

Baxi Heating UK Limited

**Annual report and financial statements
for the year ended 31 December 2015**

Registered number: 03879156

TUESDAY



A5FESD09

A22

13/09/2016

#324

COMPANIES HOUSE

Baxi Heating UK Limited

Annual report and financial statements for the year ended 31 December 2015

	Page
Strategic report for the year ended 31 December 2015.....	1
Directors' report for the year ended 31 December 2015	3
Independent auditor's report to the members of Baxi Heating UK Limited.....	5
Profit and loss account for the year ended 31 December 2015.....	7
Statement of comprehensive income for the year ended 31 December 2015	8
Balance sheet as at 31 December 2015	9
Statement of changes in equity as at 31 December 2015	10
Notes to the financial statements for the year ended 31 December 2015.....	11

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2015

Principal activity

The principal activity of the company is the development, manufacture and sale of domestic gas boilers, commercial boilers and domestic and commercial water heating products.

Business review

As shown in the company's profit and loss account on page 7, the company's sales have increased by 1.1% (2014: increased by 6.0%) from the prior year, while profit after tax has increased by 15.9% (2014: decreased by 1.7%) and for 2015 is £29,075,000 (2014 restated: £25,269,000). The increase in profit after tax reflects a change in the mix of products sold yielding a higher profit margin. The balance sheet on page 9 shows that the company's financial position at the year-end for net assets has increased compared with the prior year, partly reflected by a reduction in the pension scheme liability following an actuarial valuation.

The company has a number of non-financial KPI's to help measure the performance of the business and its aim for continuous improvement. The company strives to operate in a sustainable and ethical way with the full support of its employees. Key non-financial KPI's include health and safety performance, specifically the reduction of weekly accident rates against all sites with the ultimate goal of zero accidents. Another key non-financial KPI includes reducing the company's impact upon the environment by measuring and reducing our carbon footprint.

Key performance indicators ("KPIs")

The directors of Remeha Group BV manage the Group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators other than those noted above for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Baxi Heating UK Limited. The development, performance and position of Remeha Group BV, which includes the company, are discussed in the Group's annual report, which does not form part of this report.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The main risks that could potentially impact the company's operating and financial performance are summarised below:

Economic cycle - Boiler sales are largely driven by economic cycles and the levels of consumer confidence. The directors look to mitigate these risks by diversifying into different markets.

Credit risk - The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Risk is mitigated through the diversification of customers.

The directors of Remeha Group BV, the company's ultimate parent company, manage the Group's risks at a group level, rather than at an individual business unit level. The principal risks and uncertainties of Remeha Group BV, which include those of the company, are discussed in the Group's annual report, which does not form part of this report.

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2015 (continued)

Employees

The company recognises the importance of good communications and relations with employees and that its ability to meet the needs of its customers in a profitable and competitive manner depends on the contribution of employees throughout the company.

Employees are encouraged to develop their contribution to the business wherever they work. All employees have the opportunity to be involved in making improvements to the business. The company provides updates about financial and other information about the business to employees on a regular basis.

Financial participation is further encouraged through a variety of bonus schemes which provide employees with rewards linked to the growth and prosperity of the business.

Employee representatives are involved in the company retirement and death benefits schemes.

The company promotes equal treatment for all employees or potential employees and continues to offer career opportunities without discrimination. Full and fair consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Wherever possible, the company has continued the employment of any person who has become disabled.

Health and safety

The company'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 regarded as the most important priority throughout the company and accordingly high standards are required. Procedures exist to enable two way communications about health and safety awareness issues.

Corporate Social Responsibility

The company is aware of its environmental and social responsibilities and strives to operate in a sustainable and ethical way. The company is part of the UK and Ireland Corporate Social Responsibility steering committee, which is leading activities that support the company's commitment to Corporate Social Responsibility. Since the formation in 2013, a number of initiatives have been implemented that has enabled a more structured approach and set minimum standards to which we work. An annual report is produced each year. Further details are published on the company's website.

Future developments

The company's vision is to lead the market in smart heating solutions. The company is part of a group which continually invests in product innovation and research and development. The company sees the quality of its employees as the key to its success and future sustainability and will continue to invest in staff retention and development.

By order of the Board



P T Moss
Director

29 April 2016

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2015

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2015.

Company registered number

The company's registered number is 03879156.

Adoption of FRS 102

In these financial statements, the company has adopted for the first time the requirements of Financial Reporting Standard 102. The standard has resulted in a restatement of the 2014 results. The date of transition was 1 January 2014.

Dividends and results

The profit for the financial year for the company is £29,075,000 (2014 restated: £25,269,000). During the current and prior year, no dividends were paid or proposed.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance, risks and uncertainties and financial position are set out in the Strategic report on page 1.

The company has considerable financial resources together with a long-term relationship with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

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

P T Moss
J V Ooijen
D Pinder

Directors indemnities

The company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors. In addition, the company purchased and maintained throughout the financial year Trustees' Liability Insurance in respect of those directors who are also trustees of the pension scheme.

Employees

Disclosure of the company's policies on employees has been disclosed in the Strategic report on page 1.

Risk Management

Disclosure of the company's policies on risk management has been disclosed in the Strategic report on page 1.

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2015 (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Independent Auditor

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

By order of the Board



P T Moss
Director

29 April 2016

Independent auditor's report to the members of Baxi Heating UK Limited

Report on the financial statements

Our opinion

In our opinion, Baxi Heating UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2015;
- the Profit and loss account for the year then ended;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditor's report to the members of Baxi Heating UK Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
29 April 2016

Baxi Heating UK Limited

Profit and loss account for the year ended 31 December 2015

		2015	Restated 2014
	Note	£'000	£'000
Turnover	5	323,364	319,771
Cost of sales		(205,121)	(213,300)
Gross profit		118,243	106,471
Selling and distribution costs		(27,608)	(27,335)
Administrative expenses		(57,543)	(50,080)
Profit on ordinary activities before interest and taxation	6	33,092	29,056
Interest receivable and similar income	10	24,244	22,918
Interest payable and similar charges	11	(18,873)	(18,017)
Profit on ordinary activities before taxation		38,463	33,957
Tax on profit on ordinary activities	12	(9,388)	(8,688)
Profit for the financial year		29,075	25,269

All amounts relate to continuing operations.

The profit and loss account for the year ended 31 December 2014 has been restated as a result of the transition to FRS 102 as discussed in note 24.

Baxi Heating UK Limited

Statement of comprehensive income for the year ended 31 December 2015

		2015	Restated 2014
	Note	£'000	£'000
Profit for the financial year		29,075	25,269
Actuarial gains / (losses) on pension liabilities	22	25,200	(30,900)
Deferred taxation on actuarial gains / (losses)		(4,804)	6,180
Impact of change in UK tax rates on deferred tax relating to pensions		(1,089)	-
Total comprehensive income for the financial year		48,382	549

Baxi Heating UK Limited

Balance sheet as at 31 December 2015

		2015	Restated 2014
	Note	£'000	£'000
Fixed assets			
Intangible assets	13	31,600	38,066
Tangible assets	14	13,027	14,763
Investments	15	2,269	2,269
		46,896	55,098
Current assets			
Stocks	16	22,085	22,821
Debtors	17	953,349	978,501
Cash at bank and in hand		50,176	46,377
		1,025,610	1,047,699
Creditors: amounts falling due within one year	18	(672,809)	(719,898)
Net current assets		352,801	327,801
Total assets less current liabilities		399,697	382,899
Provisions for liabilities	19	(12,461)	(9,945)
Net assets excluding pension deficit		387,236	372,954
Pension deficit	22	(82,200)	(116,300)
Net assets including pension liabilities		305,036	256,654
Capital and reserves			
Called-up share capital	21	200,000	200,000
Retained earnings		105,036	56,654
Total shareholders' funds		305,036	256,654

The balance sheet at 31 December 2014 has been restated as a result of the transition to FRS 102. This has resulted in a reclassification of creditors to falling due within one year.

The notes on pages 11 to 30 are an integral part of these financial statements.

The financial statements on pages 7 to 30, were approved for issue by the Board of Directors on 29 April 2016. They were signed on its behalf by:



P T Moss

Director

Baxi Heating UK Limited

Statement of changes in equity as at 31 December 2015

	Called-up share capital	Retained earnings	Total
	£'000	£'000	£'000
Balance at 1 January 2014	200,000	56,105	256,105
Profit for the year	-	25,269	25,269
Other comprehensive expense for the year	-	(24,720)	(24,720)
Total comprehensive income for the year	-	549	549
Balance at 31 December 2014	200,000	56,654	256,654
Balance at 1 January 2015	200,000	56,654	256,654
Profit for the year	-	29,075	29,075
Other comprehensive income for the year	-	19,307	19,307
Total comprehensive income for the year	-	48,382	48,382
At 31 December 2015	200,000	105,036	305,036

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015

1 General information

Baxi Heating UK Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Brooks House, Coventry Road, Warwick, CV34 4LL. The nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2 Statement of compliance

The financial statements of Baxi Heating UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102. "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 24.

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council and the Companies Act 2006.

This is the first year in which the financial statements have been prepared under FRS 102.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance, risks and uncertainties and financial position are set out in the Strategic report and the Directors' report.

The company has considerable financial resources together with a long-term relationship with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, despite the uncertainties of the current economic environment. Thus, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, financial instrument disclosures, related party transactions and the non-disclosure of key management personnel compensation on the basis that it is a qualifying entity and its ultimate parent company, Remeha Group BV includes the company's cash flows in its own consolidated statements.

Consolidated financial statements

The company is a wholly owned subsidiary of Remeha Group BV as at 31 December 2015. The company is included in the consolidated financial statements of Remeha Group BV, which are publicly available. Copies of the Remeha Group BV consolidated financial statements are available from: Chamber of Commerce, Apeldoorn, Stationsstraat 80, The Netherlands. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Intangible fixed assets - software

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. Software development assets are amortised over 5 to 10 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Tangible fixed assets

Tangible fixed assets are carried at historical cost less depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided by the company to write off the cost, less estimated residual value of the assets on a straight-line basis over their estimated useful economic lives as follows:

Freehold buildings	50 years
Leasehold land and buildings	over the period of the lease
Plant and equipment	3 to 15 years

No depreciation is provided on freehold land.

Residual values are reviewed, and adjusted, if appropriate, at the end of each reporting period.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments

Investments in subsidiaries are held at cost less any provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is valued on a FIFO (first-in, first-out) method and includes attributable overheads where appropriate. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution. Where necessary, provisions are made for obsolete and slow moving stocks.

Functional currency

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions. The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Foreign currencies

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.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Pension costs

The company operates a Group pension scheme which consists of defined benefit and defined contribution sections. The assets of the plan are held in a separate Trustee administered fund. The Defined Contribution Section only, on meeting the entry requirements of the Scheme is open to all employees of the company. The Defined Benefit Section is closed to new members except for certain members of the Defined Contribution Section who retain an option to join the Defined Benefit Section.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Turnover

Turnover is the invoiced value of goods and services supplied, net of rebates and credit notes. It excludes Value Added Tax and similar sales based taxes. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

Operating leases

Operating lease rentals are charged against profit on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Provisions

Provisions are made for obligations of uncertain timing or amounts arising from a past event, where a reliable estimate can be made of the probable cost. Provision is made for the estimated liability relating to products sold which are still under warranty, and is calculated based on historic claims information.

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

4 Critical accounting judgements and estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i. Defined benefit pension scheme

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Management estimates these factors in determining the net pension obligation in the balance sheet using assumptions that reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

ii. Warranty provisions

The company offers a range of warranties on its products and as a result recognises a warranty provision to reflect the estimated future cost. When calculating the provision, management considers the guarantee period for each product, the historical claims information and the level of sales. See note 20 for details of the warranty provision.

5 Turnover

Turnover and profit on ordinary activities before taxation are all attributable to the company's principal activity, all of which originates in the UK.

An analysis of turnover by geographical destination is as follows:

	2015	2014
	£'000	£'000
UK	308,894	304,892
European Union	12,494	12,372
Other	1,976	2,507
	323,364	319,771

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

6 Profit on ordinary activities before interest and taxation

Profit on ordinary activities before interest and taxation is stated after charging:

	2015	2014
	£'000	£'000
Fees payable to the Company's auditor for:		
- the audit of the Company's financial statements	122	94
- the audit of the Company's associated companies	19	-
- tax advisory services	50	-
- tax compliance services	4	-
- audit related assurance services	59	-
Amortisation of intangible fixed assets (note 13)	7,875	7,875
Depreciation (note 14)	4,376	5,139
Research and development	3,654	3,754
Management service charges	29,639	22,826
Profit on sale of fixed assets	-	(1,091)
Operating lease rentals	4,841	4,893

7 Directors' emoluments

	2015	2014
	£'000	£'000
Aggregate emoluments including amounts receivable under long-term incentive scheme	657	546

During the year one (2014: one) of the directors accrued retirement benefits under a defined benefit scheme. No Directors (2014: none) were members of defined contributions schemes.

All Directors are accruing benefits under a long-term incentive scheme.

	2015	2014
	£'000	£'000
Highest paid director		
Total amount of emoluments and amounts receivable under long-term incentive schemes	373	315

The emoluments of J V Ooijen were paid by another group company and not recharged to the company. His services to the company were of a non-executive nature.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

8 Employee information

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2015	2014
	Number	Number
Production	672	679
Selling and distribution	274	275
Administration	590	598
	1,536	1,552

9 Employee costs

Aggregate payroll costs for the persons included in note 8 were:

	2015	2014
	£'000	£'000
Wages and salaries	47,103	46,576
Social security costs	4,108	4,515
Other pension costs:		
Defined benefit pension costs (note 22)	3,100	2,700
Defined contribution pension costs (note 22)	1,844	1,793
	56,155	54,584

10 Interest receivable and similar income

	2015	restated 2014
	£'000	£'000
Group interest receivable	24,240	22,915
External interest receivable	4	3
	24,244	22,918

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

11 Interest payable and similar charges

	2015	2014
	£'000	£'000
Group interest payable	15,073	14,017
Interest on pension scheme liabilities (note 22)	3,800	4,000
	18,873	18,017

12 Tax on profit on ordinary activities

(a) Tax expense included in profit and loss account

	2015	2014
	£'000	£'000
Current taxation:		
United Kingdom corporation tax at 20.25% (2014: 21.5%)	7,540	6,780
Adjustments in respect of prior periods	(535)	(673)
Current tax charge for the year	7,005	6,107
Deferred taxation:		
Origination and reversal of timing differences	686	821
Pension liability movement	1,697	1,760
Total deferred tax (note 17)	2,383	2,581
Tax charge on profit on ordinary activities	9,388	8,688

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

12 Tax charge on profit on ordinary activities (continued)

(b) Tax expense included in other comprehensive income

	2015	2014
	£'000	£'000
Deferred taxation:		
United Kingdom corporation tax at 20.25% (2014: 21.5%)	(4,804)	6,180
Impact of tax rate change	(1,089)	-
Total tax (charge) / income included in other comprehensive income	(5,893)	6,180

(c) Reconciliation of tax charge

The tax charge for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are shown below:

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation	38,463	33,957
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 21.5%)	7,789	7,301
Effects of:		
Expenses not deductible for tax purposes	2,002	1,889
Re-measurement of deferred tax – change in UK tax rate	164	(71)
Adjustments in respect of prior periods – deferred tax	(32)	242
Adjustments in respect of prior periods – current tax	(535)	(673)
Tax charge for the year	9,388	8,688

Factors affecting current and future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance (No.2) Act 2015 on 18 November 2015. These reduce the main rate to 19% with effect from 1 April 2017, and 18% with effect from 1 April 2020.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

13 Intangible fixed assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost at 1 January 2015	156,517	-	156,517
Additions	-	1,409	1,409
Cost at 31 December 2015	156,517	1,409	157,926
Amortisation			
At 1 January 2015	118,451	-	118,451
Charge for the year	7,875	-	7,875
At 31 December 2015	126,326	-	126,326
Net book amount			
At 31 December 2015	30,191	1,409	31,600
At 31 December 2014	38,066	-	38,066

The goodwill is being amortised on a straight-line basis over 20 years and at 31 December 2015 has a remaining useful life of 4 years. The directors estimate that this is the period over which the value of the underlying businesses acquired is expected to exceed the value of the underlying assets.

The software intangible assets relate mainly to externally procured software. However, the 2015 investment includes an amount of £578,000 relating to internally generated software investments, which relate entirely to capitalised expenditures for the development of the Apollo programme. This programme aims at standardisation and optimisation of business processes via the implementation of an ERP system for several main companies of the Group to which this company belongs. As the ERP system is still under development there has been no amortisation in 2015.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

14 Tangible fixed assets

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2015	6,177	41,813	47,990
Additions	-	2,640	2,640
Disposals	-	(1,745)	(1,745)
At 31 December 2015	6,177	42,708	48,885
Accumulated depreciation			
At 1 January 2015	1,124	32,103	33,227
Charge for the year	177	4,199	4,376
Disposals	-	(1,745)	(1,745)
At 31 December 2015	1,301	34,557	35,858
Net book value			
At 31 December 2015	4,876	8,151	13,027
At 31 December 2014	5,053	9,710	14,763

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

15 Investments

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2015	2,269
At 31 December 2015	2,269

The directors consider the value of the investments to be supported by the underlying assets.

Details of the subsidiary of the company are as follows:

Company	Country of registration	Type of shares held	Holding %	Activity
Potterton Myson (Ireland) Limited	Eire	Ordinary	100	Distribution

16 Stocks

	2015 £'000	2014 £'000
Raw materials and consumables	8,788	7,643
Work in progress	171	114
Finished goods and goods for resale	13,126	15,064
	22,085	22,821

The directors do not consider the replacement costs of stocks to be significantly different to their values stated above.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

17 Debtors

	2015	Restated 2014
	£'000	£'000
Amounts falling due within one year		
Trade debtors	88,542	81,482
Amounts owed by group undertakings	836,945	860,166
Other debtors	3,213	4,155
Prepayments and accrued income	4,616	4,389
Deferred tax asset	1,016	1,152
	934,332	951,344
Amounts falling due after more than one year		
Deferred tax asset	19,017	27,157
	953,349	978,501
Amounts owed by group undertakings are unsecured and repayable on demand. Interest is receivable on active Group loans at a rate of 2.5% above LIBOR.		
Deferred tax asset	2015	2014
	£'000	£'000
The deferred tax asset consists of the following:		
Excess of depreciation over capital allowances	3,781	4,381
Short term timing differences	581	668
Deferred tax asset on pension scheme net deficit	15,671	23,260
	20,033	28,309

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

17 Debtors (continued)

	£'000
At 1 January 2015	28,309
Charge to profit and loss account	(2,383)
Charge to statement of comprehensive income	(5,893)
At 31 December 2015	20,033

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date.

18 Creditors: amounts falling due within one year

	2015	Restated 2014
	£'000	£'000
Trade creditors	57,555	61,616
Amounts owed to group undertakings	539,645	584,755
Corporation tax	2,992	1,861
Other creditors	5,476	5,892
Other taxation and social security	17,887	18,008
Accruals and deferred income	49,254	47,766
	672,809	719,898

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is payable on Group loans at a rate of 2.5% above LIBOR.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

19 Provisions for liabilities

	Warranty	Re- organisation	Other	Total
	£'000	£'000	£'000	£'000
At 1 January 2015	9,945	-	-	9,945
Charged to profit and loss account	8,800	823	1,220	10,843
Utilised	(8,179)	-	(148)	(8,327)
At 31 December 2015	10,566	823	1,072	12,461

The warranty provision is to cover potential liabilities relating to products sold and is dependent on guarantee periods on individual products. The provision has been recognised based on historic claims information and the level of sales. It is expected that most of the expenditure will be incurred in the next financial year.

The effect of discounting on provisions is not material.

20 Financial commitments

At 31 December 2015, the company had total commitments under non-cancellable operating leases for commitments expiring as follows:

	2015	2014
	£'000	£'000
Expiring within one year	4,030	4,023
Expiring between two and five years	5,580	6,172
Expiring after five years	16,060	16,396
	25,670	26,591

21 Called up share capital

	2015	2014
	£'000	£'000
Allotted and fully paid		
200,000,000 (2014: 200,000,000) ordinary shares of £1 each	200,000	200,000

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

22 Pensions

The company operates two defined benefit pension schemes, the Baxi Group Pension Scheme, and the Newmond Pension Plan for certain residual liabilities. The defined benefit schemes are funded by the payment of contributions to separately administered trust funds. Liabilities and future funding rates of the plans are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

The Baxi Group Pension Scheme is closed to new entrants, with future service benefits for existing members generally accruing on a career average revalued earnings (CARE) basis. As the scheme is closed to new entrants, the average age of the members of the scheme will rise in the future, which mean that, under the projected unit method of calculation, the current service cost (as a percentage of pensionable payroll for active members) will increase. A full actuarial valuation of this scheme as at 5 April 2015 is currently in progress and this valuation, along with an updated schedule of contributions until 31 July 2026 is expected to be formerly agreed before 5 July 2016.

The Newmond Pension Plan has no active members and therefore there will be no further accrual of benefits to members. The last full actuarial valuation of this plan was carried out as at 31 March 2015 and a schedule of contributions is currently being finalised.

The contribution expected to be paid by the company to the defined benefit schemes during 2016 is £15,900,000.

The company also operates defined contribution schemes, for which the charge in the year was £1,844,000 (2014 £1,793,000). No contributions were outstanding at the balance sheet date in either the current or the prior year.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2015	2014
	£'000	£'000
Defined benefit scheme liability	66,529	93,040

The amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2015	2014
	£'000	£'000
Current service cost	3,100	2,700
Net interest expense	3,800	4,000
Total charge	6,900	6,700

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

22 Pensions (continued)

The amounts recognised in the statement of comprehensive income in respect of these defined benefit schemes are as follows:

	2015 £'000	2014 £'000
Actuarial gains / (losses) on pension liabilities	25,200	(30,900)
Deferred taxation on actuarial gains / (losses)	(5,893)	6,180
	19,307	24,720

The principal actuarial assumptions at the balance sheet date used for the defined benefit schemes are:

	2015 %	2014 %
Rate of increase in pensions in payment	2.98	2.93
Discount rate	3.81	3.57
Inflation	3.03	2.99

To develop the expected long-term return on plan assets assumption, the company considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations of future returns for each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on plan assets assumption for the portfolio.

Weighted average life expectancy for mortality tables used to determine benefit obligations is as follows for both the current and previous year:

	Male	Female
Member age 65 (current life expectancy)	22.4 years	24.4 years
Member age 40 (life expectancy at age 65)	24.6 years	26.8 years

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

22 Pensions (continued)

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 January 2015	425,900	(542,200)	(116,300)
Benefits paid	(17,900)	17,900	-
Employer contributions	15,800	-	15,800
Current service cost	-	(3,100)	(3,100)
Interest income / (expense)	15,200	(19,000)	(3,800)
Re-measurement gains / (losses):			
Actuarial gain	-	42,400	42,400
Return on plan assets excluding interest income	(17,200)	-	(17,200)
Benefit obligation at end of the year	421,800	(504,000)	(82,200)

Plan assets

The fair value of the plan assets were:

	2015 £'000	2014 £'000
Equities	149,900	148,639
Bonds	254,100	259,373
Other	17,800	17,888

23 Contingent liabilities

The company is a guarantor of loans provided by various bankers to Heating Finance Limited and BDR Thermea Group BV, both of which are group companies. At 31 December 2015, the contingent liability was £439.4 million (2014: £380.7 million), being the net amount drawn down under the facility.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

24 Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

Reconciliation of profit or loss

	Note	2014
		£'000
Profit for the financial year under previous UK GAAP		27,189
Defined benefit pension scheme	A	(2,400)
Deferred tax impact of adjustment to Defined benefit pension scheme	A	480
Total adjustment to profit for the financial year		(1,920)
Profit for the financial year under FRS 102		25,269

Reconciliation of Other comprehensive income

	Note	2014
		£'000
Other comprehensive income under previous UK GAAP		549
Defined benefit pension scheme	A	2,400
Deferred tax impact of adjustment to Defined benefit pension scheme	A	(480)
Decrease in profit after tax		(1,920)
Total adjustment to other comprehensive income		-
Change to equity		-
FRS 102		549

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

24 Explanation of transition to FRS 102 (continued)

A Defined Benefit Scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expenses, based on the net defined benefit liability, is recognised in the profit and loss account. Therefore has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect has been to reduce the credit to the profit and loss account in the year to 31 December 2014 by £2,400,000 and increase the credit in other comprehensive income by the equivalent amount. The impact upon deferred tax is to reduce the deferred tax charge in the profit and loss account by £480,000 with a corresponding increase in other comprehensive income. There has been no change to the statement of changes in equity.

25 Ultimate parent company and controlling party

At 31 December 2015, the company is a wholly owned subsidiary of Baxi Potterton Limited, a company incorporated in Great Britain.

The company's ultimate parent company is Remeha Group BV, a company incorporated in the Netherlands, which is the largest and smallest group to consolidate these financial statements. The ultimate controlling party is Stichting Aandelen Remeha Foundation, a Dutch Foundation.

Copies of the Remeha Group BV consolidated financial statements are available from: Chamber of Commerce, Apeldoorn, Stationsstraat 80, The Netherlands.