Debtors	9	4,834	4,116
Cash at bank and in hand		7	288
Creditors Amounts falling due within one year	10	6,954 (6,909)	6,252 (5,310)
Net current assets		45	942
Total assets less current liabilities		271	1,206
Creditors Amounts falling due after more than one year	11	(130)	(130)
Net assets		141	1,076
Capital and reserves			
Called up share capital	12	119	119
Share premium account	13	1	1
Profit and loss account	13	21	956
Equity shareholders' funds	14	141	1,076

The financial statements were approved by the Board on 25 April 2008 and signed on its behalf by



N J Anton
Director

Notes to the Financial Statements

For the year ended 31 December 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the year

Depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to the operating result. The principal annual rates used for other assets are

Plant and machinery	-	10%
Fixtures and fittings	-	15%
Computers	-	20 – 100%
Vehicles	-	25%

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Foreign currencies

Foreign currency transactions undertaken by the company during the year are translated into sterling at the rate of exchange ruling on the date of the transaction, except when forward foreign exchange contracts are in place, when the forward contract rate is used.

Assets and liabilities of the company, which are denominated in foreign currencies, are translated at the rate of exchange ruling at the balance sheet date, except in those cases where forward cover has been arranged, in which case the forward rate is used.

Any exchange differences arising on translation are dealt with through the profit and loss account.

Research and development expenditure

Research and development expenditure is written off as incurred to the profit and loss account.

Leased assets

Rentals payable under operating leases are charged in 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 2007

1. ACCOUNTING POLICIES (continued)

Product warranties

Provision is made for estimated liability costs on products still under warranty, including claims already received, and is included in creditors and accrued charges

Pensions

Contributions to defined contribution pension schemes are charged to the profit and loss account in the period in which they fall due

Cash flow statement

The company has taken advantage of the exemption allowed under Financial Reporting Standard No 1 (Revised) not to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK parent undertaking

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

For the year ended 31 December 2007

2. TURNOVER

All turnover originated within the United Kingdom. An analysis of turnover by geographical destination is as follows:

By destination	2007 £'000	2006 £'000
United Kingdom	8,855	9,178
Rest of the World	2,619	2,305
	<hr/>	<hr/>
	11,474	11,483
Group companies overseas	404	385
	<hr/>	<hr/>
	11,878	11,868
	<hr/>	<hr/>

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging/(crediting)

	2007 £'000	2006 £'000
Reorganisation and restructuring costs	274	-
Operating lease rentals		
- Land and buildings	150	158
- Other	15	37
Auditors' remuneration in respect of audit services	18	15
Research and development costs	207	148
Rent received from operating leases	(37)	(24)
Depreciation - owned assets	134	98
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 December 2007

4. DIRECTORS AND EMPLOYEES

Staff costs, including directors

	2007 £'000	2006 £'000
Wages and salaries	2,639	2,485
Social security costs	269	236
Other pension costs	146	144
	<u>3,054</u>	<u>2,865</u>

The average monthly number of employees during the year was made up as follows

	2007 No	2006 No
Staff	63	65
Operatives	44	47
	<u>107</u>	<u>112</u>

Directors' remuneration comprises

	2007 £'000	2006 £'000
Emoluments (excluding pension contributions)	435	427
Compensation for loss of office	20	-
	<u>455</u>	<u>427</u>

	2007 £'000	2006 £'000
Company contributions paid to money purchase pension scheme	17	20

	No.	No.
Number of members of the money purchase pension scheme	6	7

	2007 £'000	2006 £'000
The highest paid director's aggregate emoluments (excluding pension contributions)	137	167

Company contributions paid to money purchase pension scheme	7	6

Notes to the Financial Statements

For the year ended 31 December 2007

5 INTEREST RECEIVABLE AND INTEREST PAYABLE

	2007 £'000	2006 £'000
Interest receivable		
- on bank deposits	1	1
Interest payable		
- on bank overdraft	(201)	(120)
- preference share dividends	(10)	(31)
	<u>(210)</u>	<u>(150)</u>

6. TAXATION

Taxation (credit)/charge for the year

The taxation (credit)/charge for the year is analysed below

	2007 £'000	2006 £'000
Corporation tax		
United Kingdom Corporation Tax	-	156
Group relief receivable	(181)	-
Adjustment in respect of prior years	(6)	(18)
	<u>(187)</u>	<u>138</u>
Current tax		
Deferred taxation		
Origination of timing differences	(10)	38
	<u>(197)</u>	<u>176</u>
Tax on (loss)/profit on ordinary activities		
	<u>(197)</u>	<u>176</u>
Reconciliation of tax (credit)/charge		
Effective rate of current tax	28%	24%
Standard rate of tax	30%	30%
	<u>2%</u>	<u>6%</u>
Difference		
	<u>2%</u>	<u>6%</u>
Explanation of difference		
Timing differences	2%	4%
Other non-deductible and non-taxable items	-	(1%)
Adjustments in respect of prior years	-	3%
	<u>2%</u>	<u>6%</u>
Total	<u>2%</u>	<u>6%</u>

Notes to the Financial Statements

For the year ended 31 December 2007

7 TANGIBLE FIXED ASSETS

	Plant and machinery, fixtures and fittings £'000	Vehicles £'000	Total £'000
Cost			
At 1 January 2007	1,851	226	2,077
Additions	44	52	96
Disposals	-	(12)	(12)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,895	266	2,161
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2007	1,722	91	1,813
Charge for the year	80	54	134
Disposals	-	(12)	(12)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,802	133	1,935
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2007	93	133	226
	<hr/>	<hr/>	<hr/>
At 31 December 2006	129	135	264
	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 December 2007

8. STOCKS

	2007 £'000	2006 £'000
Raw materials	1,205	1,354
Work in progress	237	322
Finished goods	671	172
	<u>2,113</u>	<u>1,848</u>

The replacement value of stocks is not materially different to the value of stock reported above

The company has consignment stock arrangements, in the ordinary course of business, with suppliers. Inventory drawn from consignment stock is generally invoiced to the company at the price ruling at the date of drawdown. The value of such stock, at cost, which has been excluded from the balance sheet in accordance with the application notes included in FRS 5, amounted to £27,503 (2006 £ 13,131)

9. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	3,781	3,371
Amounts owed by Enertech Limited	86	84
Amounts owed by other group undertakings	631	528
Prepayments and accrued income	92	86
Other debtors	8	2
Deferred tax	55	45
Group relief	181	-
	<u>4,834</u>	<u>4,116</u>

Deferred tax asset

	2007 £'000	2006 £'000
Capital allowances in excess of depreciation	48	38
Other timing differences in recognising revenue and expense items in other periods	7	7
	<u>55</u>	<u>45</u>

Notes to the Financial Statements

For the year ended 31 December 2007

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank overdraft	3,900	2,223
Trade creditors	1,973	1,963
Amount owed to group undertakings	374	392
Group relief	-	173
Other taxation and social security	118	146
Accruals and deferred income	417	256
Other creditors	112	111
Payments on account	15	15
Preference share dividends	-	31
	<u>6,909</u>	<u>5,310</u>

Bank overdrafts are secured by fixed and floating charges over the assets of Nu-way Limited and its fellow United Kingdom group undertakings

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
130,000 £1 preference shares	130	130
	<u>130</u>	<u>130</u>

Preference shareholders are entitled in priority to other classes of shares to a fixed cumulative dividend at 8% per annum. The preference shares carry no voting rights.

Notes to the Financial Statements

For the year ended 31 December 2007

12. SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
Ordinary shares of £1 each	150	150
Allotted, called up and fully paid		
Ordinary shares of £1 each	119	119

13. RESERVES

	Share premium £'000	Profit and loss account £'000
At 1 January 2007	1	956
Loss for the year	-	(445)
Dividends paid (£4 12 per share)	-	(490)
At 31 December 2007	1	21

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
(Loss)/profit for the financial year	(445)	404
Dividends	(490)	-
Net (decrease)/increase to shareholders' funds	(935)	404
Opening shareholders' funds	1,076	672
Closing shareholders' funds	141	1,076

15. CONTINGENT LIABILITIES

The company has given a counter guarantee to Lloyds TSB Bank plc in respect of performance bonds to the value of £nil (2006 £4,521)

The company is party, together with its fellow subsidiary companies to a cross guarantee in favour of Lloyds TSB Bank plc At 31 December 2007 the contingent liability under this arrangement was £618,000 (2006 £767,000)

Notes to the Financial Statements

For the year ended 31 December 2007

16. OBLIGATIONS UNDER OPERATING LEASES

The company has entered into operating leases and has future annual obligations as follows

	2007 £'000	2006 £'000
(i) Land and buildings, leases expiring beyond five years	150	150
(ii) Other, leases expiring within one year	1	6
within two to five years	-	6

17. PENSION COSTS

The company participates in the IRL Pension Scheme, which is a defined contribution scheme

The total pension cost for the company was £146,000 (2006 £144,000)

18. PARENT COMPANY

The immediate holding company is Enertech Limited, Vines Lane, Droitwich, Worcestershire, UK

In the directors' opinion, the ultimate parent undertaking and controlling parent, is Inter Rested Limited, which is registered in England and Wales. Copies of the group financial statements, which include the company, are available from Companies House, Crown Way, Cardiff, CF4 3UZ

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 8 to dispense with the requirement to disclose transactions with fellow subsidiaries, 90% or more of whose voting rights are held within the group, and which are included in the consolidated financial statements of Inter Rested Limited