

BAXI PARTNERSHIP LIMITED
DIRECTORS' REPORT AND ACCOUNTS AS AT
2 APRIL 1994



Company Number 367875

BAXI PARTNERSHIP LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report to shareholders together with the audited accounts for the year ended 2 April 1994.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs and of the profit or loss of the Company and the Group for that period. In preparing those accounts, 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE

The Board fully supports the underlying principles contained in the recommendations of the Committee on the Financial Aspects of Corporate Governance (The Cadbury Report) and complies with the code of best practice in its current state of development.

The Board of Directors, currently comprising two executives and three non-executive directors meet quarterly during the year. The Board is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financial matters. Trading companies are managed by separate boards of directors.

The Board has established a number of standing committees consisting of certain directors. Each committee operates within defined terms of reference. The principal committees are the Executive Directors' Committee, which operates as a general management committee, the Audit Committee and the Remuneration and Appointments Committee. These latter committees are composed of the non-executive directors.

BUSINESS REVIEW

On 20 October 1993 the Company acquired the businesses of HS Kedler-Tarm A/S and HS France S.A. for a cash consideration of £5.5 million. The HS Group businesses expand the geographical basis of the existing heating business.

After the year end, agreement was reached to acquire the business of Actionair Equipment Limited, the UK market leader in the manufacture of air dampers. This acquisition will form the foundation of a new Air Management Division and further acquisitions are anticipated.

BAXI PARTNERSHIP LIMITED

REPORT OF THE DIRECTORS

(continued)

The principal activities of the Group are now structured into four divisions:

- a) Heating - manufacture and distribution of domestic heating products in the UK and Europe.
- b) Air Management - manufacture of air management products for the construction industry.
- c) Casting Technology - manufacture of high quality cast iron components both for the Heating Division and external customers. Aluminium casting is also being developed.
- d) Employee Ownership - the Company uses its unique knowledge and financial strength to support employee owned businesses.

Note 2 to the accounts gives the analysis of turnover, trading profit and net operating assets by activity.

The Profit and Loss Account of the Group is summarised as follows:

	<u>1994</u> £000	<u>1993</u> £000
Turnover	<u>76,997</u>	<u>71,502</u>
Profit before profit sharing	6,872	9,157
Profit sharing	<u>1,227</u>	<u>1,868</u>
Profit before taxation	5,645	7,289
Taxation	<u>2,701</u>	<u>2,796</u>
Profit for the financial year	2,944	4,493
Retained profit brought forward	64,743	59,721
Other movements (note 16)	<u>147</u>	<u>529</u>
Retained profit carried forward	<u>67,834</u>	<u>64,743</u>

SUBSIDIARY UNDERTAKINGS

Particulars of the Company's principal subsidiary undertakings are given in note 20 to the accounts.

RESEARCH AND DEVELOPMENT

The Group's businesses commit resources to research and development to assist them in securing their competitive positions in their chosen markets.

DIVIDENDS

The directors do not propose the payment of a dividend.

BAXI PARTNERSHIP LIMITED**REPORT OF THE DIRECTORS**

(continued)

DIRECTORS

The directors of the Company during the year were as follows:

S N Carter	- resigned 11 May 1994
G A Saxby	- resigned 28 March 1993
J Dutfield	- resigned 15 June 1993
B M Gray	- appointed 15 June 1993
L King	- appointed 11 January 1994
P S Baxendale*	- appointed 10 March 1994
T C Campbell*	- appointed 10 March 1994
D E Erdal*	- appointed 10 March 1994

* Non-executive director.

All directors, having been appointed during the year, automatically retire at the forthcoming Annual General Meeting and being eligible submit themselves for re-election.

The share interests of the directors at 2 April 1994 were as follows:

	<u>Ordinary Shares of 10p each</u>			
	<u>1994</u>		<u>1993</u>	
	<u>Actual</u>	<u>Beneficial</u>	<u>Actual</u>	<u>Beneficial</u>
S N Carter	-	4,939	-	3,246
B M Gray	-	-	-	-
L King	-	2,364	-	1,504
P S Baxendale	-	-	-	-
T C Campbell	-	-	-	-
D E Erdal	-	-	-	-

INSURANCE FOR OFFICERS

The Company maintains directors' and officers' liability insurance which provides insurance cover for directors and other officers of Group companies.

FIXED ASSETS

Information relating to the tangible fixed assets of the Company and the Group is given in note 8 to the accounts.

EMPLOYEES

The Group places considerable emphasis on the people within the business, supporting the view that its continued prosperity is dependent on the total involvement and participation of every partner. During the year each Company elected its own Council to represent employees in all matters of employment and ownership. In addition elected representatives form a Group Council and meet quarterly with the Group Board.

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BAXI PARTNERSHIP LIMITED

REPORT OF THE DIRECTORS
(continued)

The Group believes in a structured approach to the training and development of employees. Links with further education institutions and a commitment to self development through open learning education programmes are maintained. In 1993 the UK heating business was recognised as an 'Investor in People'.

Disabled people are employed and trained whenever their aptitudes and abilities allow and suitable vacancies are available. Where an employee becomes disabled an attempt is made to continue his or her employment and to arrange appropriate retraining or transfer if necessary. The Group's disabled employees are treated equally in every respect and are constantly encouraged to develop their skills in accordance with their abilities.

PROFIT SHARING

The Company operates an Inland Revenue approved profit sharing share scheme for the Group. The Profit and Loss Account includes a total profit sharing allocation of £1,226,930 (1993: £1,868,123).

The Baxi Partnership Limited Savings Related Share Option Scheme launched in 1992, allows employees to apply for five or seven year share option contracts to purchase shares in the Company.

HEALTH AND SAFETY

The Group's policy is to ensure that there is a working environment which will minimise the risk to the health and safety of employees. It is considered that health and safety is an integral part of good business management and accordingly high standards are required.

PAYMENTS TO SUPPLIERS

The Group supports the CBI initiative to address the problem of delayed payments to suppliers, consequently the Group always endeavours to meet agreed customer payment terms. This is consistent with our Vendor Improvement Programme which continues to support a total quality approach with suppliers.

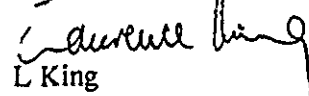
DONATIONS

UK charitable donations amounted to £20,758. No payments are made to political parties.

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD


L King
Secretary
11 May 1994

REPORT OF THE AUDITORS KPMG PEAT MARWICK
TO THE MEMBERS OF
BAXI PARTNERSHIP LIMITED

We have audited the accounts on pages 6 to 28.

Respective responsibilities of directors and auditors

As described on page 1 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit work, on those accounts and to report our opinion to you.

Basis of 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 amount and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 2 April 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wm & Peat Marwick

Chartered Accountants
Registered Auditors

PRESTON
11 May 1994

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BAXI PARTNERSHIP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 2 APRIL 1994

		<u>1994</u>		<u>1993</u>	
		Existing operations	Acquired operations	Total	
	Note	£000	£000	£000	£000
TURNOVER	2	69,338	7,659	76,997	71,502
Cost of sales		<u>(47,070)</u>	<u>(6,035)</u>	<u>(53,105)</u>	<u>(48,331)</u>
GROSS PROFIT		22,268	1,624	23,892	23,171
Distribution & selling expenses		(7,748)	(772)	(8,520)	(6,170)
Administrative expenses		(10,868)	(489)	(11,357)	(10,384)
Exceptional item	5	<u>(111)</u>	<u>—</u>	<u>(111)</u>	<u>(1,449)</u>
		<u>(18,727)</u>	<u>(1,261)</u>	<u>(19,988)</u>	<u>(18,003)</u>
OPERATING PROFIT	2	3,541	363	3,904	5,168
(Loss)/Profit on disposal of fixed assets		(70)	3	(67)	(189)
Interest receivable and similar income		3,066	50	3,116	4,189
Interest payable and similar charges	3	<u>(4)</u>	<u>(77)</u>	<u>(81)</u>	<u>(11)</u>
PROFIT BEFORE PROFIT SHARING		<u>6,533</u>	<u>339</u>	6,872	9,157
Profit sharing				<u>(1,227)</u>	<u>(1,868)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2 & 5			5,645	7,289
Tax on profit on ordinary activities	7			<u>(2,701)</u>	<u>(2,796)</u>
PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES 16				<u>2,944</u>	<u>4,493</u>

BAXI PARTNERSHIP LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 2 APRIL 1994

	<u>1994</u> £000	<u>1993</u> £000
Profit for the financial year	2,944	4,493
Unrealised exchange gain on currency translations	35	-
Unrealised surplus/(deficit) on revaluation of fixed assets	<u>745</u>	<u>(239)</u>
Total recognised gains for the financial year	<u>3,724</u>	<u>4,254</u>

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 2 APRIL 1994

	<u>1994</u> £000	<u>1993</u> £000
Profit on ordinary activities before taxation	5,645	7,289
Realisation of fixed asset revaluation gains of prior years	11	39
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>672</u>	<u>490</u>
Historical cost profit on ordinary activities before taxation	<u>6,328</u>	<u>7,818</u>
Historical cost profit for the year retained after taxation	<u>3,627</u>	<u>5,022</u>

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 2 APRIL 1994

	<u>1994</u> £000	<u>1993</u> £000
Profit for the financial year	2,944	4,493
Issue of new share capital	287	81
Unrealised exchange gain on currency translation	35	-
Unrealised surplus/(deficit) on revaluation of fixed assets	745	(239)
Goodwill written off	<u>(571)</u>	<u>-</u>
Net addition to shareholders' funds	3,440	4,335
Shareholders' funds at 27 March 1993	<u>74,698</u>	<u>70,363</u>
Shareholders' funds at 2 April 1994	<u>78,138</u>	<u>74,698</u>

BAXI PARTNERSHIP LIMITEDCONSOLIDATED BALANCE SHEET AT 2 APRIL 1994

	Note	1994 £000	1993 £000
FIXED ASSETS			
Tangible assets	8	20,060	17,196
Investments	9	<u>159</u>	<u>—</u>
		20,219	17,196
CURRENT ASSETS			
Stocks	10	11,916	6,313
Debtors	11	18,351	16,302
Investments	12	39,253	49,691
Cash at bank and in hand		<u>6,817</u>	<u>795</u>
		76,337	73,101
CREDITORS: Amounts falling due within one year	13	<u>(16,243)</u>	<u>(14,130)</u>
NET CURRENT ASSETS		<u>60,094</u>	<u>58,971</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		80,313	76,167
CREDITORS: Amounts falling due after more than one year	13	(314)	(155)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,779)	(1,212)
DEFERRED CREDIT FOR GRANTS		<u>(82)</u>	<u>(102)</u>
NET ASSETS		<u>78,138</u>	<u>74,698</u>
CAPITAL AND RESERVES			
Called up share capital	15	1,025	1,017
Share premium account	16	3,377	3,098
Revaluation reserve	16	5,902	5,840
Profit and loss account	16	<u>67,834</u>	<u>64,743</u>
		<u>78,138</u>	<u>74,698</u>

These accounts were approved by the Board of Directors on 11 May 1994, and signed on its behalf by:

B M Gray
L King

Bryan Gray
Laurence King

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)
Directors

BAXI PARTNERSHIP LIMITED

COMPANY BALANCE SHEET AT 2 APRIL 1994

	Note	1994 £000	1993 £000
FIXED ASSETS			
Tangible assets	8	65	26
Investments	9	<u>2,711</u>	<u>1,062</u>
		2,776	1,088
CURRENT ASSETS			
Debtors	11	31,319	20,749
Investments	12	39,014	49,691
Cash at bank and in hand		<u>1,477</u>	-
		71,810	70,440
CREDITORS: Amounts falling due within one year	13	<u>(796)</u>	<u>(68)</u>
NET CURRENT ASSETS		<u>71,014</u>	<u>70,372</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		73,790	71,460
CREDITORS: Amounts falling due after more than one year	13	(110)	(155)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(736)	-
NET ASSETS		<u>72,944</u>	<u>71,305</u>
CAPITAL AND RESERVES			
Called up share capital	15	1,025	1,017
Share premium account	16	3,377	3,098
Profit and loss account	16	<u>68,542</u>	<u>67,190</u>
		<u>72,944</u>	<u>71,305</u>

These accounts were approved by the Board of Directors on 11 May 1994 and signed on its behalf by:

B M Gray
L King

Bryan Gray
Laurence King

Directors

BAXI PARTNERSHIP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 2 APRIL 1994

	1994		1993
£000		£000	£000
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,615	7,753
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	3,299		4,995
Interest paid	(53)		(11)
Net cash flows from returns on investments and servicing of finance		3,246	4,984
TAXATION			
UK corporation tax paid		(1,697)	
Overseas tax paid		(24)	(4,324)
INVESTING ACTIVITIES			
Purchase of subsidiary investments	(5,500)		
Bank borrowings acquired on acquisition of subsidiaries	(2,042)		
Purchase of tangible fixed assets	(1,431)		(1,049)
Sale of tangible fixed assets	186		230
Sale of investments	16,197		
Purchase of investments			(11,208)
Net cash flows from investing activities		7,410	(12,027)
NET CASH FLOWS BEFORE FINANCING		12,550	(3,614)
FINANCING			
Issue of ordinary share capital	287		81
Issue of loan (note 11)	(150)		
Repayment of loans	(77)		(75)
Capital element of hire purchase payments			
Net cash flows from financing		60	6
Movement in cash and cash equivalents		12,610	(3,608)

The notes to the Consolidated Cash Flow Statement are shown in note 19 of the notes to the accounts.

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BAXI PARTNERSHIP LIMITED
NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts.

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

(b) Basis of Consolidation

The consolidated accounts incorporate the accounts of the Company and subsidiary undertakings. Where subsidiary undertakings have year ends which are not coterminous with that of the parent, interim accounts to 2 April 1994 have been prepared to include these companies within the consolidated accounts.

Subsidiaries are consolidated using the acquisition method and goodwill arising on consolidation is immediately written off to reserves.

No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985.

(c) Fixed Assets

- (i) Land is stated at cost.
- (ii) Buildings are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost or existing use value as considered appropriate.
- (iii) Plant and equipment, excluding motor vehicles, are reviewed each year by the directors and revalued to their estimate of depreciated replacement cost.
- (iv) Revaluation surpluses and deficits are dealt with through the revaluation reserve, with adjustments for realised elements transferred between reserves.

(d) Depreciation

Depreciation is provided on all fixed assets other than land in order to write off the cost or depreciated replacement cost of the assets over the period of their expected lives.

The expected lives of each class of fixed assets are as follows:

Buildings	50 years
Plant and Machinery	3 - 15 years

(e) Government Grants

Government grants received are taken to a deferred credit for grants reserve which is released to profit and loss account over the expected useful life of the asset concerned.

BAXI PARTNERSHIP LIMITED
NOTES TO THE ACCOUNTS
(continued)

1. **PRINCIPAL ACCOUNTING POLICIES** (continued)

(f) **Stocks**

Stocks and work in progress are valued at the lower of actual cost and net realisable value. Cost is defined as expenditure incurred in bringing the stock to its present location and condition, and includes direct labour and material costs, together with those production overheads which are allocated to specific products.

Net realisable value is the amount that items of stock and work in progress are expected to realise without creating either profit or loss in the year of sale.

(g) **Short Term Investments**

Short term investments are stated at the lower of cost and market value net of accrued interest.

(h) **Repairs and Renewals**

All repairs and renewals are written off as incurred.

(i) **Research and Development**

All research and development expenditure and patent costs are written off as incurred.

(j) **Warranty Liability**

Provision is made for the estimated liability on all products sold under warranty including claims already received. This provision is charged against trading profits and included in creditors falling due within one year.

(k) **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for taxation deferred if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

Amounts claimed or surrendered by way of group relief are transferred at a consideration dependent upon the circumstances of each transfer.

BAXI PARTNERSHIP LIMITED**NOTES TO THE ACCOUNTS**

(continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)**(l) Foreign currency**

Profits and losses of overseas businesses are translated into sterling at an average rate of exchange. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of opening net assets of overseas businesses are taken directly to reserves. All other translation differences are taken to the profit and loss account.

The profit and loss account includes unrealised gains on translation of monetary items. This represents a departure from the Companies Act. The directors consider that this accounting treatment, which is in accordance with SSAP 20, is necessary in order to give a true and fair view.

(m) Pensions

The Group operates a contributory defined benefit pension scheme in the UK with regular pension costs assessed as a substantially level percentage of pensionable payroll and charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Actuarial surpluses and deficits result in variations from the regular pensions cost, and these are spread forward over the average expected remaining service lives of employees.

(n) Restatement of Comparative Information

In order to maintain consistency of presentation between years, certain 1993 comparatives have been reanalysed. These amendments are purely for disclosure purposes and there has been no revision to previously reported profit and net assets of the Group or Company.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents amounts invoiced by the Group in respect of goods and services provided during the year net of value added tax and discounts. Turnover, profit and operating net assets are analysed as follows:

a) Business Analysis

	<u>Turnover</u>		<u>Operating Profit/(Loss)</u>		<u>Profit/(Loss) before Taxation</u>		<u>Operating Net Assets</u>	
<u>Division</u>	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Heating	72,257	65,624	4,959	7,036	4,190	3,671	29,595	26,684
Air Management	4,217	5,878	(402)	(419)	(557)	(571)	2,025	2,623
Casting Technology	4,162	-	(542)	-	(748)	-	5,788	-
Investment Income	-	-	-	-	2,760	4,189	39,014	49,691
Exceptional Item	-	-	(111)	(1,449)	-	-	-	-
Less Inter Divisional Trading	(3,639)	-	-	-	-	-	-	-
Group	<u>76,997</u>	<u>71,502</u>	<u>3,904</u>	<u>5,168</u>	<u>5,645</u>	<u>7,289</u>	<u>76,422</u>	<u>78,998</u>

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BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS
(continued)

2. **TURNOVER AND SEGMENTAL ANALYSIS** (continued)

Reconciliation of net assets:

	<u>1994</u> £000	<u>1993</u> £000
Operating net assets	76,422	78,998
Corporation tax payable	(3,542)	(2,986)
Profit sharing	(1,090)	(1,868)
Cash at bank	6,817	795
Provisions for liabilities and charges	(1,779)	(1,212)
Deferred credit for grants	(82)	(102)
Loans	(314)	(155)
Pensions prepayment (see note 18)	1,096	1,228
Interest receivable on investments	<u>610</u>	<u>-</u>
Net assets per consolidated balance sheet	<u>78,138</u>	<u>74,698</u>

b) **Geographical Analysis**

	<u>Turnover by destination</u>		<u>Turnover by origin</u>	
	<u>1994</u> £000	<u>1993</u> £000	<u>1994</u> £000	<u>1993</u> £000
UK	67,658	69,522	69,338	71,502
Rest of Europe	<u>9,339</u>	<u>1,980</u>	<u>7,659</u>	<u>-</u>
	<u>76,997</u>	<u>71,502</u>	<u>76,997</u>	<u>71,502</u>

All sales are to third parties.

3. **INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1994</u> £000	<u>1993</u> £000
On loans wholly repayable within five years	77	-
On other loans	<u>4</u>	<u>11</u>
	<u>81</u>	<u>11</u>

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

4. **STAFF NUMBERS AND COST**

The average number of persons employed by the Group (including directors) during the year, was as follows:

	<u>1994</u>	<u>1993</u>
Production	860	836
Sales and administration	289	221
Directors	<u>3</u>	<u>5</u>
	<u>1,152</u>	<u>1,062</u>

The aggregate payroll costs were as follows:

	<u>1994</u> £000	<u>1993</u> £000
Wages and salaries	21,463	18,477
Social security costs	1,726	1,383
Other pension costs	<u>1,453</u>	<u>1,697</u>
	<u>24,642</u>	<u>21,557</u>

5. **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging or (crediting) the following:

	<u>1994</u> £000	<u>1993</u> £000
Depreciation	3,166	2,647
Directors' emoluments (see note 6)	220	347
Directors' pension contributions	33	23
Directors' compensation for loss of office	-	280
Hire of plant and machinery	9	20
Unrealised exchange gains	(86)	-
Auditor's remuneration - audit services	54	25
Aggregate lease rentals received	-	(9)
Exceptional item - ex-gratia payments to former employees	<u>111</u>	<u>1,449</u>

The remuneration of the Company's auditors during the year in respect of non-audit services was £203,000 (1993: £12,000).

The amount of profit after taxation for the financial year dealt with in the accounts of the parent company is £1,352,605 (1993: £6,086,164).

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

6. EMOLUMENTS OF DIRECTORS

The emoluments, excluding pension contributions and any compensation for loss of office, of the Chairman, who was also the highest paid director, were as follows:

	<u>1994</u>	<u>1993</u>
	£	£
Salary, including taxable benefits	106,400	108,229
Profit sharing	<u>6,061</u>	<u>11,010</u>
	<u>112,461</u>	<u>119,239</u>

Directors' emoluments, including profit sharing but excluding any compensation for loss of office, were within the following ranges:

		<u>1994</u>	<u>1993</u>
£	£	No	No
0	- 5,000	5	-
30,001	- 35,000	1	-
35,001	- 40,000	-	1
55,001	- 60,000	-	1
65,001	- 70,000	-	1
75,001	- 80,000	1	-
85,001	- 90,000	-	1
95,001	- 100,000	-	1
110,001	- 115,000	<u>1</u>	<u>-</u>

7. TAXATION

	<u>1994</u>	<u>1993</u>
	£000	£000
UK Corporation tax at 33 % (1993: 33 %)	1,954	2,958
Overseas taxation	30	-
Deferred taxation	<u>417</u>	<u>(333)</u>
	2,401	2,625
Prior year's under provision	<u>300</u>	<u>171</u>
	<u>2,701</u>	<u>2,796</u>

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

8. TANGIBLE FIXED ASSETS

<u>GROUP</u>	<u>Freehold Land and Buildings</u> £000	<u>Plant and Equipment</u> £000	<u>Leased Assets</u> £000	<u>Total</u> £000
<u>Cost or Valuation</u>				
At 27 March 1993	12,538	25,513	1,645	39,696
Arising on Acquisition	2,665	4,745	-	7,410
Additions	121	1,310	-	1,431
Revaluation	121	624	-	745
Disposals	-	(1,043)	(315)	(1,358)
Currency translation	<u>40</u>	<u>67</u>	<u>-</u>	<u>107</u>
At 2 April 1994	<u>15,485</u>	<u>31,216</u>	<u>1,330</u>	<u>48,031</u>
<u>Depreciation</u>				
At 27 March 1993	3,061	17,831	1,608	22,500
Arising on Acquisition	214	3,147	-	3,361
Charged in the year	400	2,758	8	3,166
Disposals	-	(790)	(315)	(1,105)
Currency translation	<u>4</u>	<u>45</u>	<u>-</u>	<u>49</u>
At 2 April 1994	<u>3,679</u>	<u>22,991</u>	<u>1,301</u>	<u>27,971</u>
<u>Net Book Value</u>				
At 2 April 1994	<u>11,806</u>	<u>8,225</u>	<u>29</u>	<u>20,060</u>
At 27 March 1993	<u>9,477</u>	<u>7,682</u>	<u>37</u>	<u>17,196</u>

Included in freehold land and buildings is an amount of £959,394 (1993: £683,394) in respect of freehold land at cost.

Leased assets are stated at cost. If all other assets were stated under the historical cost convention, the comparable amounts for freehold land and buildings and plant and equipment would be:

	<u>1994</u> £000	<u>1993</u> £000
<u>Freehold Land and Buildings</u>		
Cost		
Accumulated depreciation	10,220 (2,273)	7,654 (1,808)
Net Book Value	<u>7,947</u>	<u>5,846</u>
<u>Plant & Equipment</u>		
Cost		
Accumulated depreciation	26,346 (19,304)	21,135 (14,304)
Net Book Value	<u>7,042</u>	<u>6,831</u>

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BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS
(continued)

8. **TANGIBLE FIXED ASSETS** (continued)

<u>COMPANY</u>	Plant and Equipment £000	Total £000
<u>Cost or Valuation</u>		
At 27 March 1993	35	35
Additions	31	31
Transfer from Group Companies	41	41
Revaluation	-	-
Disposals	-	-
At 2 April 1994	<u>107</u>	<u>107</u>
<u>Depreciation</u>		
At 27 March 1993	9	9
Transfer from Group Companies	16	16
Charged in the year	17	17
Disposals	-	-
At 2 April 1994	<u>42</u>	<u>42</u>
<u>Net Book Value</u>		
At 2 April 1994	<u>65</u>	<u>65</u>
At 27 March 1993	<u>26</u>	<u>26</u>

All tangible fixed assets are stated at historical cost.

9. **INVESTMENTS (HELD AS FIXED ASSETS)**

	<u>GROUP</u>		<u>COMPANY</u>	
	1994 £000	1993 £000	1994 £000	1993 £000
Interest in associate undertaking at 2 April 1994.	147	-	-	-
Shares in group undertakings at 2 April 1994	12	-	3,910	1,661
Provision against investment	<u>-</u>	<u>-</u>	<u>(1,199)</u>	<u>(599)</u>
	<u>159</u>	<u>-</u>	<u>2,711</u>	<u>1,062</u>

During the year the Group acquired a 28% interest in the issued share capital of HS Perifal A.B. in Falköping, Sweden. The investment is stated at the Group's share of the associated company's net assets as at 2 April 1994. The Group's share of the retained losses for the period is £16,423.

The Group also holds 95% of the issued share capital of Thermitec S.a.r.l. at a cost of £11,815. This subsidiary's accounts have not been consolidated as, in the opinion of the directors, they would have no material effect on the consolidated accounts.

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BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS
(continued)

10. STOCKS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Raw materials and consumables	1,211	319	-	-
Work in progress	4,491	3,349	-	-
Finished goods & goods for resale	<u>6,214</u>	<u>2,645</u>	<u>-</u>	<u>-</u>
	<u>11,916</u>	<u>6,313</u>	<u>-</u>	<u>-</u>

11. DEBTORS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Trade debtors	15,011	14,438	-	-
Amounts owed by group undertakings	-	-	29,503	20,749
Amounts owed by associate undertakings	209	-	-	-
Prepayments & accrued income	2,832	1,752	1,553	-
Other debtors	<u>299</u>	<u>112</u>	<u>263</u>	<u>-</u>
	<u>18,351</u>	<u>16,302</u>	<u>31,319</u>	<u>20,749</u>

Included in other debtors is a secured loan of £150,000 issued to Barrhead SanitaryWare Plc which is repayable after more than one year.

12. INVESTMENTS (HELD AS CURRENT ASSETS)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Short term investments	32,586	49,691	32,347	49,691
Short term deposits	<u>6,667</u>	<u>-</u>	<u>6,667</u>	<u>-</u>
	<u>39,253</u>	<u>49,691</u>	<u>39,014</u>	<u>49,691</u>

Short term investments are stated at market value.

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

13. CREDITORS: Amounts falling due within one year

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Trade creditors	2,869	1,647	-	-
Corporation tax (payable 1.1.95)	3,542	2,986	564	-
Overseas tax	45	-	-	-
Other taxes and social security	1,587	1,350	-	-
Other creditors	1,929	1,868	-	7
Accruals and deferred income	<u>6,271</u>	<u>6,279</u>	<u>232</u>	<u>61</u>
	<u>16,243</u>	<u>14,130</u>	<u>796</u>	<u>68</u>

CREDITORS: Amounts falling due after more than one year

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Overseas loan	204	-	-	-
Loan stock	<u>110</u>	<u>155</u>	<u>110</u>	<u>155</u>
	<u>314</u>	<u>155</u>	<u>110</u>	<u>155</u>

The loan stock has no fixed terms of repayment and carries an interest rate of 2% below bank base rate.

The overseas loan is repayable in equal instalments by 1999 and carries a fixed interest rate of 9.7%.

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BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS
(continued)

14. **PROVISIONS FOR LIABILITIES AND CHARGES**

DEFERRED TAXATION

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
At 27 March 1993	1,212	1,545	-	1,682
Arising on acquisition of subsidiaries	150	-	-	-
Transfer on disposal	-	-	-	(1,191)
Charge/(Release) for the year in the profit & loss account	<u>417</u>	<u>(333)</u>	<u>736</u>	<u>(491)</u>
At 2 April 1994	<u>1,779</u>	<u>1,212</u>	<u>736</u>	<u>-</u>

The amounts provided for deferred taxation and the amounts unprovided, calculated on the liability method, are set out below.

<u>GROUP</u>	<u>1994</u>		<u>1993</u>	
	<u>Amount Provided £000</u>	<u>Amount Unprovided £000</u>	<u>Amount Provided £000</u>	<u>Amount Unprovided £000</u>
Difference between accumulated depreciation and capital allowances	721	662	807	704
Revaluation of properties	-	512	-	612
Other timing differences	<u>1,058</u>	<u>-</u>	<u>405</u>	<u>-</u>
	<u>1,779</u>	<u>1,174</u>	<u>1,212</u>	<u>1,316</u>

COMPANY

	<u>1994</u>		<u>1993</u>	
	<u>Amount Provided £000</u>	<u>Amount Unprovided £000</u>	<u>Amount Provided £000</u>	<u>Amount Unprovided £000</u>
Difference between accumulated depreciation and capital allowances	(9)	-	-	-
Revaluation of properties	-	-	-	-
Other timing differences	<u>745</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>736</u>	<u>-</u>	<u>-</u>	<u>-</u>

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

15. SHARE CAPITAL

COMPANY AND GROUP

<u>1994</u>	<u>1993</u>
<u>£000</u>	<u>£000</u>

AUTHORISED

7,500,000 Ordinary shares of 10p each	750	750
450,000 Preference shares of £1 each	<u>450</u>	<u>450</u>
	<u>1,200</u>	<u>1,200</u>

ALLOTTED, CALLED UP, AND FULLY PAID

5,747,034 Ordinary shares of 10p each	575	567
450,000 Preference shares of £1 each	<u>450</u>	<u>450</u>
	<u>1,025</u>	<u>1,017</u>

In furtherance of the Company's policy of employee share ownership, 80,206 ordinary shares of 10p each were issued to the Employee Profit Sharing Trust as fully paid for a consideration of £287,137 giving rise to a share premium of £279,116.

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

16. RESERVES

COMPANY AND GROUP

	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
<u>Share Premium Account</u>		
At 27 March 1993	3,098	3,019
Arising on issue of shares	<u>279</u>	<u>79</u>
At 2 April 1994	<u>3,377</u>	<u>3,098</u>

Revaluation Reserve

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
At 27 March 1993	5,840	6,608	-	6,608
Surplus/(Deficit) on revaluation				
of fixed assets	745	(239)	-	(239)
Realisation on disposal	-	-	-	(5,840)
Transfer to profit and loss				
account reserve	<u>(683)</u>	<u>(529)</u>	<u>-</u>	<u>(529)</u>
At 2 April 1994	<u>5,902</u>	<u>5,840</u>	<u>-</u>	<u>-</u>

Profit and Loss Account

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
At 27 March 1993	64,743	59,721	67,190	60,575
Retained profit for the				
financial year	2,944	4,493	1,352	6,086
Exchange gain on foreign				
currency translation	35	-	-	-
Transfer from revaluation				
reserve	683	529	-	529
Goodwill written off during				
the year	<u>(571)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 2 April 1994	<u>67,834</u>	<u>64,743</u>	<u>68,542</u>	<u>67,190</u>

Goodwill written off on acquisitions in earlier financial years is £191,623 (1993: £791,623)

BAXI PARTNERSHIP LIMITEDNOTES TO THE ACCOUNTS

(continued)

17. CAPITAL COMMITMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Contracted but not provided for	232	203	-	-
Authorised but not contracted for	-	93	-	-
	<u>232</u>	<u>296</u>	<u>-</u>	<u>-</u>

18. PENSIONS

The Group operates a contributory defined benefit pension scheme in the UK. The scheme funds are administered by Trustees and are independent of the Group's finances. The latest actuarial valuation of the scheme was carried out by independent actuaries as at 1 February 1992 using the projected unit funding method. The principal financial assumptions adopted in that valuation were that the annual rate of return on new investments would be 9%, the average annual increases in pensionable salaries would be 7%, the average annual increases in pension payments would be 5%, and the average annual increases in equity dividends would be 4½%.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £36,430,561 and the actuarial value of the assets was sufficient to cover 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions. For the purpose of assessing pension costs this excess of assets is being spread evenly over the weighted average expected future working lifetime of scheme members. Consequently, the charge in the profit and loss account is £1,453,000 for the year, and there is a reduction of £132,000 to the existing prepayment in the balance sheet, giving a total prepayment of £1,096,000 at 2 April 1994.

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BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS
(continued)

19. **CONSOLIDATED CASH FLOW STATEMENT**

- a) Reconciliation of operating profit to net cash inflow from operating activities.

	<u>1994</u>	<u>1993</u>
	£000	£000
Operating profit	3,904	5,168
Profit share charge	(1,227)	(1,868)
Depreciation charge	3,166	2,647
Government grants released to profit	(19)	(19)
(Increase)/Decrease in stocks	(2,292)	2,347
Decrease/(Increase) in debtors	2,551	(462)
Decrease in creditors	<u>(2,468)</u>	<u>(60)</u>
Net cash inflow from operating activities	<u>3,615</u>	<u>7,753</u>

- b) Analysis of changes in cash and cash equivalents during the year.

	<u>1994</u>	<u>1993</u>
	£000	£000
At 27 March 1993	795	4,403
Net cash movement before adjustments for the effect of foreign exchange rate changes	12,610	(3,608)
Effect of foreign exchange rate changes	<u>79</u>	<u>-</u>
	<u>13,484</u>	<u>795</u>

The prior year figures have been restated to exclude short term investments in order to comply with FRS 1.

- c) Analysis of the balances of cash and cash equivalents as shown in the balance sheets.

	<u>1994</u>	<u>1993</u>	<u>Change in</u>
	£000	£000	year
Cash at bank	6,817	795	6,022
Short term deposits	<u>6,667</u>	<u>-</u>	<u>6,667</u>
	<u>13,484</u>	<u>795</u>	<u>12,689</u>

- d) During the year the Company acquired the entire issued share capital of HS Group A/S for a cash consideration of £5,496,798. On acquisition net cash borrowings of £2,042,000 were acquired.

Net cash inflows of £1,247,000 were generated by the HS Group A/S during the year.

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

20. SUBSIDIARY UNDERTAKINGS

The following is a list of principal subsidiary undertakings in the Group.

<u>Company</u>	<u>Country of Incorporation</u>	<u>Holding</u>	<u>Year End</u>
<u>Heating</u>			
Baxi Heating Limited	England	100%	9 April
HS Group A/S	Denmark	100%	7 April
HS Kedler Tarm A/S	Denmark	100%	7 April
HS France S.A.	France	100%	7 April
Thermitex S.a.r.l.	France	95%	7 April
<u>Air Management</u>			
Packaged Air Conditioning	England	100%	2 April
Gradwood Limited	England	100%	2 April
<u>Casting Technology</u>			
Alfer Limited	England	100%	9 April

For reasons of cash flow associated with the date of payment of tax, in the directors' opinion, it is advantageous to have a different accounting period for certain Group companies as detailed above.

21. ACQUISITIONS

On 20 October 1993 the Group acquired the entire share capital of HS Group A/S, comprising HS Kedler Tarm A/S and HS France S.A. for a consideration of £5,496,798.

Goodwill arising on the acquisition has been written off against the profit and loss reserve.

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

21. **ACQUISITIONS (Continued)**

Analysis of the acquisition of HS Group:

	Book Value	Revaluation	Other Provisions	Accounting Policy Adjustments	Fair Value
	£000	£000	£000	£000	£000
Tangible fixed assets	3,942	(i) 101			4,043
Investments	176		(iii) (12)		164
Stocks	3,627		(ii) (316)		3,311
Debtors	3,840				3,840
Cash at bank	42				42
Total assets	11,627				11,400
Bank overdraft	(2,084)				(2,084)
Creditors	(3,298)		(iv) (269)		(3,567)
Loans	(297)				(297)
Provisions	(377)				(377)
Deferred taxation	(19)			(v) (130)	(149)
Total liabilities	(6,075)				(6,474)
Net assets	<u>5,552</u>	<u>101</u>	<u>(597)</u>	<u>(130)</u>	<u>4,926</u>
Costs of the acquisition					<u>5,497</u>
Goodwill arising on acquisition					<u>571</u>

Notes:

- (i) Freehold land and buildings have been revalued to their open market value;
- (ii) Unrealised profit in stock at the time of acquisition of £208,000 and stock provisions £108,000;
- (iii) A diminution in the value of investments of £12,000;
- (iv) Product guarantees and other liabilities on acquisition of £269,000;
- (v) The deferred tax provisions were increased by £130,000 to provide for all timing differences reasonably expected to reverse.

On 31 March 1994, the Group acquired certain assets and liabilities from MFK Engineering Limited, a company incorporated in Ireland. A cash prepayment of £793,000 exists in the accounts of the Company and consolidation has not been undertaken due to the timing of completion statements. The directors consider that non-consolidation is not material.

BAXI PARTNERSHIP LIMITED

NOTES TO THE ACCOUNTS

(continued)

22. POST BALANCE SHEET EVENTS

On 6 April 1994, the Group acquired the entire issued share capital of Actionair Equipment Limited, a company incorporated in England.