

Baxi Heating UK Limited

Annual report and financial statements
for the year ended 31 December 2011

Registered number 3879156

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Baxi Heating UK Limited

Annual report and financial statements for the year ended 31 December 2011

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Baxi Heating UK Limited

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Company registered number

The company registered number is 3879156

Principal activity and review of business

The principal activity of the company is the development, manufacture and sale of domestic gas boilers, gas fires, wall heaters, commercial and domestic water heaters

The directors consider the trading results and future prospects of the company to be satisfactory
The profit after taxation for the year for the company was £26,055,000 (2010 £26,726,000)

During the period the company disposed of its Valor Fires division generating a loss of £8,038,000

Future developments

The company's mission remains that of building a world class heating company with a leading position in our key markets, supporting customers with a broad range of climate solutions by offering both innovative products and services. The company has recently launched the Baxi Ecogen, the UK's first commercially available micro-generation unit

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 is 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

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 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, is discussed in the Group's annual report, which does not form part of this report

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2011 (continued)

Dividends

During the year, the company made payments of dividends of £nil (2010 £nil)

Directors

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

P T Moss
M Coffey resigned 30th November 2011
M Kelly resigned 11th January 2012
A E Darling resigned 31st May 2012
J V Ooijen appointed 1st January 2012

Research and development

The company commits resources to research and development to assist it in securing its competitive position in its chosen markets

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. In many areas ongoing programmes, focused on quality and customer service, provide an opportunity for everyone to be involved in making improvements. The company provides updates to employees on developments within the company 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

Company policy is to not discriminate against disabled persons for those vacancies that they are able to fill. All necessary assistance with initial training is given. Where employees become disabled, the company endeavours to continue to employ them, provided there are duties that they can perform given their disability

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 an integral part of good business management and accordingly high standards are required

Payment to suppliers

The company supports the CBI initiative to address the problem of delayed payments to suppliers, consequently the company always endeavours to meet agreed supplier payment terms. This is consistent with the Vendor Improvement Programme which continues to support a total quality approach with suppliers. Trade creditors at the year end represented 98 days (2010 86 days) of purchases

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Directors' report for the year ended 31 December 2011 (continued)

Political and charitable contributions

The company made no payments for political purposes and made charitable donations totaling £6,000 (2010 £6,000) for local charitable causes

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments 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, 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 auditor is 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

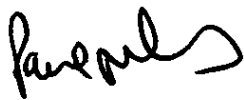
Baxi Heating UK Limited

Directors' report for the year ended 31 December 2011 (continued)

Auditor

Deloitte LLP have expressed their willingness to be reappointed for another term. Appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'P T Moss', with a stylized flourish at the end.

P T Moss
Director
14 June 2012

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

We have audited the financial statements of Baxi Heating UK Limited for the year ended 31 December 2011 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Hall, FCA

David Hall FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, United Kingdom

Date *15 June 2012*

Baxi Heating UK Limited

Profit and loss account for the year ended 31 December 2011

		2011	2010
	Note	£'000	£'000
Turnover	2	314,963	335,612
Cost of sales		(222,876)	(234,336)
Gross profit		92,087	101,276
Selling and distribution costs		(28,275)	(30,064)
Administrative expenses		(34,734)	(39,764)
Other operating income		-	1,409
Operating profit		29,078	32,857
Profit on ordinary activities before interest and taxation	3	29,078	32,857
Income from shares in group undertakings		445	-
Interest receivable and similar income	7	35,373	32,915
Interest payable and similar charges	8	(25,452)	(29,307)
Profit on ordinary activities before taxation		39,444	36,465
Tax charge on profit on ordinary activities	9	(13,389)	(9,739)
Profit for the financial year	20	26,055	26,726

All amounts relate to continuing operations

Baxi Heating UK Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

		2011	2010
	Note	£'000	£'000
Profit for the year		26,055	26,726
Actuarial losses on pension liabilities	22	(13,728)	(17,184)
Deferred taxation on actuarial losses		3,432	4,640
Impact of change in UK tax rates on deferred tax relating to pensions		(2,047)	(852)
Total recognised gains for the year		13,712	13,330

Baxi Heating UK Limited

Balance sheet as at 31 December 2011

		2011	2010
	Note	£'000	£'000
Fixed assets			
Intangible assets	10	61,691	69,566
Tangible assets	11	25,648	29,162
Investments	12	2,835	2,835
		90,174	101,563
Current assets			
Stocks	13	29,128	28,607
Debtors	14	774,413	722,985
Cash at bank and in hand		28,088	29,420
		831,629	781,012
Creditors amounts falling due within one year	15	(587,306)	(571,554)
Net current assets		244,323	209,458
Total assets less current liabilities		334,497	311,021
Creditors amounts falling due after more than one year	16	(33,160)	(32,028)
Provisions for liabilities and charges	17	(8,362)	(4,678)
Net assets excluding pension liabilities		292,975	274,315
Pension deficit	22	(54,144)	(49,196)
Net assets including pension liabilities		238,831	225,119
Capital and reserves			
Called up share capital	19	200,000	200,000
Profit and loss account	20	38,831	25,119
Total shareholders' funds	21	238,831	225,119

The financial statements of Baxi Heating UK Limited, registered number 3879156, were approved by the Board of Directors and authorised for issue on 14 June 2012. They were signed on its behalf by



P T Moss

Director

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Principal accounting policies

The financial statements have been prepared on the going concern basis and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

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 Directors' report on page 2.

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 accounts.

Basis of accounting

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

Transactions with other group companies have not been disclosed as permitted by FRS 8, 'Related Party Disclosures'.

The company is itself a subsidiary company, and as such is exempt from the requirement to prepare group accounts by virtue of s400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about the group.

Cash flow statement

The company is a wholly owned subsidiary of Remeha Group BV as at 31 December 2011, which publishes a consolidated cash flow statement. Consequently the company is exempt under the terms of FRS 1 (Revised 1996), 'Cash Flow Statements', from publishing a cash flow statement.

Tangible fixed assets

Tangible fixed assets are carried at historic cost less depreciation. 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 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.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Principal accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is valued on a FIFO basis 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.

Foreign currencies

Transactions in foreign currencies are recorded using the contracted rate of exchange or the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Foreign exchange contracts

Forward currency exchange contracts are treated in accordance with the one transaction view as permitted under the terms of SSAP 20 'foreign currency translation'. Gains and losses on forward contracts are deferred until the settlement of the underlying contract against which the forward contracts are matched.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Pension costs

The majority of employees of the company are members of the Baxi Group Pension Scheme, following the merger of the Newmond Pension Plan and the Baxi Group Pension Scheme. This is a group pension scheme, which is funded partly from the employees and partly from the company at rates determined by an independent actuary. These contributions are invested separately from the company's assets.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Principal accounting policies (continued)

Pension costs (continued)

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.

Investments

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

Operating leases

Operating lease rentals are charged against profit on a straight line basis over the term of the lease.

Goodwill

Goodwill represents the excess of the fair value of the purchase consideration, including costs of acquisition, over the fair values of the separately identifiable assets and liabilities acquired. Goodwill is held on the balance sheet and is amortised over its expected useful economic life.

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.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Segmental analysis

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

	2011	2010
	£'000	£'000
UK	302,908	323,002
European Union	9,742	11,287
Other	2,313	1,323
	314,963	335,612

3 Profit on ordinary activities before interest and taxation

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

	2011	2010
	£'000	£'000
Fees payable to the Company's auditor for		
- the audit of the Company's annual accounts	83	77
- non audit services – other services	-	-
Amortisation of intangible fixed assets (note 10)	7,875	7,875
Depreciation (note 11)	7,395	6,220
Research and development	3,663	3,304
Management service charges	4,413	13,035
Exceptional items	8,038	4,032
Operating lease rentals		
- Hire of plant and machinery	2,947	2,919
- Other (land and buildings)	1,203	1,092

Exceptional items charged within operating profit relate to disposal of the trade and assets of the Valor fires division. Prior year exceptional items relate to severance, stock write off, and site reorganisation costs.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Directors' emoluments

	2011	2010
	£'000	£'000
Aggregate emoluments	420	576
Amounts paid by the company into money purchase pension schemes	13	10
	433	586

During the year one (2010 one) of the directors accrued retirement benefits under a defined benefit scheme and one (2010 one) of the directors accrued benefits under a money purchase scheme

	2011	2010
	£'000	£'000
Highest paid director		
Aggregate emoluments	246	343
Amounts paid by the company into money purchase pension schemes	13	10

The emoluments of A E Darling and M Coffey were paid by another Group Company. Their services to the company were of a non-executive nature.

5 Employee information

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

	2011	2010
	Number	Number
Production	708	717
Selling and distribution	260	252
Administration	700	683
	1,668	1,652

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Employee costs

Aggregate payroll costs for the persons included in note 5 were

	2011	2010
	£'000	£'000
Wages and salaries	47,952	49,235
Social security costs	4,626	4,495
Post retirement benefits		
Defined benefit pension costs (note 22)	2,016	1,344
Defined contribution pension costs (note 22)	1,779	1,358
	56,373	56,432

7 Interest receivable and similar income

	2011	2010
	£'000	£'000
Group interest receivable	20,301	16,499
Expected return on pension scheme assets (note 22)	15,072	16,416
	35,373	32,915

8 Interest payable and similar charges

	2011	2010
	£'000	£'000
Group interest payable	6,401	10,959
Other interest payable	139	12
Interest on pension scheme liabilities (note 22)	18,912	18,336
	25,452	29,307

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 Tax charge on profit on ordinary activities

	2011	2010
	£'000	£'000
Current taxation		
United Kingdom corporation tax at 26.5% (2010: 28%)	9,442	7,803
Adjustments in respect of prior periods	147	(838)
Current tax charge for the year	9,589	6,965
Deferred taxation		
Origination and reversal of timing differences (note 14)	2,267	785
Pension liability movement	1,533	1,989
Tax charge on profit on ordinary activities	13,389	9,739

The current tax charge for the year consists solely of a payment for group relief and is lower (2010 lower) than the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are shown below

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation	39,444	36,465
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	10,452	10,210
Effects of		
Expenses not deductible for tax purposes	2,348	2,681
Adjustments in respect of prior periods	147	(838)
Accelerated capital allowances and other timing differences	(992)	(2,576)
Pension liability movement	(1,533)	(1,989)
Rate difference on timing differences	(833)	(523)
Current tax charge for the year	9,589	6,965

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 Tax charge on profit on ordinary activities (continued)

Factors affecting current and future tax charges

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 25%, which was substantively enacted on 5 July 2011 and will be effective from 1 April 2012

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget. The changes reduced the rate to 24%, effective from 1 April 2012 and propose to reduce the rate by a further 1% to 22% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements

10 Intangible fixed assets

	Goodwill
	£'000
Cost at 1 January 2011 and 31 December 2011	156,517
Amortisation	
At 1 January 2011	86,951
Charge for the year	7,875
At 31 December 2011	94,826
Net book amount	
At 31 December 2011	61,691
At 31 December 2010	69,566

The goodwill is being amortised on a straight-line basis over 20 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

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Tangible fixed assets

	Land and Buildings	Plant and Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2011	8,251	41,696	49,947
Additions	-	4,414	4,414
Disposals	-	(10,518)	(10,518)
At 31 December 2011	8,251	35,592	43,843
Depreciation			
At 1 January 2011	1,057	19,728	20,785
Charge for the year	242	7,153	7,395
Disposals	-	(9,985)	(9,985)
At 31 December 2011	1,299	16,896	18,195
Net book value			
At 31 December 2011	6,952	18,696	25,648
At 31 December 2010	7,194	21,968	29,162

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Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Investments

	£'000
Interests in subsidiary undertakings	
Cost at 1 January and 31 December 2011	2,835
Provisions at 1 January and 31 December 2011	-
Net book value at 31 December 2011 and 31 December 2010	2,835

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

Details of the subsidiaries of the company are as follows

Company	Country of registration	Type of shares held	Holding %	Activity
Potterton Myson (Ireland) Limited	Eire	Ordinary	100	Distribution
Baxi Micropower Limited	England and Wales	Ordinary	100	Inter group financing
Electro Heat Limited	England and Wales	Ordinary	100	Dormant
Heateam Ireland Limited	Eire	Ordinary	100	Dormant

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Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Stocks

	2011	2010
	£'000	£'000
Raw materials and consumables	9,228	12,128
Work in progress	1,634	525
Finished goods and goods for resale	18,266	15,954
	29,128	28,607

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

14 Debtors

	2011	2010
	£'000	£'000
Amounts falling due within one year		
Trade debtors	68,176	83,791
Amounts owed by group undertakings	691,257	620,236
Other debtors	320	2,317
Prepayments and accrued income	5,469	5,183
Deferred tax asset	3,755	4,050
	768,977	715,577
Amounts falling due after more than one year		
Deferred tax asset	5,436	7,408
	774,413	722,985

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

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Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Debtors (continued)

Deferred tax asset	2011	2010
	£'000	£'000
Tax effect of timing differences because of		
Excess of depreciation over capital allowances	7,993	10,870
Short term timing differences	1,198	588
	9,191	11,458
		£'000
At 1 January 2011		11,458
Transfer to profit and loss account		(2,267)
At 31 December 2011		9,191

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. Accordingly the reduction in the main rate of corporation tax as disclosed in note 9 has been taken into account when stating the deferred tax assets as at 31 December 2011.

15 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Trade creditors	60,527	70,071
Amounts owed to group undertakings	458,576	436,776
Corporation tax	16,556	6,965
Other creditors	4,878	22,206
Other taxes and social security costs	16,323	12,568
Accruals and deferred income	30,446	22,968
	587,306	571,554

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.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Amounts owed to group undertakings	33,160	32,028

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

17 Provisions for liabilities and charges

	Warranty £'000	Re- organisation £'000
At 1 January 2011	4,678	-
Charged to profit and loss account	9,455	3,770
Utilised	(9,541)	-
At 31 December 2011	4,592	3,770

The warranty provision is to cover potential liabilities relating to products sold and is dependant 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 re-organisation provision is to cover the estimated costs for 2012 – 2016 relating to a vacated site.

The effect of discounting on provisions is not material.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

18 Financial commitments

At 31 December 2011, the company had annual commitments under non-cancellable operating leases for commitments expiring as follows

	2011	2011	2010	2010
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	-	694	-	345
Expiring between two and five years	652	2,221	108	2,695
Expiring after five years	543	-	989	-
	1,195	2,915	1,097	3,040

Capital Commitments

	2011	2010
	£'000	£'000
Amounts contracted for but not provided for in the financial statements	104	365

19 Called up share capital

	2011	2010
	£'000	£'000
Authorised		
200,000,000 ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid		
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 2011 (continued)

20 Profit and loss account

	£'000
At 1 January 2011	25,119
Actuarial loss on pension liabilities (note 22)	(13,728)
Deferred taxation on actuarial loss	3,432
Profit for the financial year	26,055
Impact of change in UK tax rates on deferred tax relating to pensions	(2,047)
At 31 December 2011	38,831

The profit and loss account includes a cumulative £12,654,000 loss (2010 £7,706,000 loss) stated after a cumulative deferred taxation asset of £267,000 (2010 £415,000 asset) in respect of pension scheme liabilities

21 Reconciliation of movements in total shareholders' funds

	2011	2010
	£'000	£'000
Profit for the financial year	26,055	26,726
Actuarial loss on pension liabilities (note 22)	(13,728)	(17,184)
Deferred taxation on actuarial loss	3,432	4,640
Impact of change in UK tax rates on deferred tax relating to pensions	(2,047)	(852)
Net movement in shareholders' funds	13,712	13,330
Opening total shareholders' funds	225,119	211,789
Closing total shareholders' funds	238,831	225,119

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (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, and hence the average age of the members of the scheme will rise in the future. This means that, under the projected unit method of calculation, the current service cost (as a percentage of pensionable payroll for active members) will increase as the members of the scheme approach retirement. The Newmond Pension Plan has no active members and therefore there will be no further accrual of benefits to members.

The company also operates defined contribution schemes, for which the charge in the year was £1,779,000 (2010 £1,358,000). No contributions were outstanding at the balance sheet date in either the current or the prior year.

The contribution expected to be paid by the company to the defined benefit schemes during 2012 is £14,400,000.

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

	2011	2010
	%	%
Rate of increase in salaries	3.90	3.80
Rate of increase in pensions in payment	2.95	3.20
Discount rate	4.72	5.34
Inflation	3.05	3.30
Expected long-term return on plan assets	4.79	5.60

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)	21.1 years	23.9 years
Member age 45 (life expectancy at age 65)	23.0 years	25.8 years

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pensions (continued)

	2011	2010
	£'000	£'000
Amounts recognised in the balance sheet		
Present value of funded obligations	387,840	358,176
Fair value of plan assets	(315,648)	(290,784)
Deficit	72,192	67,392
Related deferred tax asset	(18,048)	(18,196)
Net pension deficit	54,144	49,196
Components of pension cost		
Current service cost	2,016	1,344
Interest on obligations	18,912	18,336
Expected return on plan assets	(15,072)	(16,416)
Total pension cost recognised in the profit and loss account	5,856	3,264
Actuarial losses immediately recognised in the STRGL		
	13,728	17,184
Cumulative amount of actuarial losses recognised in the STRGL		
	116,038	102,310
Expected return on plan assets	15,072	16,416
Actuarial gain on plan assets	9,312	6,624
Actual return on plan assets	24,384	23,040

The current service costs are included in administrative expenses in the Profit and Loss account. The interest on obligations and expected returns on plan assets are charged to interest in the Profit and Loss account. The actuarial losses / gains in respect of the schemes are dealt with in the Statement of Total Recognised Gains and Losses.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pensions (continued)

	2011	2010		
	£'000	£'000		
Change in benefit obligation				
Benefit obligation at beginning of the year	358,176	327,648		
Current service cost	2,016	1,344		
Interest cost	18,912	18,336		
Plan participants' contributions	288	672		
Actuarial loss	23,040	23,808		
Benefits paid	(14,592)	(13,632)		
Benefit obligation at end of the year	387,840	358,176		
Change in plan assets				
Fair value of plan assets at beginning of the year	290,784	269,088		
Expected return on plan assets	15,072	16,416		
Actuarial gain	9,312	6,624		
Employer contributions	14,784	11,616		
Plan participants' contributions	288	672		
Benefits paid	(14,592)	(13,632)		
Fair value of plan assets at end of the year	315,648	290,784		
Plan assets				
The assets of the schemes and the weighted average expected rate of return were				
	2011	2011	2010	2010
	£'000	%	£'000	%
Equities	134,496	6.10	134,304	6.93
Bonds	162,240	3.60	136,992	4.20
Other	18,912	6.10	19,488	6.93

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Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pensions (continued)

History of experience gains and losses

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£ '000	£'000
Benefit obligation at end of the year	(387,840)	(358,176)	(327,648)	(264,576)	(320,640)
Fair value of plan assets at end of the year	315,648	290,784	269,088	242,112	290,016
Deficit	(72,192)	(67,392)	(58,560)	(22,464)	(30,624)
Difference between the expected and actual return on plan assets					
Amount	9,312	6,624	16,896	(64,416)	(3,072)
Percentage of schemes' assets	3.0%	2.3%	6.3%	(26.6)%	(1.1)%
Experience gains and losses on plan liabilities					
Amount	-	(16,512)	-	-	-
Percentage of present value of schemes' liabilities	-	(4.6)%	-	-	-
Total amount recognised in Statement of Total Recognised Gains and Losses					
Amount	(13,728)	(17,184)	(42,144)	(672)	14,208
Percentage of present value of schemes' liabilities	(3.5)%	(4.8)%	(12.9)%	(0.2)%	4.4%

23 Financial instruments

The company held forward exchange contracts which had a positive fair value of £60,000 (2010 positive fair value of £31,000). The fair value of these instruments is based on market price of comparable instruments at the balance sheet date.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

24 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 2011, the contingent liability was £476,500,000 (2010 £391,200,000), being the net amount drawn down under the facility.

25 Ultimate parent company and controlling party

At 31 December 2010, the company was a wholly owned subsidiary of Baxi Limited, a company incorporated in Great Britain. During the year Baxi Limited transferred its entire shareholding in the company to Baxi Potterton Limited. At 31 December 2011, 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 accounts are available from Chamber of Commerce, Apeldoorn, Stationsstraat 80, The Netherlands.