Geberit Service (formerly Twyford Bathrooms)

Annual report and financial statements
Registered number 00546129
For the year ended 31 December 2015

Contents

Strategic report

The Directors present their annual Strategic report, Directors' report and financial statements for the year ended 31 December 2015.

Principal activities

Geberit Service (formerly Twyford Bathrooms) ("the Company") principal activity is the sale of bathrooms and ancillary fittings for the UK and overseas markets.

Business review

The company changed its name to Geberit Service on 23rd December 2015.

The principal activity of the Company is the sale of bathrooms and ancillary fittings for the UK and overseas markets under the Twyford and Keramag Design brands.

2015 was a particularly challenging year with a decline in overall sales of over 20%. This decline was due to a number of factors, a key one being the slowdown in the Social Housing and Housing RMI market. Reductions in Government spending from April 2015 had a significant impact in the Social Housing market which is a significant part of Twyford branded sales in the UK. Another contributory factor was an amount of "one off" de-stocking with the larger wholesalers of Twyford branded inventory who moved to new National central stocking warehouses from the previous regionalised distribution centres.

Gross profit margin declined as a result of this difficult trading environment.

Costs were maintained at similar levels to 2014 which resulted in a significant reduction in operating profit to £1,551,000 (2014: £5,761,000).

FUTURE DEVELOPMENTS

Outlook 2016

In February 2015 the Geberit Group announced the acquisition of the Sanitec Group. From January 2016 the Twyford Sales Operating Business will be combined within Geberit Sales Limited and the warehousing and product development functions will continue as before.

RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are reviewed by the Directors and appropriate processes are put in place to monitor and mitigate them.

Key figures for the Company

	2015	2014
	£000	£000
Revenue	**40,282**	50,500
Operating profit	**1,914**	6,984
Operating profit (%)	**4.7%**	13.8%
Net Current Assets (excluding intra group cash balances)	**3,192**	2,730
Net Current Assets (including intra group balances)	**23,673**	21,946

Christine Chitty

Company Secretary

Date: 20 May 2016

Lawton Road
Alsager
Stoke on Trent
ST7 2DF

Directors' report

Proposed dividend

No dividends were paid or proposed during the year *(2014:£20,000,000)*.

Directors

The directors who held office during the year were as follows:
B Hudson (resigned 23rd Nov 2015)
J Sillanpaa (resigned 18th Nov 2015)
G Nilsson (resigned 18th Sep 2015)
M Larden (appointed 7th Apr 2015, resigned 23rd Nov 2015)
G Hailfinger (appointed 23rd Nov 2015)
M Reinhard (appointed 23rd Nov 2015)

Political and charitable contributions

The Company made nil political contributions during the year *(2014: nil)*. Donations to UK charities amounted to £3,964 *(2014: £3,964)*.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 41$ of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditor

During the year KPMG resigned as auditors and PricewaterhouseCoopers LLP were appointed.

By order of the board

Christine Chitty

Company Secretary

Date: 20 May 2016

Lawton Road
Alsager
Stoke on Trent
ST7 2DF

Independent auditors' report to the members of Geberit Service

Report on the financial statements

Our opinion

In our opinion, Geberit Service'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 and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; 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 Statement (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement 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 IFRSs as adopted by the European Union, and applicable law.

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities 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.

Matt Palmer

Matt Palmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
20 May 2016

Income statement
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Revenue	2	**40,282**	50,500
Cost of sales		**(26,476)**	(31,845)
Gross profit		**13,806**	18,655
Distribution costs		**(7,563)**	(8,166)
Administrative expenses		**(2,222)**	(2,340)
Other operating costs		**(2,107)**	(1,165)
Operating profit	3	**1,914**	6,984
Financial income	5	**123**	245
Financial expenses	6	**(44)**	(51)
Profit on ordinary activities before taxation		**1,993**	7,178
Tax on profit on ordinary activities	7	**(442)**	(1,417)
Profit for the year		**1,551**	5,761

All results are derived from continuing operations.

The notes on pages 12 to 28 form part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2015

	2015 £000	2014 £000
Profit for the financial year	1,551	5,761
Items that will be reclassified to profit or loss:		
Remeasurement of defined benefit asset/liability	413	(945)
Tax relating to remeasurement of defined benefit pension scheme	(83)	189
Tax relating to fair value hedge	-	(4)
Effective portion of change of fair value hedges	88	19
Total comprehensive income for the year	1,969	5,020

Statement of financial position
As at 31 December 2015

	Note	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	*8*	**138**	221
Investments	*9*	**3,015**	3,045
Retirement benefit asset	*18*	**800**	100
Deferred tax asset	*12*	**1,428**	1,671
		5,381	5,037
Current assets			
Inventories	*10*	**6,016**	6,712
Trade and other receivables	*11*	**32,484**	30,283
Derivative financial instruments	*19*	**-**	17
Cash and cash equivalents		**1,269**	3,371
		39,769	40,383
Total assets		**45,150**	45,420
Current liabilities			
Trade and other payables	*13*	**13,943**	18,240
Derivative financial instruments	*19*	**-**	189
Provisions for liabilities	*14*	**1,135**	8
		15,078	18,437
Non-current liabilities			
Deferred tax liability	*12*	**160**	20
Provisions for liabilities	*14*	**1,389**	409
		1,549	429
Total liabilities		**16,627**	18,866
Net assets		**28,523**	26,554
Equity			
Called up share capital	*15*	**13,509**	13,509
Share premium account	*16*	**-**	-
Hedging reserve	*16*	**-**	(88)
Retained earnings	*16*	**15,014**	13,133
Total equity		**28,523**	26,554

The notes on pages 12 to 28 form part of these financial statements.

These financial statements were approved by the board of directors on 20 May 2016 and were signed on its behalf by:

Michael Reinhard
Director

Cash flow statement
for the year ended 31 December 2015

	2015 £000	2014 £000
Profit for the year	**1,551**	5,761
Adjustments for:		
Depreciation and impairment	**150**	121
Loss on disposal of property, plant and equipment	**(26)**	-
Tax charge	**442**	1,417
Financial income	**(123)**	(245)
Financial expense	**44**	51
Decrease in provisions	**1,127**	(174)
Decrease in employee benefits	**(275)**	(275)
Change in working capital		
Increase in trade and other receivables	**(1,221)**	(5,415)
Decrease/(Increase) in inventories	**696**	(260)
Decrease in trade and other payables	**(4,296)**	(1,659)
Cash flow from operating activities	**(1,931)**	(677)
Cash flow from financing activities		
Interest received	**112**	188
Interest paid	**(180)**	(37)
	(68)	151
Cash flows from investing activities		
Investments in property, plant and equipment	**(103)**	(180)
Change in cash and cash equivalents	**(2,102)**	(706)
Cash and cash equivalents at the beginning of the year	**3,371**	4,077
Cash and cash equivalents at the end of the year	**1,269**	3,371

Statement of changes in equity

For the year ended 31 December 2015

	Called up Share capital	Share premium account	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2015	13,509	-	(88)	13,133	26,554
Profit for the year				1,551	1,551
Effective portion of change in fair value hedge	-	-	88	-	88
Tax relating to change in fair value hedge	-	-	-	-	-
Actuarial loss in pension scheme	-	-	-	413	413
Tax relating to actuarial loss	-	-	-	(83)	(83)
Share Premium transfer	-	-	-	-	-
Dividend Paid	-	-	-	-	-
Balance at 31 December 2015	**13,509**	-	-	**15,014**	**28,523**

For the year ended 31 December 2014

	Called up Share capital	Share premium account	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2014	13,509	31,159	(103)	(3,031)	41,534
Profit for the year	-	-	-	5,761	5,761
Effective portion of change in fair value hedge	-	-	19	-	19
Tax relating to change in fair value hedge	-	-	(4)	-	(4)
Actuarial loss in pension scheme	-	-	-	(945)	(945)
Tax relating to actuarial loss	-	-	-	189	189
Share Premium transfer	-	(31,159)	-	31,159	-
Dividend Paid	-	-	-	(20,000)	(20,000)

Balance at 31 December 2014	**13,509**	**-**	**(88)**	**13,133**	**26,554**

Notes
(forming part of the financial statements)

1 Accounting policies

Description of business

Geberit Service (formerly Twyford Bathrooms) is a company incorporated and domiciled in the United Kingdom. It is a subsidiary undertaking of Sanitec Corporation, a parent company of Sanitec Group, incorporated in Finland.

Statement of compliance

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

Basis of preparation

The financial statements are prepared under the historic cost convention.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Sanitec Europe Corporation, the Company's immediate parent. Sanitec Europe Corporation has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and financial instruments classified as fair value through the profit or loss or as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Depreciation is provided to write off the cost less the estimated residual value of plant, property and equipment by equal instalments over their estimated useful economic lives at the following rates:

Freehold buildings	-	3% - 10% per annum
Plant and machinery	-	3% - 20% per annum
Motor vehicles	-	20% - 33% per annum
Fixtures and fittings	-	10% - 33% per annum

No depreciation is provided on freehold land.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment of property, plant and equipment.

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the plant, property and equipment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless it arises on a previously revalued asset. An impairment loss on a revalued asset is recognised in the income statement if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the income statement until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of plant, property and equipment is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

In respect of property, plant and equipment and other intangible assets excluding goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. An impairment loss relating to goodwill is never reversed.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Leasing agreements

There are no finance leases recognised in the financial statements.

Leases of property, plant and equipment, where the lessor retains a significant portion of the risks and rewards, are classified as operating leases. Rental payments under operating leases are recognised as expenses when incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Post retirement benefits

The Company operates two pension schemes, a defined contribution plan open to new entrants and a defined benefit plan which closed to new entrants.

The defined benefit scheme closed to all active members with no future salary link as of 31 December 2013.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Research and development expenditure

Expenditure on research and development is written off to the income statement account in the year in which it is incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumable and goods for resale, the weighted average purchase price is used.

Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and is recognised when ownership transfers to the customer when the goods are despatched.

Derivative financial instruments and hedge accounting

Derivative contracts are initially recognised at fair value and continue to be measured at fair value thereafter. Gains and losses arising from measurement at fair value are treated in the accounts in the manner determined by the purpose of the derivative contracts.

When derivative contracts are entered into, the Company designates them as either hedges of the exposure to changes in the fair value of recognised assets or liabilities (fair value hedges), hedges of forecast transactions or firm commitments (cash-flow hedges), hedges of net investments in foreign entities or as derivative financial instruments not meeting the hedge accounting criteria in accordance with IAS 39.

Changes in the fair value of derivatives designated and qualifying as fair value hedges, and which are highly effective, are recorded in the Income Statement, along with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

Changes in the fair value of derivatives designated and qualifying as cash flow hedges, and which are effective, are recognised in the fair value reserve within equity, the movements of which are disclosed in the Statement of Other Comprehensive Income. The cumulative gain or loss of a derivative deferred in equity is transferred to the Income Statement and classified as income or expense in the same period in which the hedged item affects the Income Statement.

When a hedging instrument expires, or is sold or no longer qualifies for hedge accounting, the cumulative gain or loss remains in equity until the forecast transaction is realised. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss accrued in equity is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2 Revenue

The revenue and profit on ordinary activities before taxation is derived solely from the Company's principal activity.

An analysis of revenue by geographical market is as follows:

	2015	2014
	£000	£000
United Kingdom	**32,373**	41,775
Continental Europe	**899**	647
Rest of World	**7,010**	8,078
	40,282	50,500

Revenue is derived from the sale of goods.

Notes *(continued)*

3 Operating profit

	2015 £000	2014 £000
Operating profit is after charging		
Depreciation and amounts written off owned tangible assets	**120**	97
Impairment of investments (Note 9)	**30**	24
Reversal of previous impairment charges of property, plant and equipment (Note 8)	**-**	-
Hire of plant and machinery – rentals payable under operating leases	**260**	280
Research and development expenditure	**8**	28
Loss on disposal of property, plant and equipment	**26**	
Auditors' remuneration		
Audit of these financial statements	**59**	25
Amounts receivable by auditors in respect of other services relating to:		
- Tax compliance	**-**	9
- Other	**-**	16
	59	50

Auditors' remuneration for 2014 relates to KPMG, 2015 relate to PwC.

The charge for impairment of investments and assets below operating profit is in relation to:

	2015 £000	2014 £000
Impairment of investment	**30**	24
	30	24

4 Information regarding directors and employees

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

	Number of employees 2015	2014
Manufacturing	**3**	3
Distribution	**96**	104
Administration	**15**	20
Others	**21**	23
	135	150

Notes *(continued)*

4 Information regarding directors and employees *(continued)*

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	**4,117**	4,608
Social security costs	**462**	514
Other pension costs *(see note 18)*	**566**	571
	5,145	5,693

Directors' emoluments are as follows:

	2015 £000	2014 £000
Remuneration	**-**	60
Contributions to defined benefit scheme	**-**	-
	-	60

The directors were not paid in the UK in 2015. The remuneration of the highest paid director in 2014 was £20,138. During the year there was no members of a defined benefit pension scheme under which no pension was accrued (*2014: £Nil*).

5 Financial income

	2015 £000	2014 £000
Interest received from group undertakings	**111**	185
Net interest on pension scheme assets and liabilities	**12**	60
	123	245

6 Financial expenses

	2015 £000	2014 £000
On bank loans and overdrafts	**24**	26
On all other bank accounts	**20**	25
	44	51

Notes *(continued)*

7 Taxation

Analysis of charge in year

	2015 £000	2014 £000
UK corporation tax		
Current tax on income for the year	**190**	-
Total current tax	**190**	-
Deferred tax		
Origination and reversal of temporary differences	**252**	1,417
Tax on profit on ordinary activities	**442**	1,417

Factors affecting the tax charge for the current year

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

	2015 £000	2014 £000
Tax reconciliation		
Profit on ordinary activities before tax	**1,993**	7,178
Tax at the standard rate of UK corporation tax at 20.25% (*2014: 21.5%*)	**404**	1,542
Effects of:		
Expenses not deductible for tax purposes	**34**	24
Other short term timing differences	-	1
Prior year adjustment	**4**	(41)
Adjustment in respect of pension scheme	-	(5)
Adjustment for losses utilised	-	(104)
Total tax charge	**442**	*1,417-*

Factors that may affect future current and total tax charges

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 have already been substantively enacted on 26 October 2015.

As the change to 17% has not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had been applied to the deferred tax balance at the balance sheet date would be to reduce the deferred tax asset by £204k and reduce the tax expense for the period by £65k.

Notes *(continued)*

8 Property, plant and equipment

	Plant and machinery £000	Total £000
Cost		
At 1 January 2014	419	419
Additions	180	180
At 31 December 2014	599	599
Accumulated Depreciation		
At 1 January 2014	280	280
Charge in year	97	97
At 31 December 2014	377	377
Cost		
At 1 January 2015	599	599
Additions	56	56
Disposals	(46)	(46)
At 31 December 2015	609	609
Accumulated Depreciation		
At 1 January 2015	377	377
Charge in year	120	120
Disposals	(26)	(26)
At 31 December 2015	471	471
Net book value		
At 31 December 2015	**138**	**138**
At 31 December 2014	221	221

Notes *(continued)*

9 Investments

	Shares in group undertakings £000
Cost and net book value	
Cost	3,527
Impairment brought forward	(482)
Net book value at 31 December 2014 and 1 January 2015	3,045
Current year impairment of investment in dormant companies	(30)
Net book value at end of year	**3,015**

The companies in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	**Principal activity**	**Class and Percentage of shares Held**
Subsidiary undertakings			
Twyfords Limited	England and Wales	Non trading	Ordinary 100%
Twyford Limited	England and Wales	Non trading	Ordinary 100%

10 Inventories

	2015 £000	2014 £000
Raw materials and consumables	**229**	221
Work in progress	**11**	13
Finished goods and goods for resale	**5,776**	6,478
	6,016	6,712

The value of inventory included within the cost of sales figure in the Income Statement is £26,254,429 (*2014: £30,414,288*).

11 Trade and other receivables

	2015 £000	2014 £000
Trade and other receivables	**10,494**	9,872
Amounts owed by group undertakings	**21,460**	19,723
Prepayments and accrued income	**530**	688
	32,484	30,283

Trade and other receivables are stated after an allowance of £158,000 (2014: £149,000) for bad debt provision. The average credit period for trade receivables was 84 days (86 in 2014). No interest is charged on overdue trade receivables. Allowances for doubtful debts is computed in line with group policy.

Notes *(continued)*

12 Deferred tax

	2015 £000	2014 £000
At 1 January	**1,651**	2,883
Recognised in the income statement:		
Financial assets and liabilities	**(35)**	(4)
Short term timing differences	**58**	4
Retirement benefit obligations	**(57)**	(67)
Property, plant and equipment	**(266)**	14
Tax losses (utilised)/recognised	**-**	(1,364)
Recognised in other comprehensive income:		
Financial assets and liabilities	**-**	(4)
Retirement benefit obligations	**(83)**	1,089
At 31 December	**1,268**	1,651

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Property, plant and equipment	**1,303**	1,569
Short term timing differences	**85**	27
Tax losses	**37**	37
Financial assets and liabilities	**3**	3
	1,428	1,671
Retirement benefit obligations	**(160)**	(20)
Balance as at 31 December	**1,268**	1,651

13 Trade and other payables

	2015 £000	2014 £000
Trade payables	**4,716**	6,307
Amounts owed to group undertakings	**3,260**	5,423
Taxation and social security	**845**	1,350
Accruals and deferred income	**5,122**	5,160
	13,943	18,240

The amounts owed to group undertakings are interest free and repayable on demand.

Notes *(continued)*

14 Provisions for liabilities

	Dilapidation costs	Restructuring	Warranty provision	Total
Non current	£000	£000	£000	£000
As at 1 January 2015	409	-	-	409
Charge in the year	980	-	-	980
At 31 December 2015	**1,389**	-	-	**1,389**
Current				
As at 1 January 2015	-	-	8	8
Utilised in year	-	(1,077)	(8)	(1,085)
Charge to profit and loss for the year	-	2,212	-	2,212
At 31 December 2015	-	**1,135**	-	**1,135**

15 Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
Equity: 37,465,116 (2014: 37,465,116) ordinary shares of 36.05754p each	**13,509**	13,509

16 Share premium and reserves

	Share premium account £000	Hedging reserve £000	Retained earnings £000
At beginning of year		(88)	13,133
Profit for the year	-	-	1,551
Actuarial loss recognised in the pension scheme	-	-	413
Deferred tax arising on losses in the pension scheme and foreign exchange hedge	-	-	(83)
Tax relating to fair value hedge	-	-	-
Effective portion of change in fair value hedge	-	88	-
At end of year	-	-	**15,014**

Notes *(continued)*

17 Operating lease arrangements

	2015 £000	2014 £000
Minimum lease payments under operating leases recognised as expense in the year	**1,260**	1,380

Annual commitments under non-cancellable operating leases are as follows:

	2015 Land and buildings £000	2015 Other £000	2014 Land and buildings £000	2014 Other £000
Operating leases which expire:				
Within one year	1,100	167	1,100	261
In the second to fifth years inclusive	-	67	1,100	194
	1,100	234	2,200	455

The operating lease for land and buildings relates to the property occupied by Geberit Service (formerly Twyford Bathrooms) in Alsager.

18 Pension scheme

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer.

	2015 £000	2014 £000
Present value of funded defined benefit obligations	(23,800)	(24,700)
Fair value of plan assets	24,600	24,800
Present value of funded/(unfunded) defined benefit obligations	**800**	**100**
Net asset	**800**	**100**

Movements in present value of defined benefit obligation

	2015 £000	2014 £000
At the start of the year	**24,700**	21,500
Interest cost	**880**	920
Actuarial losses	**(1,112)**	2,693
Benefits paid	**(668)**	(413)
At the end of the year	**23,800**	24,700

Notes *(continued)*

18 Pension scheme *(continued)*

Movements in fair value of plan assets

	2015	2014
	£000	£000
At the start of the year	**24,800**	22,210
Expected return on plan assets	**892**	980
Actuarial gains	**(699)**	1,748
Contributions by employer	**275**	275
Benefits paid	**(668)**	(413)
At the end of the year	**24,600**	24,800

Expense recognised in the income statement

	2015	2014
	£000	£000
Interest on defined benefit pension plan obligation	**(880)**	(920)
Expected return on defined benefit pension plan assets	**892**	980
Total	**12**	60

The expense is recognised in the following line items in the income statement:

	2015	2014
	£000	£000
Financial expense	**12**	60
	12	60

The cumulative amount of actuarial gains/ (losses) recognised in other comprehensive income is £4,448,000 *(2014: £4,901,000).*

The fair value of the plan assets and the return on those assets were as follows:

	2015	**2014**
	Fair value	**Fair value**
	£000	**£000**
Equities	10,100	**9,710**
Corporate bonds	13,327	**13,790**
Other	1,173	**1,300**
	24,600	**24,800**
Actual return on plan assets	2,170	**2,728**

Notes *(continued)*

18 Pension scheme *(continued)*

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2015	2014
	%	%
Discount rate	**3.90%**	3.60%
Inflation (RPI)	**3.20%**	3.05%
Inflation (CPI)	**2.40%**	2.25%
Pension revaluation in deferment	**2.40%**	2.25%
Other material assumptions (e.g., future pension increases, inflation)	**2.95%**	2.95%

Statutory increases are now based on CPI following a change to the rules announced by the government in 2010. Following a review of the Geberit Service (formerly Twyford Bathrooms) pension scheme rules by legal advisors the change from RPI to CPI was confirmed in 2013.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 24 years (male), 27 years (female).
- Future retiree upon reaching 65: 26 years (male), 29 years (female).

Historical information

The history of the plans for the current and prior years is as follows:

Balance sheet

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**(23,800)**	(24,700)	(21,500)	(18,960)	(19,257)
Fair value of scheme assets	**24,600**	24,800	22,210	20,343	17,786
Surplus/(deficit)	**800**	100	710	1,383	(1,471)

Experience adjustments

	2015	2014	2013	2012	2011
Difference between actual and expected return on scheme assets (£000)	**(699)**	1,748	915	1,559	(901)
Percentage of scheme assets (%)	(3%)	7%	4%	8%	(5%)
Experience gains and (losses) on scheme liabilities amount (£000)	**(1,112)**	(2,693)	(1,912)	(595)	(704)
Percentage of scheme liabilities (%)	(5%)	(11%)	(9%)	3%	(4%)

The Company expects to contribute approximately £0.28m to its defined benefit plans in the next financial year.

Notes *(continued)*

19 Financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts shown in the balance sheet, are as follows:

	As at 31 December 2015 Fair value of liabilities £000	Fair value of assets £000
Trade receivables	-	10,494
Other receivables	-	21,990
Trade payables	4,716	-
Other payables	9,227	-
Derivatives	-	-
Total	**13,943**	**32,484**

Basis for determining fair values

(a) Financial assets – broker quotes are used to value all forward contracts

(b) For receivables and payables with a remaining life less than one year, the notional amount is deemed to reflect the fair value.

	As at 31 December 2014 Fair value of liabilities £000	Fair value of assets £000
Trade receivables	-	9,872
Other receivables	-	20,411
Trade payables	6,307	-
Other payables	11,933	-
Derivatives	189	17
Total	18,429	30,300

Carrying values are equivalent to the fair values stated above for all financial assets and liabilities.

Financial risk management

Geberit Service (formerly Twyford Bathrooms) financial risk management is conducted according to the Sanitec Group Treasury Policy, which is approved by the Sanitec Board of Directors. The objective of treasury is to secure sufficient funding for operational needs, to minimise the cost of financing, to manage financial risks (currency, interest rate, liquidity and funding, credit and operational treasury risks) and to provide to the management relevant information on the financial position and risk exposures of Sanitec. Geberit Service is responsible for hedging its financial risks according to the Treasury Policy and instructions from Group Treasury.

Liquidity risk

Management aims to maintain an optimal amount of liquidity to fund business operations of the Sanitec Group at all times while minimising interest costs. Liquidity of the Group is considered to be the sum of cash and cash equivalents and available committed credit facilities. As at the year end 2015, cash and cash equivalents for Geberit Service amounted to £1.3m.

Notes *(continued)*

19 Financial instruments *(continued)*

Credit risk

Sanitec Group Treasury evaluates and monitors financial counterparty risk. The Sanitec Group minimises this risk by limiting its counterparties to a limited number of major banks and financial constitutions, by monitoring their performance, and by working within agreed counterparty limits. Non-financial counterparty risk i.e. counterparty risk related to customers, is reduced by Group companies, including Geberit Service, by applying a credit policy, constant monitoring of receivables aging and by credit insurance.

Currency risk

Foreign exchange risk is regarded as uncertainty of cash flows and earnings that arises from fluctuations in currency rates. The Sanitec Group look at foreign exchange risks from three angles: transaction risk related to cash flows in other than functional currencies, translation risk related foreign exchange risk associated with consolidation of the Sanitec Group, and the economic risk related to changes in competitive environment as a result of changes in foreign exchange rates. The Sanitec Group hedges itself against transaction risks by matching the foreign currency cash flows provided by Group companies, including Geberit Service, to the extent possible and hedging the remaining part with currency derivatives in accordance with Treasury policy. Geberit Service deals mainly in the Euro currency.

Interest risk

Interest rate risks arise due to interest rate fluctuations, which may increase the borrowing costs of the Sanitec Group. Sanitec may enter into derivative contracts to reduce these risks. Until the end of 2011 the related party loans had fixed interest rates. As of the end of the year, the Group held no interest rate derivatives contracts.

Commodity risk

Sanitec may use derivatives to hedge its exposure to commodity price fluctuations where appropriate. As at the end of the year, the Group held no commodity derivative contracts.

Capital management

The Sanitec Group's objectives, when managing capital, are to safeguard the ability to continue as a going concern, safeguard the capacity to fund its operations and to take care of its obligations under different business conditions, have optimal capital structure to reduce the cost of capital, and to maintain possibilities to act on potential investment opportunities.

Notes *(continued)*

20 Related parties

Geberit Service (formerly Twyford Bathrooms) has both debt and trading transactions with a number of fellow Sanitec Group undertakings. Transactions and related outstanding balances are shown below.

Payables

	Balance at 31 December £000		Transactions during the year to 31 December £000	
	2015	2014	**2015**	2014
Sanitec Europe Oy	**-**	(189)	**-**	14
Twyfords Limited	**(2,089)**	(2,105)	**16**	16
Twyford Limited	**(926)**	(940)	**14**	8

Trading

	Balance at 31 December £000		Transactions during the year to 31 December £000	
	2015	2014	**2015**	2014
Sanitec Corporation	**(37)**	(961)	**1,131**	1,172
Sanitec Europe Oy	**-**	(4)	**-**	33
Keramag Keramische Werke AG	**(15)**	(148)	**985**	1,487
Koralle Sanitarprodukte	**-**	(1)	**12**	19
Allia S.A.S.	**(1)**	(43)	**349**	172
Eurocer Industria de Sanitarios S.A.	**(88)**	(139)	**1,698**	1,412
Ido Bathrooms Ltd	**(28)**	(64)	**399**	224
Ifo Sanitar A.B.	**-**	-	**85**	28
Sanitec Kolo S.p. z.o.o.	**-**	(499)	**5,671**	7,125
Pozzi Ginori S.p.A.	**(2)**	(276)	**1,729**	2,020
PJSC Slavutskyy Plant Budafor	**(63)**	(114)	**484**	510
Alliage Ceramiques	**(1)**	(88)	**673**	460
Scanaqua	**(5)**	(26)	**162**	56
SSC	**(5)**	(5)	**63**	31

Receivables

	Balance at 31 December £000		Transactions during the year to 31 December £000	
	2015	2014	**2015**	2014
Geberit AG	**980**	-	**980**	-
Sanitec Europe Oy	**20,480**	19,723	**757**	(13,514)

21 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The company's parent company is Geberit International BV, a company incorporated in Holland. The company's ultimate parent company and controlling party is Geberit AG, a company incorporated in Switzerland. Group financial statement can be obtained from Geberit AG, Schachenstrasse 77, CH-8645 Jona, Switzerland.