

**Baxi Finance Limited**  
**Annual report and accounts**  
**for the year ended 31 December 2002**

**Registered number 4010580**



# Baxi Finance Limited

## Annual report and accounts for the year ended 31 December 2002

### Contents

Directors' report for the year ended 31 December 2002 .....	1
Independent auditors' report to the members of Baxi Finance Limited .....	3
Profit and loss account for the year ended 31 December 2002 .....	4
Balance sheet as at 31 December 2002 .....	5
Notes to the financial statements for the year ended 31 December 2002 .....	6

# **Baxi Finance Limited**

## **Directors' report for the year ended 31 December 2002**

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

### **Principal activity and review of business**

The company acts as an intermediate holding company. The company's loss for the year is £32,859,000 (2001: £2,920,000 loss) as set out in the profit and loss account on page 4.

### **Dividends**

The directors do not recommend the payment of a dividend (2001: £nil)

### **Directors**

The following were directors of the company during the year:

M J Edwards	
M T Davies	(resigned 31 December 2002)
B M Gray	(resigned 31 December 2002)
Newmond Management Service Limited	(appointed 15 July 2002)
Newmond Administration Limited	(appointed 15 July 2002)
A E Darling	(appointed 9 January 2003)

### **Directors' interests**

None of the directors had any interest in the share capital of the company or any other subsidiary of Baxi Group Ltd. The directors' interests in the ultimate parent undertaking's issued share capital at the balance sheet date have been disclosed in the financial statements of Baxi Group Ltd.

### **Directors' interests in contracts**

During the year, none of the directors had any material interest in any contract of significant in relation to the company's business.

### **Directors' responsibilities**

The following statement, which should be read in conjunction with the statement of responsibilities set out in the Independent Auditor's Report, is made with the view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for the financial period.

The directors are responsible for ensuring that the financial statements are prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards that they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enables them to ensure that the financial statements comply with the Companies Act 1985. The directors also have general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

# **Baxi Finance Limited**

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

### **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 25 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

### **By order of the board**



T Lowe  
Company Secretary  
7 March 2003

## **Independent auditors' report to the members of Baxi Finance Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet 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. 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 purposes. 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 in to 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  
7 March 2003

## Baxi Finance Limited

### Profit and loss account for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Administrative expenses		(2,443)	615
<b>Operating (loss)/profit</b>	2	<b>(2,443)</b>	615
Income from shares in group undertakings		12,528	37,253
Interest payable and similar charges	4	(57,582)	(56,613)
Interest receivable and similar income		2,633	1,402
<b>Loss on ordinary activities before taxation</b>		<b>(44,864)</b>	(17,343)
Taxation	5	12,005	14,423
<b>Loss for the financial year</b>	13	<b>(32,859)</b>	(2,920)

All amounts relate to continuing operations.

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

The company has no recognised gains or losses, other than the loss for the financial year, and therefore no separate statement of total recognised gains and losses has been presented.

# Baxi Finance Limited

## Balance sheet as at 31 December 2002

	Notes	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Investments	6	224,887	187,863
<b>Current assets</b>			
Debtors	7	442,927	401,716
Cash at bank and in hand		-	8,837
		442,927	410,553
<b>Creditors: amounts falling due within one year</b>	8	(525,236)	(376,640)
<b>Net current liabilities</b>		(82,309)	(33,913)
<b>Total assets less current liabilities</b>		142,578	221,776
<b>Creditors: amounts falling due after one year</b>	9	(174,388)	(220,727)
<b>Net assets</b>		(31,810)	1,049
<b>Capital and reserves</b>			
Called up share capital	12	10,000	10,000
Profit and loss account	13	(41,810)	(8,951)
<b>Equity shareholders' funds</b>	14	(31,810)	1,049

The financial statements on pages 4 to 12 were approved by the board of directors on 7 March 2003 and were signed on its behalf by:



R L Nash  
For and on behalf of  
Newmond Administration Limited

# **Baxi Finance Limited**

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

### **1 Principal 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, is set out below.

#### **Basis of accounting**

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

Transactions with other group companies have not been disclosed as permitted by FRS 8.

The company is itself a subsidiary company, and as such is exempt from the requirement to prepare group accounts by virtue of s228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about the group.

#### **Profit and loss account**

The prior year profit and loss account has been amended to show the amortisation of debt financing costs within interest payable.

#### **Cash flow statement**

The company was a wholly owned subsidiary of Baxi Group Ltd for the year ended 31 December 2002. Consequently the company is exempt under the terms of FRS 1 (revised) from publishing a cash flow statement.

#### **Foreign currencies**

Assets and liabilities denominated in overseas currencies are translated into sterling at the rate ruling at the balance sheet date unless hedged, and the gain or loss taken to the profit and loss account. Exchange differences arising in respect of revenue transactions are taken to the profit and loss account in the period in which they arose.

#### **Fixed assets investments**

Fixed assets investments are held at cost less any provision for permanent diminution in value.

#### **Deferred taxation**

Full provision is made for the tax liability on all timing differences in accordance with FRS 19. Deferred tax balances have not been subject to discounting.

#### **Financial instruments**

The company policy is to mitigate the effects of interest rate fluctuations by the use of appropriate financial instruments. In the case of interest rate swaps the interest payable is recalculated under the terms of the respective financial instrument.



## **Baxi Finance Limited**

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

#### **2 Operating loss**

Audit fees are borne by a fellow group company.

#### **3 Directors emoluments**

The emoluments of the directors are paid by the ultimate parent company. Their services to the company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the group company. The only employees who served during the period were the directors.

#### **4 Interest payable and similar charges**

	2002	2001
	£'000	£'000
Group interest payable	34,098	29,343
Amortisation of financing costs	2,158	2,427
Bank loans and overdrafts	21,326	24,843
	57,582	56,613

#### **5 Taxation**

	2002	2001
	£'000	£'000
<b>Current taxation</b>		
United Kingdom corporation tax at 30%	(17,218)	(16,148)
Adjustments in respect of prior periods	5,132	1,806
	(12,086)	(14,342)
<b>Deferred taxation</b>		
Current year	-	1,725
Adjustments in respect of prior periods	81	(1,806)
	81	(81)
<b>Tax on loss on ordinary activities</b>	<b>(12,005)</b>	<b>(14,423)</b>

# Baxi Finance Limited

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

### 5 Taxation (continued)

The tax for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are stated below.

	2002	2001
	£'000	£'000
Loss on ordinary activities before taxation	(44,864)	(17,343)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(13,459)	(5,202)
Effects of:		
Expenses not deductible for tax purposes	-	149
Short term timing differences	-	81
Non taxable income	(3,758)	(11,176)
Adjustments to tax charge in respect of previous periods	5,131	1,806
<b>Current tax credit for the period</b>	<b>(12,086)</b>	<b>(14,342)</b>

Adjustments in respect of previous periods relates to recognition of prior year losses subsequently written off. The future expected rate of tax is expected to be in line with the standard rate of corporation tax in the UK of 30%.

### 6 Fixed asset investments

	£'000
<b>Cost</b>	
At 1 January 2002	187,863
Additional acquisition costs	37,024
<b>At 31 December 2002</b>	<b>224,887</b>

At 31 December 2002 the company held the entire share capital of the following UK companies which operated in the United Kingdom.

Company	Principal Activity
Newmond Limited	Intermediate holding company
Old Baxi Holdings Limited	Intermediate holding company

# Baxi Finance Limited

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

### 7 Debtors

	2002	2001
	£'000	£'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	426,324	385,273
Corporation tax	16,546	16,255
Other debtors	57	107
Deferred tax (note 11)	-	81
	442,927	401,716

### 8 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Bank overdraft	17,307	2,969
Loans (note 10)	18,393	17,093
Amounts owed to group undertakings	489,097	355,876
Accruals and deferred income	439	702
	525,236	376,640

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

	2002	2001
	£'000	£'000
Loans (note 10)	174,388	220,727

# Baxi Finance Limited

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

### 10 Loans

	2002	2001
	£'000	£'000
<b>Loans repayable by instalments are repayable as follows:</b>		
Within one year	20,272	19,143
Less debt finance cost	(1,879)	(2,050)
Amounts falling due within one year	18,393	17,093
Between one and two years	28,960	23,305
Between two and five years	105,628	109,866
In five years or more	46,721	96,464
Less debt finance cost	(6,921)	(8,908)
Amounts falling due after more than one year	174,388	220,727
	192,781	237,820

The above loans represent instalments due on the original funding loan which attract interests at rates of between 1.75% and 3.25% above LIBOR. Loans are shown net of debt finance costs in accordance with FRS 4. Debt finance costs are written off over the period of loans to give an equal rate of charge on the balance outstanding.

### 11 Deferred tax

	£'000
At 1 January 2002	(81)
Debited to the profit and loss account	81
<b>At 31 December 2002</b>	-

The deferred tax relates to short term timing differences.

# Baxi Finance Limited

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

### 12 Share capital

	2002	2001
	£'000	£'000
<b>Authorised</b>		
10,000,000 ordinary shares of £1 each	10,000	10,000
<b>Allotted, called up and fully paid</b>		
10,000,000 ordinary shares of £1 each	10,000	10,000

### 13 Profit and loss account

	£'000
At 1 January 2002	(8,951)
Loss for the financial year	(32,859)
<b>At 31 December 2002</b>	<b>(41,810)</b>

### 14 Reconciliation of movement in shareholders' funds

	2002	2001
	£'000	£'000
Loss for the financial period	(32,859)	(2,920)
Net movement in shareholders funds	(32,859)	(2,920)
Opening shareholders' funds	1,049	3,969
<b>Closing shareholders' funds</b>	<b>(31,810)</b>	<b>1,049</b>

# **Baxi Finance Limited**

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

### **15 Contingent liabilities**

The company is a guarantor, with other group companies, of loans totalling £80.5 million (2001: £83.1 million) made by Baxi Group bankers to New Baxi Holdings Limited, and Financiere Celsius SA. The company's assets and undertakings are secured by a debenture deed dated 22 November 2000 in respect of the above facilities.

The company has also guaranteed the bank borrowings of its fellow subsidiaries. At 31 December 2002, the borrowings from bank under such guarantees were £nil (2001: £nil).

### **16 Ultimate parent company**

At 31 December 2002 the company was a wholly owned subsidiary of New Baxi Holdings Limited, a company incorporated in Great Britain.

The company's ultimate holding company is Baxi Group Limited, a company incorporated in Great Britain, which is both the smallest and largest group to consolidate these financial statements.

Copies of the Baxi Group Limited consolidated accounts are available from: The Secretary, Baxi Group Limited, Pentagon House, Sir Frank Whittle Road, Derby. DE21 4XA.