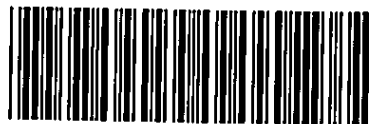


Baxi Finance Limited

**Annual report and financial statements
for the year ended 31 December 2008**

Registered number: 4010580

TUESDAY



AR18DDVC

A25

06/10/2009

17

COMPANIES HOUSE

Baxi Finance Limited

Annual report and financial statements for the year ended 31 December 2008

	Page
Directors' report for the year ended 31 December 2008.....	1
Independent auditors' report to the members of Baxi Finance Limited	3
Profit and loss account for the year ended 31 December 2008.....	5
Balance sheet as at 31 December 2008.....	6
Notes to the financial statements for the year ended 31 December 2008.....	7

Baxi Finance Limited

Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Business review and principal activities

The company acts as an intermediate holding company. The company's profit after tax for the year is £37,659,000 (2007: £55,980,000) as set out in the profit and loss account on page 5.

Principal risks and uncertainties

The directors of Baxi Holdings Limited manage the Group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of Baxi Finance Limited. The principal risks and uncertainties of the Baxi Holdings Limited, which include those of the company, are discussed in the Chief Executive's Review of the Group's annual report which does not form part of this report.

Key performance indicators ("KPIs")

The directors of Baxi Holdings Limited manage the Group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Baxi Finance Limited. The development, performance and position of Baxi Holdings Limited, which includes the company, is discussed in the Chief Executive's Review which does not form part of this report.

Dividends

During the year, the company declared dividends of 537.90p (2007: 574.23p) per ordinary share amounting to £53,790,000 (2007: £57,423,000).

Directors

The directors who held office during the year and up to the date of this report were as follows:

M J Edwards	(resigned 16 January 2008)
A E Darling	
J McFaull	(appointed 16 January 2008)
R L Nash	(appointed 16 January 2008)

Baxi Finance Limited

Directors' report for the year ended 31 December 2008 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

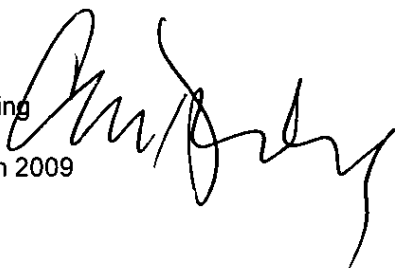
(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the Board

A E Darling
Director
27 March 2009



Baxi Finance Limited

Independent auditors' report to the members of Baxi Finance Limited

We have audited the financial statements of Baxi Finance Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and 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). 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 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 judgments 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.

Baxi Finance Limited

Independent auditors' report to the members of Baxi Finance Limited (continued)

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 2008 and of its profit 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
27 March 2009

Baxi Finance Limited

Profit and loss account for the year ended 31 December 2008

		2008	2007
	Notes	£'000	£'000
Other operating income		-	109
Operating profit	2	-	109
Income from shares in Group undertakings	3	44,879	47,070
Interest receivable and similar income	4	78,215	64,885
Interest payable and similar charges	5	(88,933)	(53,212)
Profit on ordinary activities before tax		34,161	58,852
Tax credit/(charge) on profit on ordinary activities	6	3,498	(2,872)
Profit for the financial year	12	37,659	55,980

All amounts relate to continuing operations.

There is no difference between the profit on ordinary activities before tax and the profit for the financial year stated above and their historical cost equivalents.

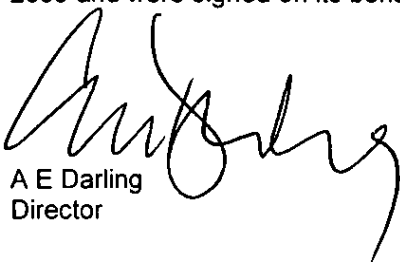
The company has no recognised gains or losses, other than the profit for the financial year, and therefore no separate statement of total recognised gains and losses has been presented.

Baxi Finance Limited

Balance sheet as at 31 December 2008

		2008	2007
	Notes	£'000	£'000
Fixed assets			
Investments	7	293,952	293,952
Current assets			
Debtors	8	1,101,435	833,918
Cash at bank and in hand		-	26,807
		1,101,435	860,725
Creditors: amounts falling due within one year	9	(1,053,189)	(796,348)
Net current assets		48,246	64,377
Net assets		342,198	358,329
Capital and reserves			
Called up share capital	11	10,000	10,000
Other capital reserves	12	339,418	339,418
Profit and loss account	12	(7,220)	8,911
Total shareholders' funds	13	342,198	358,329

The financial statements on pages 5 to 13 were approved by the Board of Directors on 27 March 2009 and were signed on its behalf by:


A E Darling
Director

Baxi Finance Limited

Notes to the financial statements for the year ended 31 December 2008

1 Principal accounting policies

The financial statements have been prepared on the going concern basis and in accordance with the Companies Act 1985 and 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, 'Related Party Disclosures'.

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.

Cash flow statement

The company is a wholly owned subsidiary of Baxi Holdings Limited for the year ended 31 December 2008 which publishes a consolidated cash flow statement. Consequently the company is exempt under the terms of FRS 1 (Revised 1996), 'Cash Flow Statements', from publishing a cash flow statement.

Foreign currencies

Monetary assets and liabilities denominated in overseas currencies are translated into sterling at the rate ruling at the balance sheet date. Differences arising on restatement of currency investments are matched by differences arising on currency loans and are dealt with as adjustments to reserves. All other exchange differences are dealt with in the profit and loss account. Exchange differences arising in respect of revenue transactions are taken to the profit and loss account in the year in which they arise.

Fixed assets investments

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

Deferred tax

Full provision is made for the tax liability on all timing differences in accordance with FRS 19, 'Deferred Tax'. A deferred tax asset is only recognised where transactions or events that have occurred before the balance sheet date give the company the right to pay less tax in future, and it is considered to be more likely than not that the asset will be recovered. Deferred tax balances are not discounted.

Baxi Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Operating profit

None of the directors received any emoluments for their services to the company during the year (2007: £nil).

There were no employees during the year (2007: none).

Audit fees are borne by a fellow group company in both the current and prior year.

3 Income from shares in Group undertakings

	2008	2007
	£'000	£'000
Dividends receivable	44,879	47,070

4 Interest receivable and similar income

	2008	2007
	£'000	£'000
Group interest receivable	78,215	64,441
Bank interest receivable	-	444
	78,215	64,885

5 Interest payable and similar charges

	2008	2007
	£'000	£'000
Group interest payable	64,488	52,255
Bank loans and overdrafts	1,321	957
Currency translation loss	23,124	-
	88,933	53,212

The currency translation loss relates to the retranslation of Euro liabilities held within the entity at the year end.

Baxi Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

6 Tax (credit)/charge on profit on ordinary activities

	2008	2007
	£'000	£'000
Current tax		
UK corporation tax at 28.5% (2007: 30%)	(3,055)	3,534
Adjustment in respect of prior year	(284)	108
	(3,339)	3,642
Deferred tax		
Origination and reversal of timing differences	-	226
Adjustment in respect of prior years	(159)	(996)
Tax (credit)/charge on profit on ordinary activities	(3,498)	2,872

The tax credit for the year consists solely of a payment for group relief and is lower (2007: lower) than the standard rate of corporation tax in the UK 28.5% (2007: 30%). The differences are stated below:

	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	34,161	58,852
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	9,736	17,655
Effects of:		
Dividends receivable	(12,791)	(14,121)
Adjustment in respect of prior year	(284)	108
Current tax (credit)/charge for the year	(3,339)	3,642

With the 2007 UK budget, the Chancellor announced a number of prospective changes to certain UK tax rules. These included reducing the UK standard corporation tax rate from 30% to 28% from 1 April 2008. The effective rate of tax for 2008 is 28.5% (2007: 30%). The future expected rate of tax is expected to be in line with the standard rate of corporation tax in the UK.

Baxi Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 Fixed asset investments

	Shares in Group undertakings
	£'000
At 31 December 2007 and 31 December 2008	293,952

The company held the entire ordinary share capital of the following companies, both of which are incorporated in Great Britain.

Company	Principal activity
Heatrae Electrical Limited	Intermediate holding company
Baxi Global Limited	Intermediate holding company

8 Debtors

	2008	2007
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	1,095,053	830,748
Accrued bank interest	-	2
Corporation tax	3,055	-
Deferred tax (note 10)	3,327	3,168
	1,101,435	833,918

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is receivable on Group loans at a rate of 2.5% above LIBOR or 3.5% above EURIBOR dependant on the currency in which the lending is denominated.

Baxi Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Amounts owed to Group undertakings	1,043,815	785,693
Corporation tax	-	3,642
Bank overdraft	9,301	6,988
Accruals and deferred income	48	-
Other taxes and social security	25	25
	1,053,189	796,348

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is payable on Group loans at a rate of 2.5% above LIBOR or 3.5% above EURIBOR dependant on the currency in which the lending is denominated.

10 Deferred tax

	2008	2007
	£'000	£'000
At 1 January	3,168	2,398
Credited to the profit and loss account (note 6)	159	770
At 31 December	3,327	3,168
The deferred tax relates to:		
	2008	2007
	£'000	£'000
Losses	3,327	3,168

With the 2007 UK budget, the Chancellor announced a number of prospective changes to certain UK tax rules. These included reducing the UK standard corporation tax rate from 30% to 28% from 1 April 2008. The effective rate of tax for 2008 is 28.5% (2007: 30%). The future expected rate of tax is expected to be in line with the standard rate of corporation tax in the UK.

Baxi Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Called up share capital

	2008	2007
	£'000	£'000
Authorised		
10,000,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
10,000,000 Ordinary shares of £1 each	10,000	10,000

12 Reserves

	Other capital reserves	Profit and loss account
	£'000	£'000
At 1 January 2008	339,418	8,911
Profit for the financial year	-	37,659
Dividends	-	(53,790)
At 31 December 2008	339,418	(7,220)

13 Reconciliation of movement in total shareholders' funds

	2008	2007
	£'000	£'000
Profit for the financial year	37,659	55,980
Dividends	(53,790)	(57,423)
Net movement in shareholders' funds	(16,131)	(1,443)
Opening shareholders' funds	358,329	359,772
Closing shareholders' funds	342,198	358,329

During the year, the company declared dividends of 537.90p (2007: 574.23p) per ordinary share amounting to £53,790,000 (2007: £57,423,000).

Baxi Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

14 Contingent liabilities

The company is a guarantor of loans provided by various bankers to Heating Finance plc a group company. At 31 December 2008, the contingent liability was £499.9 million (2007: £502.6 million), being the net amount drawn down under the facility.

The company's assets and undertakings are secured by a debenture deed dated 12 March 2004 in respect of the above facilities.

The company has guaranteed the bank borrowings of its subsidiaries. At 31 December 2008, the borrowings from banks under such guarantees were £10.0 million (2007: £nil).

15 Ultimate parent company and controlling party

At 31 December 2008, the company is a wholly owned subsidiary of Baxi 2000 Limited, a company incorporated in Great Britain.

The company's ultimate holding company is Baxi Holdings Limited, a company incorporated in Great Britain, which is the largest group to consolidate these financial statements. The parent company of the smallest group to consolidate these financial statements is Heating Finance plc, a company also incorporated in Great Britain.

The ultimate controlling party is CIE Management II Limited.

Copies of the Baxi Holdings Limited and Heating Finance plc consolidated accounts are available from: The Secretary, Baxi Holdings Limited, Stanier Way, The Wyvern Business Park, Derby DE21 6BF.