

Stelrad Radiator Group Limited

(Registered Number 09206478)

Annual Report and Consolidated Financial Statements

31 December 2015

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COMPANIES HOUSE

Stelrad Radiator Group Limited

Company Information

Directors

T T Harvey
G J Letham
E A Lazarus
R K Ellis
N D T Armstrong

Secretary

L Wilcox

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Natwest
16 Northumberland Street
Newcastle upon Tyne
NE1 7EL

Solicitors

Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Registered Office

69-75 Side
Newcastle upon Tyne
NE1 3JE

Stelrad Radiator Group Limited

Strategic report

The directors present the strategic report for the year ended 31 December 2015.

Results and dividends

The group profit for the year amounted to £223,955,000 (2014: £8,085,000). The payment of a dividend is not recommended.

Principal activities and review of the business

The company was incorporated on 5 September 2014. On 1 December 2014, the company acquired 94.75% of the shares of Woolamai Holdings Jersey Limited. The shares of Woolamai Holdings Jersey Limited were purchased by the company in exchange for the right of previous shareholders to future deferred consideration upon eventual sale of the boiler business.

On 18 December 2014, as part of a group restructure, the company acquired 100% of the shares in Stelrad Radiator Holdings Limited from Bandwood Limited, a subsidiary of Woolamai Holdings Jersey Limited. The group then had two distinct operations, a sub group headed by Woolamai Holdings Jersey Limited which comprised entities involved in the manufacture and distribution of boilers ("the Boiler business") and a sub group headed by Stelrad Radiator Holdings Limited which comprised entities involved in the manufacture and distribution of radiators.

On 6 January 2015 the company disposed of its shareholding in Woolamai Holdings Jersey Limited to a third party company. The activities of the Boiler business have therefore been reported as discontinued. The Group made a profit on disposal of the business of £220,383,000.

At the point of sale of the boiler business the group received consideration of £256,398,000. This included £61,500,000 in settlement of intercompany balances owed to continuing operations. The balance of £194,898,000 was payable to the previous shareholders to settle their right to deferred consideration. During the year £194,704,000 was paid to shareholders in settlement of deferred consideration with a balance of £194,000 remaining at the year end. The group used the proceeds received for the settlement of intercompany balances to repay the £60,306,000 outstanding shareholder loan balance as outlined in note 20b.

The group's principal activities for the period between 1 January 2014 and 6 January 2015 were the manufacture and distribution of boilers and radiators. From 6 January 2015 to the present the group's principal activities were the manufacture and distribution of radiators. The principal activity of the company was that of a holding company.

Continuation accounting and IFRS transition

Woolamai Holdings Jersey Limited was under common control at the point of acquisition. As a result continuation accounting has been applied in these financial statements such that these financial statements are a direct continuation of those previously prepared for Woolamai Holdings Jersey Limited. The difference between the previous and new equity amounts has been credited to a merger reserve.

These financial statements, for the year ended 31 December 2015, are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. For periods up to and including the year ended 31 December 2014, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods on or after 31 December 2015, together with comparative period data as at and for the year ended 31 December 2014. In preparing these financial statements, the Group's opening balance sheet was prepared as at 1 January 2014, the Group's date of transition to IFRS. Note 32 to the financial statements explains the principal adjustments made by the Group in restating its UK GAAP financial statements.

Stelrad Radiator Group Limited

Strategic report

The group's key financial and other performance indicators during the year, were as follows:

	2015	2014
Revenue		
Group revenue – continuing operations (£m)	170.5	176.9
Operating profit/(loss) – continuing operations		
Group operating profit before exceptional items (£m)	10.6	5.8
Group operating profit margin before exceptional items (%)	6.2	3.9
Exceptional items (£m)	-	(9.6)
Group operating profit/(loss) (£m) – continuing operations	10.6	(3.8)
Group operating margin (%)	6.2	(1.5)
Profit/(loss) for the year (£m) – continuing operations	3.6	(17.2)
Profit for the year (£m) – discontinued operations	220.4	25.2
Total equity/(deficit) (£'m)	22.9	(195.8)
Working capital (£'m) – excluding disposal group	24.8	25.2
Cash (£'m) – excluding disposal group	7.8	9.4
Net cash inflow from operating activities (£'m) – continuing operations	11.6	4.1
Average number of employees – 2014 including disposal group	1,198	1,845

Group Revenue for the year in relation to continuing operations was £170.5m which represents a year on year decrease of 3.6%. The decline has arisen due to sterling strengthening relative to the Euro during the year and steel prices falling.

Group Operating Profit for the year was £10.6m. The business has benefitted from the success of operational and commercial initiatives put in place in previous periods.

Total equity was £22.9m at 31 December 2015. The improvement from a deficit position in the prior year is due to the enhanced performance of continuing operations and the disposal of the Boiler business during the year which had significant net liabilities.

Working Capital decreased by 2% in the year. The decrease is primarily due to an increase in trade payables.

Net cash flow from operating activities for the year rose to £11.6m from £4.1m, largely due to an improvement in performance during the year and a number of exceptional cash outflows during the prior year.

The average number of employees in the group during the year was 1,198, lower than the prior year figure of 1,845 due to the disposal of the Boiler business.

The discontinued operations relate to the boiler business which was disposed of on 6 January 2015. The profit for the year in 2014 relates to the results of the boiler business and the profit for the year in 2015 relates to the profit on disposal of the boiler business.

Stelrad Radiator Group Limited

Strategic report

Going concern

At 31 December 2015 the group total equity was £22,944,000. Bank, immediate parent company and ultimate shareholder loans amounted to £50,203,000. The group meets its day-to-day working capital requirements through bank loan facilities which are in place up to June / July 2020. At the period end date the group has partly drawn down on a £25m asset based revolving credit facility, though the remainder is still accessible to enable day-to-day working capital requirements to be met.

Under company law, the directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the company and the group are going concerns. In making this assessment the directors have considered the financial performance of the business during 2015, the current financial performance, their forecasts of future financial performance, the continuing availability of funding and the continuing availability of credit. Following this assessment, the directors have concluded that the company and the group have adequate resources for the foreseeable future and have comfortably met all funding covenants and are expected to continue to do so for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Principal risks and uncertainties

The principal risks and uncertainties facing the group can be broadly categorised as – competitive and risks related to financial instruments, i.e. market, credit and liquidity risk.

Competitive

Three major customers account for a significant proportion of group sales in the UK. Business relationships with these customers are based on performance criteria relating to demand generation, customer service and commercial terms.

Competitive pressures exist from local manufacturers in low cost economies and international competitors with scale benefits.

These risks are mitigated by close monitoring of key customer relationships and constant reassessment of our commercial, operational and strategic initiatives.

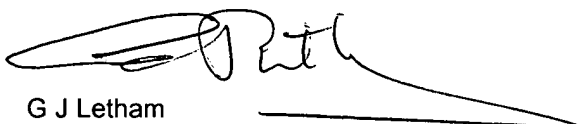
Financial instruments

The group is exposed to a number of financial instrument related risks, these are discussed in more detail in note 31.

Future developments

The company will continue to be involved in the manufacture and distribution of radiators. In the short term the company will look to consolidate upon and take advantage of the strategic initiatives undertaken within the current year. The company will look to strengthen the business where possible.

On behalf of the Board



G J Letham
Director
26 April 2016

Stelrad Radiator Group Limited

Directors' report

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2015.

Directors

The directors who served during the year and to the date of signing these financial statements were as follows:

A J M Levy	-	appointed 5 September 2014, resigned 17 November 2014
D J Pudge	-	appointed 5 September 2014, resigned 17 November 2014
T T Harvey	-	appointed 17 November 2014
G J Letham	-	appointed 25 November 2014
E A Lazarus	-	appointed 17 November 2014
G W Marshall	-	appointed 17 November 2014, resigned 9 November 2015
R K Ellis	-	appointed 25 November 2014
N D T Armstrong	-	appointed 9 November 2015

Directors' qualifying third party indemnity provisions

The group has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Research and development

Research and development costs of £940,000 (2014: £2,680,000) have been incurred in the year in relation to the design and development of new products. All such costs are written off as incurred.

Financial instruments

The group is exposed to a number of financial instrument related risks, these are discussed in more detail in note 31.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where disabled persons can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and provide training, career development and promotion wherever appropriate.

Employee involvement

The group is committed to involving its employees in the decisions that affect them. Regular meetings take place between local management and employees to allow a free flow of information and ideas. In addition, where practicable, the group seeks to keep the employees informed through regular newsletters.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

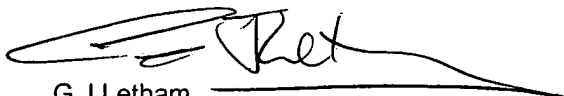
Stelrad Radiator Group Limited

Directors' report

Auditors

Ernst & Young LLP were appointed auditors during the period and a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'G J Letham', with a long horizontal line extending to the right.

G J Letham
Director
26 April 2016

Stelrad Radiator Group Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under IFRSs as adopted by the European Union. The Directors are responsible for preparing the Directors' report and the Strategic report.

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the Directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements that are reasonable;
- Provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- State whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Stelrad Radiator Group Limited

We have audited the financial statements of Stelrad Radiator Group Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flow and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 group's and the parent 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 and consolidated financial statements 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

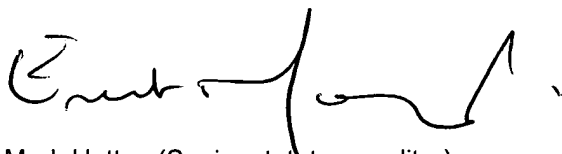
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Stelrad Radiator Group Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Mark Hatton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
26 April 2016

Stelrad Radiator Group Limited
Consolidated Income Statement
year ended 31 December 2015

		2015	2014
	Notes	£'000	£'000
Continuing operations			
Revenue	6	170,545	176,879
Cost of sales		(123,714)	(133,002)
Gross profit		<u>46,831</u>	<u>43,877</u>
Selling and distribution expenses		(24,722)	(27,106)
Administrative expenses		(11,847)	(10,073)
Exceptional operating items	9	-	(9,565)
Other operating income	7	831	449
Other operating expenses	8	(486)	(1,368)
Operating profit/(loss)	9	<u>10,607</u>	<u>(3,786)</u>
Finance income	12	52	14
Finance costs	13	(6,976)	(14,688)
Profit/(loss) before tax from continuing operations		<u>3,683</u>	<u>(18,460)</u>
Income tax (expense)/income	14	(111)	1,300
Profit/(loss) for the year		<u>3,572</u>	<u>(17,160)</u>
Discontinued operations			
Profit on disposal of discontinued operations	17	220,383	-
Profit after tax for the year from discontinued operations	17	-	25,245
Profit for the year		<u>223,955</u>	<u>8,085</u>
Attributable to:			
Owners of the parent		223,955	7,789
Non-controlling interests		-	296
		<u>223,955</u>	<u>8,085</u>

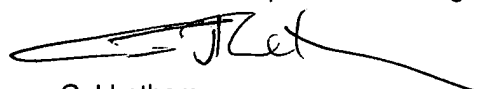
Stelrad Radiator Group Limited
Consolidated Statement of Other Comprehensive Income
for the year ended 31 December 2015

		2015	2014
	Notes	£'000	£'000
Profit for the year		223,955	8,085
Other comprehensive income/(expense)			
<i>Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:</i>			
Movement on cash flow hedges (reclassified to income statement)		-	1,469
Income tax effect	14	-	(299)
Net gain on hedge of a net investment		886	1,610
Income tax effect	14	(179)	(346)
Exchange differences on translation of foreign operations		<u>(7,216)</u>	<u>(4,725)</u>
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods		(6,509)	(2,291)
<i>Other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (losses)/gains on defined benefit plans	28	(130)	149
Income tax effect	14	<u>26</u>	<u>(29)</u>
Net other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods		(104)	120
Other comprehensive expense for the year, net of tax		(6,613)	(2,171)
Total comprehensive income for the year, net of tax		<u>217,342</u>	<u>5,914</u>
Attributable to:			
Owners of the parent		217,342	5,697
Non-controlling interests		-	217
		<u>217,342</u>	<u>5,914</u>

Stelrad Radiator Group Limited (Registered Number 09206478)
Consolidated Balance Sheet
as at 31 December 2015

		2015	2014	2013
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment	15	38,251	41,939	64,440
Goodwill	19	-	-	116,255
Trade and other receivables	22	40	31	66
Deferred tax assets	14	2,604	1,246	1,702
		<u>40,895</u>	<u>43,216</u>	<u>182,463</u>
Current assets				
Inventories	21	25,755	24,358	51,599
Trade and other receivables	22	40,085	39,470	79,880
Income tax receivable		109	52	514
Other current financial assets	20a	-	1,168	-
Cash and cash equivalents	23	7,806	9,412	18,075
		<u>73,755</u>	<u>74,460</u>	<u>150,068</u>
Assets and disposal group classified as held for sale	18	<u>4,101</u>	<u>215,492</u>	<u>-</u>
Total assets		<u>118,751</u>	<u>333,168</u>	<u>332,531</u>
Equity and liabilities				
Equity				
Issued capital	26	250	250	212
Share premium	26	-	-	942
Merger reserve	26	940	(193,708)	-
Foreign currency reserve		(9,970)	(3,334)	-
Cash flow hedge reserve		-	-	(1,127)
Retained earnings/(losses)		31,724	2,394	(6,918)
Total equity/(deficit) attributable to owners of the parent		<u>22,944</u>	<u>(194,398)</u>	<u>(6,891)</u>
Non-controlling interests		-	(1,404)	(213)
Total equity/(deficit)		<u>22,944</u>	<u>(195,802)</u>	<u>(7,104)</u>
Non-current liabilities				
Interest-bearing loans and borrowings	20b	48,022	49,560	223,005
Provisions	25	1,088	1,425	8,841
Net employee defined benefit liabilities	28	2,468	2,551	721
Deferred tax liabilities	14	243	-	1,456
		<u>51,821</u>	<u>53,536</u>	<u>234,023</u>
Current liabilities				
Trade and other payables	24	41,061	38,664	92,528
Interest-bearing loans and borrowings	20b	2,181	255,229	4,838
Other current financial liabilities	20a	-	-	1,481
Income tax payable		409	290	264
Provisions	25	335	370	6,501
		<u>43,986</u>	<u>294,553</u>	<u>105,612</u>
Liabilities and disposal group classified as held for sale		<u>-</u>	<u>180,881</u>	<u>-</u>
Total liabilities		<u>95,807</u>	<u>528,970</u>	<u>339,635</u>
Total equity/(deficit) and liabilities		<u>118,751</u>	<u>333,168</u>	<u>332,531</u>

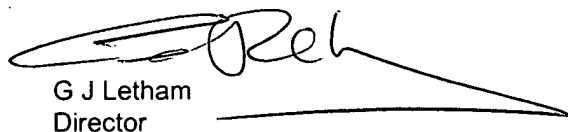
The financial statements of Stelrad Radiator Group Limited were approved for issue by the Board of Directors on 26 April 2016 and signed on their behalf by;


G J Letham
Director

Stelrad Radiator Group Limited (Registered Number 09206478)
Company Balance Sheet
as at 31 December 2015

	Notes	2015 £'000
Assets		
Non-current assets		
Investments	16	-
Amounts due from subsidiary undertakings	29	25,806
Total assets		<u>25,806</u>
Equity and liabilities		
Equity		
Issued capital	26	250
Retained losses		(6,908)
Total deficit		<u>(6,658)</u>
Non-current liabilities		
Interest-bearing loans and borrowings	20b	<u>32,464</u>
Total deficit and liabilities		<u>25,806</u>

The financial statements of Stelrad Radiator Group Limited were approved for issue by the Board of Directors on 26 April 2016 and signed on their behalf by;


G J Letham
Director

Stelrad Radiator Group Limited

Consolidated Statement of Changes in Equity

as at 31 December 2015

	Issued share capital £'000	Merger reserve £'000	Attributable to the owners of the parent Retained earnings £'000	Foreign currency £'000	Total £'000	Non-controlling interests	Total
As at 1 January 2015	250	(193,708)	2,394	(3,334)	(194,398)	(1,404)	(195,802)
Profit for the year	-	-	223,955	-	223,955	-	223,955
Other comprehensive expense for the year	-	-	(104)	(6,509)	(6,613)	-	(6,613)
Total comprehensive income	-	-	223,851	(6,509)	217,342	-	217,342
Boiler business sale (note 17)	-	194,648	(194,648)	-	-	-	-
Non-controlling interest disposal	-	-	127	(127)	-	1,404	1,404
As at 31 December 2015	250	940	31,724	(9,970)	22,944	-	22,944

	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained (losses)/ earnings £'000	Attributable to the owners of the parent Foreign currency £'000	Cash flow reserve £'000	Total £'000	Non-controlling interests	Total
As at 1 January 2014	212	942	-	(6,918)	-	(1,127)	(6,891)	(213)	(7,104)
Profit for the year	-	-	-	7,789	-	-	7,789	296	8,085
Other comprehensive expense for the year	-	-	-	115	(3,334)	1,127	(2,092)	(79)	(2,171)
Total comprehensive income	-	-	-	7,904	(3,334)	1,127	5,697	217	5,914
Issue of share capital (note 26)	36	-	-	-	-	-	36	-	36
Merger reserve creation (note 26)	(248)	(942)	1,190	-	-	-	-	-	-
Boiler business deferred consideration (note 20b)	-	-	(194,898)	-	-	-	(194,898)	-	(194,898)
Debt for equity swap (note 20b)	250	-	-	-	-	-	250	-	250
Group restructure	-	-	-	1,408	-	-	1,408	(1,408)	-
As at 31 December 2014	250	-	(193,708)	2,394	(3,334)	-	(194,398)	(1,404)	(195,802)

Stelrad Radiator Group Limited
Company Statement of Changes in Equity
as at 31 December 2015

	Attributable to the owners of the parent		
	Issued share capital £'000	Retained losses £'000	Total £'000
On Incorporation	-	-	-
Loss for the period	-	(6,908)	(6,908)
Total comprehensive income	-	(6,908)	(6,908)
Issue of share capital (note 26)	250	-	250
As at 31 December 2015	<u>250</u>	<u>(6,908)</u>	<u>(6,658)</u>

Stelrad Radiator Group Limited

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Operating activities:			
Profit/(loss) before tax from continuing operations		3,683	(18,460)
Profit before tax from discontinued operations	17	220,383	21,366
Profit before tax		224,066	2,906
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	15	4,267	8,217
Impairment of property, plant and equipment	15	(128)	3,181
Gain on disposal of property, plant and equipment		(61)	(228)
Gain on disposal of subsidiary undertaking		(220,383)	-
Movement on cash flow hedge		-	1,469
Finance income	12	(52)	(14)
Finance costs	13	6,976	14,688
Finance income – discontinued operations	17	-	(40)
Finance costs – discontinued operations	17	-	11,383
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(4,148)	5,557
(Increase)/decrease in inventories		(2,948)	8,630
Increase/(decrease) in trade and other payables		4,552	(11,039)
Decrease in provisions and other financial instruments		860	934
Difference between pension charge and cash contributions		(34)	(449)
		12,967	45,195
Income tax paid		(1,380)	(1,053)
Net cash flows from operating activities		11,587	44,142
Investing activities:			
Proceeds from sale of property, plant and equipment		173	466
Purchase of property, plant and equipment	15	(7,388)	(10,180)
Disposal of business net of cash disposed	17	(20,669)	-
Consideration received on the sale of subsidiary		194,898	-
Settlement of loan notes received		61,500	-
Net cash flows from/(used in) investing activities		228,514	(9,714)
Financing activities:			
Settlement of loan notes deferred consideration		(60,306)	-
Settlement of deferred consideration due		(194,704)	-
Shareholder cash repayment		-	(4,993)
Transaction costs for new borrowings		(871)	-
Proceeds from external borrowings		25,901	-
Repayment of external borrowings		(7,850)	(5,989)
Repayment of ultimate shareholder borrowings (including rolled interest)		(19,847)	-
Repayment of immediate parent company borrowings (including rolled interest)		(3,653)	-
Issue of ordinary shares	26	-	36
Payment of finance lease liabilities		(31)	(73)
Interest received		52	54
Interest paid		(478)	(10,901)
Net cash flows used in financing activities		(261,787)	(21,866)
Net (decrease)/increase in cash and cash equivalents		(21,686)	12,562
Net foreign exchange difference		(589)	(556)
Cash and cash equivalents at 1 January	23	30,081	18,075
Cash and cash equivalents at 31 December	23	7,806	30,081

Stelrad Radiator Group Limited
Company Statement of Cash Flows
for the period ended 31 December 2015

	2015
	£'000
Operating activities:	
Loss before tax	(6,908)
Adjustments to reconcile loss before tax to net cash flows:	
Finance income	(1,194)
Finance costs	8,102
Net cash flows from operating activities	<u>-</u>
Investing activities:	
Repayment of a loan from a subsidiary undertaking	5,353
Net advance of subsidiary undertakings borrowings	(1,388)
Consideration received on the sale of subsidiary	194,898
Settlement of loan notes received	61,500
	<u>260,363</u>
Financing activities:	
Repayment of ultimate shareholder borrowings (rolled interest)	(1,700)
Repayment of immediate parent company borrowings (including rolled interest)	(3,653)
Settlement of loan notes deferred consideration	(60,306)
Settlement of deferred consideration due	(194,704)
Net cash flows used in financing activities	<u>(260,363)</u>
Cash and cash equivalents at incorporation	-
Cash and cash equivalents at 31 December	<u>-</u>

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 December 2015

1 Corporate information

The consolidated financial statements of the Stelrad Radiator Group Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2015 were authorised for issue by the board of directors on 26 April 2016. Stelrad Radiator Group Limited (the Company or the parent) is a private limited company incorporated and domiciled in the United Kingdom. The registered office is located at 69-75 Side, Newcastle upon Tyne, NE1 3JE..

During the year the Group was principally engaged in the manufacture and distribution of boilers and radiators, at the year end the Group was principally engaged in the manufacture and distribution of radiators only.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and as applied in accordance with the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. The consolidated financial statements are presented in GB Pounds and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The company acquired the shares of Woolamai Holdings Jersey Limited on 1 December 2014 at which point the entities were under common control. As a result continuation accounting has been applied in these financial statements such that they are a direct continuation of those previously prepared for Woolamai Holdings Jersey Limited. The difference between the previous and new equity amounts has been credited to a merger reserve in the period that the transaction took place.

3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented an income statement or a statement of comprehensive income for the Company alone. The loss for the period is £6,908,000.

4 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred measured at acquisition date. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair values of net identifiable assets acquired, liabilities assumed and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 December 2015

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Current versus non-current classification

The Group presents assets and liabilities in balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'GB Pounds' (£), which is the company's functional and the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within 'other operating income' or 'other operating expenses'.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (where a reasonable approximation to actual rates); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR).

Rebates

Rebates are paid to certain customers and end consumers of goods sold. Provisions for rebates to customers are based upon the terms of sales contracts and are recorded in the same period as the related sales as a deduction from revenue. The Group estimates the provision for rebates based on the terms of each agreement at the time the revenue is recognised.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

f) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax is recognised in income unless it relates to items recognised in other comprehensive income or directly in equity, in which case the current income tax is recognised in other comprehensive income or directly in equity respectively. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill (taxable temporary differences only) or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in income unless it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is recognised in other comprehensive income or directly in equity respectively.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Freehold buildings	-	10 to 50 years
Plant and machinery	-	2 to 10 years
Fixtures and fittings	-	2 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An assets' carrying value is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

h) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Derecognition

A financial asset is primarily derecognised (i.e. removed from the group's consolidated balance sheet) when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset.

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the income statement.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 December 2015

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

i) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the income statement as cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as Other Comprehensive Income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

The Group uses a loan as a hedge of its exposure to foreign currency risk.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

k) Impairment of non- financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

l) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

m) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Provision is made for the estimated costs expected to arise in respect of these warranty obligations. Included within this provision are estimates of further financial commitments to customers arising under other product performance commitments.

The effect of the time value of money is not material and therefore the provision is not discounted.

n) Pensions and other post-employment benefits

The Group previously operated a defined benefit pension plan in the United Kingdom. The Group currently has an obligation to provide lump sum termination payments to certain employees in Turkey. Both of which are accounted for under IAS 19.

The cost of providing benefits under the schemes is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in consolidated income statement (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income.

For the defined contribution section of both schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in exchange for services rendered in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

o) Discontinued operations and assets / disposal groups held for sale

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the balance sheet.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs;
- Classified as held for sale or distribution or already disposed in such a way; or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 17. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures; and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Continuation accounting

The company was incorporated on the 5 September 2014. On the 1 December 2014 the company acquired 94.75% of the shares of Woolamai Holdings Jersey Limited.

Woolamai Holdings Jersey Limited was under common control at the point of acquisition. As a result continuation accounting and not acquisition accounting has been applied in these financial statements such that these financial statements are a direct continuation of those previously prepared for Woolamai Holdings Jersey Limited. The difference between the previous and new equity amounts has been credited to a merger reserve in the period the transaction took place.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Rebates

A proportion of rebates are paid to the end consumers of goods sold. Uncertainties exist over provisions made as until claims are made by end consumers the Group cannot be certain which consumers have purchased which products. Due to this uncertainty it is therefore judgemental what contractual rates, if any, will apply to goods sold.

Significant management judgement is required in order to assess the provision required at the balance sheet date. Management are able to utilise market information and historical/current data and trends in order to make an appropriate provision.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has unrecognised tax losses carried forward of £19,078,000 (2014: £19,625,000) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £3,434,000 (2014: £3,925,000). Further details on taxes are disclosed in note 14.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

6 Segment information

For management purposes, post the sale of boilers, the company only has a single reportable segment which is the manufacture and distribution of radiators. No operating segments have been aggregated in determining reportable segments.

Geographic information	2015 £'000	2014 £'000
Revenue from external customers		
United Kingdom	80,611	75,334
Europe	64,417	73,804
Turkey	22,240	24,089
Other	3,277	3,652
Total revenue	170,545	176,879

Non-current operating assets	2015 £'000	2014 £'000	2013 £'000
United Kingdom	12,308	11,717	147,079
Europe	14,916	19,793	23,458
Turkey	11,027	10,429	10,158
Total	38,251	41,939	180,695

The revenue information above is based on the locations of the customers. All revenue arises from the sale of goods.

2 customers have revenues in excess of 10% of revenue (2014: 2)

The UK assets in 2013 include those relating to the boiler segment.

7 Other operating income

	2015 £'000	2014 £'000
Net gain on disposal of property, plant and equipment	61	103
Net gains on assets at fair value through profit and loss	738	346
Sundry other income	32	-
	831	449

8 Other operating expenses

	2015 £'000	2014 £'000
Foreign currency losses	486	1,303
Sundry other costs	-	65
	486	1,368

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

9 Operating profit

The 2014 disclosures include discontinued operations	2015 £'000	2014 £'000
Auditors' remuneration		
- audit services - UK	61	220
- audit services - overseas	69	75
- non-audit services - UK - taxation	53	125
- non-audit services - UK - other	40	-
- non-audit services - overseas - taxation	51	53
Depreciation of owned assets	4,234	8,157
Depreciation of assets held under finance leases and hire purchase contracts	33	60
(Reversal of impairment)/impairment of property, plant and equipment	(128)	3,181
Rentals (including operating leases)		
- plant and machinery	288	416
- land and buildings	616	852
- other	343	363
Profit on sale of property, plant & equipment	(61)	(228)
Other exchange (gains)/losses	(281)	2,406
Research and development costs	940	2,680

The exceptional items arising during 2014 relate to the closure of the radiator manufacturing plant in Herentals, Belgium and costs attributable to reorganisation of the senior management structure in the radiator business. The costs include redundancy and restructuring costs totalling £6,624k and the impairment of property, plant and equipment totalling £2,941k. The costs in the prior year gave rise to losses which increased tax losses carried forward. The impairment of property, plant and equipment was a non-cash item. The redundancy costs and restructuring costs were all incurred in 2014 with the exception of £347,000 in relation to pre-pension which are to be settled in the future and are provided for in note 28.

10 Employee benefits expense

The 2014 disclosures include discontinued operations	2015 £'000	2014 £'000
Wages and salaries	29,041	50,023
Social security costs	4,174	6,855
Pension costs	1,745	3,659
	<u>34,960</u>	<u>60,537</u>
The average monthly number of employees during the year was made up as follows:	2015	2014
	Number	Number
Direct	664	861
Indirect	328	401
Sales, Service and Administration	206	583
	<u>1,198</u>	<u>1,845</u>

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

11 Directors' remuneration

	2015 £'000
Aggregate remuneration	1,605
<hr/>	
The amounts in respect of the highest paid director are as follows:	2015 £'000
Aggregate remuneration	930
<hr/>	

The 2015 figures related the statutory directors of the company alone from the period of incorporation to the balance sheet date.

12 Finance income

Group	2015 £'000	2014 £'000
Interest on cash deposits	52	14
<hr/>		<hr/>

13 Finance costs

	2015 £'000	2014 £'000
Interest on bank loans	285	-
Interest on ultimate shareholder loans	5,263	510
Interest on ultimate shareholder loans – old	-	13,534
Interest on immediate parent company loans	968	94
Amortisation of loan issue costs	81	-
Interest expense on defined benefit liabilities	184	167
Finance charges payable under finance leases and hire purchase contracts	2	2
Other finance charges	193	381
Total finance costs	<hr/> 6,976	<hr/> 14,688

The 2014 interest of £13,534k on the old shareholder loan notes has been classified as continuing as these did not form part of the disposal group transferred to the purchaser. Prior to the separation of the radiators group the loan notes were allocated to continuing operations. A portion of the shareholder loan notes remain as liabilities in the continuing group post disposal, with the remainder settled on the disposal. External interest charges on bank loans, which form part of the Boilers disposal group, which were settled directly by the purchaser at the date of disposal, are included within discontinued operations. See notes 17, 20b and 29 for further information concerning the shareholder loan notes.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

14 Income tax

The major components of income tax expense/(income) are as follows:

	2015 £'000	2014 £'000
Consolidated income statement		
Current income tax:		
Current income tax charge	1,328	868
Adjustments in respect of current income tax charge of previous year	(20)	(120)
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,233)	(2,048)
Relating to change in tax rates	36	-
Income tax expense/(income) reported in the income statement	111	(1,300)
Income tax attributable to a discontinued operation	-	(3,879)
Consolidated statement of Other Comprehensive Income		
Tax related to items recognised in Other Comprehensive Income during the year:		
Deferred tax actuarial loss – continuing	(26)	(145)
Deferred tax actuarial gain – discontinued	-	174
Deferred tax on cash flow hedge – continuing	-	234
Deferred tax on cash flow hedge – discontinued	-	65
Current tax on hedge of a net investment – continuing	179	346
Income tax charged/(credited) to Other Comprehensive Income	264	(4,505)

Reconciliation of tax expense/(income) and the accounting profit at the tax rate in the United Kingdom of 20.25% (2014: 21.5%):

	2015 £'000	2014 £'000
Profit/(loss) before tax from continuing operations	3,683	(18,460)
Profit before tax from a discontinued operation	220,383	21,366
Accounting profit before income tax	224,066	2,906
At United Kingdom statutory income tax rate of 20.25% (2014: 21.5%):	45,373	625
Adjustments in respect of current income tax charge of previous year	(20)	(568)
Non-taxable profit on disposal of subsidiary	(44,628)	-
Non-deductible expenses	536	2,101
Utilisation of previously unrecognised deferred tax assets	(1,156)	(6,555)
Effects of different overseas tax rates	6	(782)
At effective tax rate	111	(5,179)
Income tax expense/(income) reported in the income statement	111	(1,300)
Income tax attributable to a discontinued operation	-	(3,879)
	111	(5,179)

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet			Consolidated income statement	
	2015 £'000	2014 £'000	2013 £'000	2015 £'000	2014 £'000
Capital allowances	242	283	1,800	(151)	305
Pension	412	415	104	40	14
Fair value hedges	-	(234)	296	205	(233)
Fixed asset fair value adjustments	(1,967)	(2,065)	(3,794)	21	1,071
Losses available for offsetting against future income	1,856	2,419	1,401	(304)	838
Other temporary differences	1,818	428	439	1,386	53
Deferred tax expense				1,197	2,048
Net deferred tax assets	2,361	1,246	246		
Reflected in the balance sheet as:					
Deferred tax assets					
Continuing operations	2,604	1,246	766		
Discontinued operations	-	-	936		
Deferred tax liabilities					
Continuing operations	(243)	-	(1,456)		
Deferred tax assets, net	2,361	1,246	246		

Reconciliation of deferred tax assets, net

	2015 £'000	2014 £'000
Opening balance as at 1 January	1,246	246
Tax income recognised in Income Statement	1,197	2,048
Tax income recognised in Other Comprehensive Income	26	(328)
Discontinued operations	-	4,397
Reclassified to disposal group	-	(5,095)
Exchange adjustment	(108)	(22)
Closing balance as at 31 December	2,361	1,246

The Group offsets tax assets and liabilities if it has a legally enforceable right to set them off and they are levied by the same tax authority.

Tax losses have been recognised in respect of two subsidiary companies that have made losses in the previous year, this is deemed appropriate based on the 2015 profitability and future profit forecasts. The total losses are £1,856,000 (2014: £2,419,000).

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Unrecognised deferred tax balances

	2015 £'000	2014 £'000	2013 £'000
Capital allowances	35	36	786
Losses available for offsetting against future income	3,434	3,925	10,770
Other timing differences	-	1,156	611
	<u>3,469</u>	<u>5,117</u>	<u>12,167</u>

The Group has tax losses which arose in the United Kingdom of £19,078,000 (2014: £19,625,000) (2013: £53,850,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that are not profit making and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Change in the Corporate Income tax rate

On the 1 April 2015 the UK corporation tax rate was reduced to 20%, a hybrid rate of 20.25% therefore applies to current tax liabilities arising during the year.

The UK government has announced its intention to reduce the UK corporation tax rate to 19% by 1 April 2017 and further still to 18% by 1 April 2020. Both rate changes have now been substantively enacted. Subsequent to these rate changes the government announced its intention to reduce the UK corporation tax rate to 17% by 1 April 2020 instead of the 18% rate previously announced, this change is yet to be substantively enacted.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

15 Property, plant and equipment

Group	Freehold land and buildings £'000	Assets under construction £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2014	47,355	3,306	51,782	13,899	116,342
Additions	1,178	3,432	4,585	1,014	10,209
Transfers	51	(2,808)	1,795	962	-
Disposals	(35)	-	(329)	(890)	(1,254)
Exchange adjustment	(1,651)	(18)	(3,460)	(84)	(5,213)
Disposal group	(11,206)	(2,533)	(9,995)	(9,542)	(33,276)
At 31 December 2014	35,692	1,379	44,378	5,359	86,808
Additions	538	2,821	3,199	878	7,436
Transfers	966	(1,621)	647	8	-
Disposals	(28)	-	(10,396)	(449)	(10,873)
Assets held for sale	(10,719)	-	(30)	(42)	(10,791)
Exchange adjustment	(2,122)	(128)	(5,119)	(197)	(7,566)
At 31 December 2015	24,327	2,451	32,679	5,557	65,014
Depreciation and impairment					
At 1 January 2014	14,542	-	28,527	8,833	51,902
Depreciation charge	1,453	-	4,554	2,210	8,217
Impairment	1,380	-	1,801	-	3,181
Disposals	-	-	(200)	(816)	(1,016)
Exchange adjustment	(699)	-	(2,696)	(67)	(3,462)
Disposal group	(4,040)	-	(3,686)	(6,227)	(13,953)
At 31 December 2014	12,636	-	28,300	3,933	44,869
Depreciation charge	901	-	2,736	630	4,267
Transfers	35	-	(36)	1	-
Impairment reversal	-	-	(128)	-	(128)
Disposals	(29)	-	(10,346)	(386)	(10,761)
Assets held for sale	(6,624)	-	(28)	(38)	(6,690)
Exchange adjustment	(692)	-	(3,961)	(141)	(4,794)
At 31 December 2015	6,227	-	16,537	3,999	26,763
Net book value					
At 31 December 2015	18,100	2,451	16,142	1,558	38,251
At 31 December 2014	23,056	1,379	16,078	1,426	41,939
At 31 December 2013	32,813	3,306	23,255	5,066	64,440

The impairment reversal during the year of £128,000 represents a reappraisal of the carrying value of assets impaired during 2014 and was disclosed in the income statement as an administrative expense. The impairment in 2014 of £3,181,000 was the impairment of assets following the decision to close two manufacturing facilities and was disclosed in the income statement as exceptional operating items. The impaired assets are now classified as held for sale and the carrying value of £4,101,000 is based on fair value less costs of disposal.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 31 December 2015 was £86,000 (2014: £88,000) (2013: £197,000). Additions during the year include £48,000 (2014: £29,000) (2013: £34,000) of property, plant and equipment under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related liabilities.

Land and buildings with a carrying amount of £6,235,000 are subject to a first charge to secure the Group's bank loan.

No borrowing costs have been capitalised since the assets have not met the criteria for qualifying assets

16 Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name of company	Country of incorporation	Holding	Voting rights held (%)	Nature of business
Stelrad Radiator Holdings Limited	United Kingdom	Ordinary	100	Holding company
*Stelrad Management Limited	United Kingdom	Ordinary	100	Management services
*Stelrad Limited	United Kingdom	Ordinary	100	Radiator manufacturer
*Caradon Polska sp zoo	Poland	Ordinary	100	Radiator distributor
*Caradon Stelrad B.V.	The Netherlands	Ordinary	100	Radiator manufacturer
*Henrad NV	Belgium	Ordinary	100	Radiator manufacturer
*Termo Teknik Holdings Limited	United Kingdom	Ordinary	100	Holding company
*Termo Teknik Ticaret ve Sanayi A.S.	Turkey	Ordinary	100	Radiator manufacturer
*ISG Heating Equipment (Shanghai) Co., Ltd	China	Ordinary	100	Radiator distributor
*Caradon Stelrad GmbH	Germany	Ordinary	100	Radiator distributor
*Caradon Heating CZ sro	Czech Republic	Ordinary	100	Radiator distributor
*Caradon Heating LLC	Russia	Ordinary	100	Radiator distributor
*Ideal Heating Systems SRL	Romania	Ordinary	100	Dormant

* held by subsidiary companies

The dormant subsidiaries in the group comprise: Woolamai Group UK Limited, Woolamai Holdings (UK) Limited, Ideal Stelrad Group Limited, Caradon Plumbing Limited, Ideal Heating Limited, Natural Sustainable Energy Resources Limited, Henrad UK Limited. All are incorporated in the UK and 100% of the ordinary shares are owned.

Company

Cost and net book value

On incorporation

Shares acquired

At 31 December 2015

£

-

1

1

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

17 Discontinued operations

On 6 January 2015 the company disposed of its shareholding in Woolamai Holdings Jersey Limited to a third party company. The results of the group of companies headed by Woolamai Holdings Jersey Limited (the Boiler sub group) have therefore been classified as discontinued. The Group made a profit on disposal of the business of £220,383,000. The shares of Woolamai Holdings Jersey Limited were purchased by Stelrad Radiator Group Limited in exchange for the right of previous shareholders to future deferred consideration upon eventual sale of the boiler business.

At the point of sale the group received consideration of £256,398,000, this included £61,500,000 in settlement of intercompany balances owed to continuing operations. The balance of £194,898,000 was payable to the previous shareholders to settle their right to deferred consideration. The external Interest-bearing loans and borrowings within the disposal group were taken on by and immediately repaid by the purchaser.

The results for the period 1 January 2014 up to disposal are presented below:

	£'000
Revenue	191,831
Cost of sales	(132,707)
Gross profit	<u>59,124</u>
Expenses	(26,415)
Operating profit	<u>32,709</u>
Other finance costs – net	(11,343)
Profit before tax from discontinued operations	<u>21,366</u>
Income tax credit	3,879
Profit for the year from discontinued operations	<u>25,245</u>

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

The major classes of assets and liabilities disposed of on the 6 January 2015 were:

	£'000
Assets	
Goodwill	116,255
Property, plant and equipment	19,323
Cash and cash equivalents	20,669
Trade and other receivables	34,031
Other financial assets	35
Inventories	17,783
Deferred tax asset	5,095
Employee defined benefit assets	2,301
	<hr/> 215,492
Liabilities	
Trade and other payables	(42,075)
Interest-bearing loans and borrowings	(122,026)
Provisions	(16,641)
Income tax payable	(70)
Other financial liabilities	(69)
	<hr/> (180,881)
Total net assets disposed of	<hr/> 34,611
Consideration received for shares	(194,898)
Loan owed to continuing operations eliminated upon consolidation – settled at completion	(61,500)
Non-controlling interests at the point of sale – liabilities after the inclusion of payment to continuing operations	1,404
Profit on disposal of discontinued operations	<hr/> (220,383)

The net cash flows incurred by the Boiler sub group are as follows:

	2015 £'000	2014 £'000
Operating	-	40,029
Investing	-	(3,215)
Financing	-	(27,194)
Net cash inflow	<hr/> -	<hr/> 9,620

Non-controlling interests

The non-controlling interests arose from an external shareholding in Woolamai Holdings Jersey Limited and consequentially its direct subsidiaries. Woolamai Holdings Jersey Limited is incorporated in Jersey. Non-controlling interests owned 5.25% of the issued share capital as at 31 December 2014 (2013: 3%). The non-controlling interest no longer exists as at 31 December 2015 following the disposal of the investment in Woolamai Holdings Jersey Limited.

As noted previously, the group of companies headed by Woolamai Holdings Jersey Limited represents the Boiler sub group, which has been presented as a discontinued operation in these accounts and also disclosed as a disposal group, summary financial information is available in the tables presented in this note.

The profit and other comprehensive income allocated to non-controlling interests is outlined in the consolidated statement of changes in equity as are the cumulative non-controlling interests for each period.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

18 Assets and liabilities classified as held for sale and disposal groups

During the period the group has classified two separate non-current assets as held for sale:

- Production ceased at the Herentals site during 2014, the land and buildings are now unused following the final relocation of certain administrative functions. Management have decided that the most appropriate course of action is to sell the property and have therefore classified it as held for sale at the year end. Following the cessation of production in 2014 the land and buildings were impaired and measured at fair value less costs of disposal. The impairment made was £2,941,000 and is disclosed as part of exceptional operating items in 2014. The assets held for sale comprise property, plant and equipment.
- Production ceased at the Romania site during 2013, the land and buildings are now unused following the final use of inventories on site. Management have decided that the most appropriate course of action is to sell the property and have therefore classified it as held for sale at the year end. Following the cessation of production the land and buildings were impaired and measured at fair value less costs of disposal. The impairment made was £240,000 and is disclosed as part of administrative expenses in 2014. The assets held for sale comprise property, plant and equipment.

The valuations above are level 3 valuations and the fair value less costs of disposal has been determined based on independent valuation reports.

As at the 31 December 2014 there was a disposal group held for sale, the assets of which are set out in note 18.

19 Goodwill and impairment testing of goodwill

	Goodwill £'000
Cost and net book value	
At 1 January 2014	116,255
Disposal group	(116,255)
At 31 December 2014 and 31 December 2015	<hr/> - <hr/>

Goodwill arose on the acquisition of the ISG Holdings 1 Limited group of companies as a result of the excess of amounts paid over the net liabilities at the acquisition date.

Goodwill acquired through business combinations has been allocated entirely to the boilers division. As the boilers division was sold on the 6 January 2015 all of the goodwill was written off during the period at the point of sale and no impairment testing is required.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

20 Financial assets and liabilities

a) Financial assets and liabilities – other – not interest bearing

	2015 £'000	2014 £'000	2013 £'000
Assets			
Financial instruments at fair value through profit or loss			
Derivatives not designated as hedges – forex forward contracts	-	1,168	-
Total instruments at fair value through profit or loss	-	1,168	-
Current	-	1,168	-
Non-current	-	-	-
Liabilities			
Financial instruments at fair value through profit or loss			
Derivatives not designated as hedges – forex forward contracts	-	-	1,469
Interest rate swaps	-	-	12
Total instruments at fair value through profit or loss	-	-	1,481
Current	-	-	1,481
Non-current	-	-	-

Financial assets/(liabilities) through profit or loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

b) Financial liabilities – interest bearing loans and borrowings

Group	Effective interest rate %	Maturity	2015 £'000	2014 £'000	2013 £'000
Current interest bearing loans and borrowings					
Obligations under finance leases			30	25	67
Deferred consideration – shares			-	194,898	-
Deferred consideration – loan notes			-	60,306	-
£135m Senior loan facility	Libor + 7%	25 Sept 2020	-	-	5,989
€10m Turkish Loan Facility	Euribor + 3.20%	9 June 2020	1,634	-	-
£6.56m ABL Term Loan Facility	Libor / Euribor + 2.25%	10 July 2020	692	-	-
Unamortised loan costs			(175)	-	(1,218)
			<u>2,181</u>	<u>255,229</u>	<u>4,838</u>
Non-current interest bearing loans and borrowings					
Obligations under finance leases			30	21	28
£135m Senior loan facility	Libor + 7%	25 Sept 2020	-	-	129,011
£97.1m Ultimate shareholder loans	15%	25 Sept 2033	-	-	100,950
£41.3m Ultimate shareholder loan	15%	25 Sept 2033	27,254	41,838	-
£7.6m Immediate parent company loan	15%	25 Sept 2033	5,016	7,701	-
Deferred consideration – shares			194	-	-
€10m Turkish Loan Facility	Euribor + 3.20%	9 June 2020	5,723	-	-
£6.56m ABL Term Loan Facility	Libor / Euribor + 2.25%	10 July 2020	5,504	-	-
£25m ABL Revolving Credit Facility	Libor / Euribor + 1.50%	10 July 2020	4,915	-	-
Unamortised loan costs			(614)	-	(6,984)
			<u>48,022</u>	<u>49,560</u>	<u>223,005</u>
Total interest bearing loans and borrowings			<u>50,203</u>	<u>304,789</u>	<u>227,843</u>

Company	Effective interest rate %	Maturity	2015 £'000
Non-current interest bearing loans and borrowings			
£41.3m Ultimate shareholder loan	15%	25 Sept 2033	27,254
£7.6m Ultimate shareholder loans	15%	25 Sept 2033	5,016
Deferred consideration – shares			194
			<u>32,464</u>

On the 6 January 2015 when the Boiler sub group was disposed of all existing debt was repaid. The ongoing radiator business was financed exclusively by the current £41,328,000 ultimate shareholder loan and £7,607,000 immediate parent company loan which were put in place on 1 December 2014.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

The current ultimate shareholder loan and immediate parent company loan were set up by part settlement of the previous £97.1m shareholder loan. The remaining previous shareholder loan, totalling £60,306,000 at the date of separation of the Boiler subgroup, was purchased by the group (and therefore ceased to be an external liability of the group) in exchange for non-interest bearing deferred consideration of £60,306,000 due to the shareholders and intended to be settled on the future boiler business sale. When the current loan was put in place part of the debt (£250,000) was swapped for equity in Stelrad Radiator Group Limited of £250,000.

The deferred consideration for shares of £194,898,000 arose when the shares of Woolamai Holdings Jersey Limited were purchased by Stelrad Radiator Group Limited in exchange for the right of previous shareholders to future deferred consideration upon eventual sale of the boiler business. This was settled in large part (except for £194,000) on eventual sale of the boiler business.

The current ultimate shareholder loans consist of loan notes issued by The Bregal Fund III LP which are listed on the Channel Islands Securities Exchange.

Post disposal of the boiler business the group has obtained two separate external debt facilities:

- i) A €10m unsecured term loan facility drawn by Termo Teknik Ticaret ve Sanayi A.S.
- ii) A £31.56m Asset Based Lending ("ABL") facility with the Royal Bank of Scotland Invoice Finance.

The ABL facility is a cross collateral agreement secured on specific assets of certain group companies. Certain companies that are party to the agreement are able to draw borrowings that are secured on assets elsewhere in the group. As part of the facility the group has drawn down the following borrowings in the year:

- A £6.56m term loan secured on the land and buildings and plant and machinery of certain group companies.
- A proportion of the £25m revolving credit facility which is secured on the inventory (£8,773,000) and receivables (£10,857,000) of certain group companies.

After obtaining the two external debt facilities on the 17 July 2015 the group repaid principal and accrued interest on the ultimate shareholder loans totalling £19,847,000 and to the immediate parent company totalling £3,653,000. After accrued interest the ultimate shareholder loan balance at the 31 December 2015 is £27,254,000 and the immediate parent company loan balance is £5,016,000. Shareholders are also owed £194,000 of deferred consideration following the boiler business sale.

The previous Senior Loan facility was secured under an agreement giving the lenders prior claim over the assets of the company and those subsidiary undertakings in the events of default by the company or any subsidiary undertaking.

21 Inventories

Group	2015 £'000	2014 £'000	2013 £'000
Raw materials – cost	9,958	7,777	19,629
Work in progress – cost	761	985	1,339
Finished goods – lower of cost and net realisable value	12,849	12,186	20,378
Other consumables	2,187	3,410	10,253
	<u>25,755</u>	<u>24,358</u>	<u>51,599</u>

Cost of sales is deemed to reflect the cost of inventories recognised as an expense in the period.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

22 Trade and other receivables

Group	2015 £'000	2014 £'000	2013 £'000
Current			
Trade receivables	38,575	37,487	78,404
Other receivables	1,033	1,413	1,090
Prepayments	477	570	386
	<u>40,085</u>	<u>39,470</u>	<u>79,880</u>
Non-Current			
Trade receivables	<u>40</u>	<u>31</u>	<u>66</u>

As at 31 December 2015, trade receivables of an initial value of £1,411,000 (2014: £1,701,000) were impaired and provided for, either fully or in part. The table below sets out the movements in the provision for impairment of receivables:

	Individually impaired £'000	Collectively impaired £'000	Total £'000
At 1 January 2014	129	1,397	1,526
Charge for the year	45	-	45
Utilised	(54)	-	(54)
Unused amounts reversed	(9)	(75)	(84)
Exchange adjustment	(6)	(80)	(86)
Disposal group	-	(87)	(87)
At 31 December 2014	<u>105</u>	<u>1,155</u>	<u>1,260</u>
Charge for the year	13	-	13
Utilised	(6)	(11)	(17)
Exchange adjustment	(10)	(58)	(68)
At 31 December 2015	<u>102</u>	<u>1,086</u>	<u>1,188</u>

As at 31 December, the ageing analysis for trade receivables, after the deduction of provisions, is as follows:

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired		
			< 30 days £'000	30 – 90 days £'000	> 90 days £'000
2015	38,615	36,975	1,526	26	88
2014	37,518	34,991	2,092	189	246

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

23 Cash and cash equivalents

Group	2015 £'000	2014 £'000	2013 £'000
Cash at banks and on hand	<u>7,806</u>	<u>9,412</u>	<u>18,075</u>

At 31 December 2015, the Group had available £20,085,000 of undrawn committed borrowing facilities.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Group	2015 £'000	2014 £'000	2013 £'000
Cash at banks and on hand	7,806	9,412	18,075
Cash held within a disposal group	-	20,669	-
Cash and cash equivalents	<u>7,806</u>	<u>30,081</u>	<u>18,075</u>

24 Trade and other payables

Group	2015 £'000	2014 £'000	2013 £'000
Current			
Trade payables	26,922	25,575	59,129
Other payables and accruals	11,531	10,835	23,888
Other taxes and social security	2,599	2,238	9,359
Interest payable	9	16	152
	<u>41,061</u>	<u>38,664</u>	<u>92,528</u>

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

25 Provisions

Group	Warranty £'000	Environ- mental £'000	Restruct- uring £'000	Legal £'000	Unused vacation £'000	Property £'000	Total £'000
At 1 January 2014	14,064	1,091	33	-	-	154	15,342
Arising during the year	10,289	-	303	73	426	-	11,091
Utilised	(7,003)	(75)	(33)	-	-	(2)	(7,113)
Unused amounts reversed	(801)	-	-	-	-	-	(801)
Exchange adjustment	(2)	(70)	(4)	(2)	(5)	-	(83)
Disposal group	(16,489)	-	-	-	-	(152)	(16,641)
At 31 December 2014	58	946	299	71	421	-	1,795
Arising during the year	47	-	-	-	146	-	193
Utilised	(16)	(75)	(228)	(26)	-	-	(345)
Unused amounts reversed	-	-	(61)	-	(16)	-	(77)
Exchange adjustment	(9)	(51)	(7)	(5)	(71)	-	(143)
At 31 December 2015	80	820	3	40	480	-	1,423
Current	15	228	3	40	49	-	335
Non-current	65	592	-	-	431	-	1,088

Environmental remedial work

A provision is recognised for remedial costs expected to be incurred in Belgium to eliminate ground contamination. The provision is expected to be utilised over the next 10 years.

Unused vacation

A provision is recognised in respect of an unused vacation pay liability due to certain employees in Turkey.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

26 Issued capital and reserves

Group and company	2015 Number	2015 £	2014 Number	2014 £	2013 Number	2013 £
Authorised						
Ordinary shares of £1	249,876	249,876	249,876	249,876	-	-
Ordinary 'A' shares of £0.01 each	-	-	-	-	952,031	9,520
Ordinary 'B' shares of £1 each	-	-	-	-	47,403	47,403
Ordinary 'C' shares of £1 each	-	-	-	-	190,605	190,605
		<u>249,876</u>		<u>249,876</u>		<u>247,528</u>
Allotted, issued and fully paid:						
Ordinary shares of £1	249,876	249,876	249,876	249,876	-	-
Ordinary 'A' shares of £0.01 each	-	-	-	-	952,031	9,520
Ordinary 'B' shares of £1 each	-	-	-	-	47,403	47,403
Ordinary 'C' shares of £1 each	-	-	-	-	154,604	154,604
		<u>249,876</u>		<u>249,876</u>		<u>211,827</u>

The shares as at the 31 December 2013 are those issued by Woolamai Holdings Jersey Limited, the previous ultimate parent company. During 2014 Woolamai Holdings Jersey Limited issued 36,001 'C' shares at par value for cash consideration of £36,001.

On 1 December 2014, the company acquired the shares of Woolamai Holdings Jersey Limited. All shares of the company were issued on the 1 December 2014 as part of an internal restructure. The consideration of the shares was a reduction in shareholder debt of £250,000 which is outlined in note 20b.

Woolamai Holdings Jersey Limited was under common control at the point of acquisition. As a result continuation accounting has been applied in these financial statements such that these financial statements are a direct continuation of those previously prepared for Woolamai Holdings Jersey Limited. The difference between the previous and new equity amounts has been credited to a merger reserve in the period that the transaction took place.

The share capital as at the 31 December 2014 and 2015 above represents that issued in Stelrad Radiator Group Limited.

Including the impact of the share premium account, the merger reserve created is £940,000.

There is no difference between the 'A', 'B' and 'C' shares in relation to dividends and voting rights.

The shares are treated as a single class in the event of a winding up.

The full movements in reserves are shown as part of the statement of changes in equity.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

27 Commitments and contingencies

Operating lease commitments – Group as lessee

The Group is a lessee of land and buildings, vehicles and items of plant. The leases have an average life of between three and ten years. The leases have no renewal options. Under the terms of the land and buildings leases the premises must be restored to their original state, a cost is provided for this within provisions.

The future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2015 £'000	2014 £'000
Within one year	128	142
After one year but not more than five years	1,023	1,123
More than five years	678	657
	<u>1,829</u>	<u>1,922</u>

The operating lease commitments disclosed above exclude those relating to the disposal group.

Commitments

Amounts contracted for but not provided in the financial statements amounted to £1,711,000 (2014: £1,494,000) (2013: £524,000) for the group and £nil for the company. All amounts relate to property, plant and equipment. The 2015 and 2014 commitments relate only to continuing operations and the 2013 commitments relate to the whole group.

Contingent liabilities

Termo Teknik has issued letters of guarantee and letters of credit to its steel suppliers amounting to \$14,000,000 (2014: \$16,750,000) (2013: \$12,000,000) and \$10,603,000 (2014: \$9,264,000) (2013: \$16,708,000) respectively. Termo Teknik has also issued letters of credit denominated in Turkish Lira totaling TL1,599,000 (2014: TL1,529,000) (2013: TL1,529,000).

The group enters into various forward currency contracts to manage the risk of foreign currency exposures on certain purchases and sales. The total amount of unsettled forward contracts as at 31 December 2015 is £nil (2014: £25,922,000) (2013: £88,228,000).

The Fair Value of the unsettled forward contracts held at the Balance Sheet date, determined by reference to their market values is £nil (2014: favourable £1,168,000) (2013: adverse £1,469,000).

As part of the ABL facility the group is party to a cross collateral agreement secured on specific assets of certain group companies. No liability is expected to arise from this arrangement.

Under an unlimited multilateral guarantee, the company in common with certain fellow subsidiary undertakings in the UK has jointly and severally guaranteed the obligations falling due under the company's net overdraft facilities. No liability is expected to arise from this arrangement.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

28 Pensions and other post-employment plans

Group	2015 £'000	2014 £'000	2013 £'000
Net employee defined benefit liability			
Turkish scheme	2,059	2,074	1,320
UK schemes	-	-	(800)
Other retirement obligations – non IAS 19	409	477	201
	<u>2,468</u>	<u>2,551</u>	<u>721</u>

Turkish scheme

In Turkey there is an obligation to provide lump sum termination payments to certain employees. The IAS 19 valuation was a liability of £2,059,000 (2014: £2,074,000) (2013: £1,320,000). There are no assets held in this plan. The expected contributions to the plan for the next reporting period to cover benefits paid are £44,000. The service cost in the period totalled £210,000 (2014: £159,000).

UK schemes

The UK pension plan prior to the disposal of the boiler business contained four pension schemes.

- The Ideal Stelrad Group Pension Plan which has a defined benefit and defined contribution section;
- The Ideal Boilers Flexible Retirement Plan - a defined contribution only scheme;
- The Stelrad Group Pension Plan (SGPP) - a defined contribution only scheme; and
- The Stelrad Group Flexible Retirement Plan (SGFRP) - a defined contribution only scheme.

Post disposal of the boilers business in January 2015 only the SGPP and SGFRP remain as both The Ideal Stelrad Group Pension Plan and The Ideal Stelrad Group Flexible Retirement Plan were transferred with the sale.

The total employer contributions made in the accounting year were £nil (2014: £274,000) to the defined benefit scheme, and £951,000 (2014: £3,021,000) to the money purchase contributions sections of all schemes.

There were no outstanding contributions due to either scheme at the balance sheet date.

Other retirement obligations

The other retirement obligations relates to other overseas schemes. This liability mainly relates to pre-pension payments that are due to Belgian employees who have retired early £320,000 (2014: £347,000). The contributions to other retirement obligations in the period are reported as part of the employee benefits note and total £584,000 (2014: £479,000).

IAS 19 Accounting

Amounts recognised in the balance sheet:

	Turkish Scheme 2015 £'000	Turkish Scheme 2014 £'000	UK Scheme 2013 £'000	Turkish Scheme 2013 £'000	Total 2013 £'000
Fair value of plan assets	-	-	36,875	-	36,875
Defined benefit obligation	(2,059)	(2,074)	(36,075)	(1,320)	(37,395)
Net pension (liability)/asset	<u>(2,059)</u>	<u>(2,074)</u>	<u>800</u>	<u>(1,320)</u>	<u>(520)</u>

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Movement in defined benefit obligation:

	Turkish Scheme 2015 £'000	UK Scheme 2014 £'000	Turkish Scheme 2014 £'000	Total 2014 £'000
At 1 January	2,074	36,075	1,320	37,395
Current service cost	188	-	130	130
Past service cost	22	-	29	29
Interest cost	184	1,608	167	1,775
Actuarial losses	130	5,193	723	5,916
Benefits paid	(201)	(671)	(263)	(934)
Disposal group	-	(42,205)	-	(42,205)
Exchange differences	(338)	-	(32)	(32)
At 31 December	2,059	-	2,074	2,074

Movement in fair value of plan assets:

	UK Scheme 2014 £'000
At 1 January	36,875
Interest income	1,963
Employer contributions	274
Actuarial gain	6,065
Benefits and expenses paid	(671)
Disposal group	(44,506)
At 31 December	-

Nature of plan assets:

	UK Scheme 2013 £'000
Equities	23,080
Gilts	10,303
Cash	1,895
Corporate bonds	1,597
At 31 December	36,875

Amounts recognised in the income statement:

	Turkish Scheme 2015 £'000	UK Scheme 2014 £'000	Turkish Scheme 2014 £'000	Total 2014 £'000
Current service cost	188	-	130	130
Past service cost	22	-	29	29
Interest income	-	(1,963)	-	(1,963)
Interest cost	184	1,608	167	1,775
At 31 December	394	(355)	326	(29)

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Amounts recognised in other comprehensive income:

	Turkish Scheme 2015 £'000	UK Scheme 2014 £'000	Turkish Scheme 2014 £'000	Total 2014 £'000
Remeasurement gain on plan assets	-	6,065	-	6,065
Changes in financial assumptions – obligation	308	(4,693)	(514)	(5,207)
Experience adjustments – obligation	(438)	(500)	(209)	(709)
At 31 December	(130)	872	(723)	149

Principal actuarial assumptions:

	2015 Turkish Scheme	2014 UK Scheme	2014 Turkish Scheme	2013 UK Scheme	2013 Turkish Scheme
Discount rate	10.40%	3.60%	9.00%	4.50%	10.75%
Future salary increases	5.00%	n/a	5.00%	n/a	5.00%
Future pension increases	n/a	2.20%	n/a	2.55%	n/a
Inflation assumption	n/a	3.20%	n/a	3.55%	n/a

Assumed life expectancy of retirement at 65 are:

Retiring today					
Males	n/a	21.8	n/a	21.7	n/a
Females	n/a	24.2	n/a	34.2	n/a
Retiring in 20 years time					
Males	n/a	23.1	n/a	23.0	n/a
Females	n/a	25.8	n/a	25.7	n/a

Quantitative sensitivity analysis:

	Discount rate		Future salary increases	
	+ 1 % £'000	- 1 % £'000	+ 1 % £'000	- 1 % £'000
Impact on defined benefit obligation – Turkish scheme	186	(214)	(224)	197

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions at the end of the reporting period.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

29 Related party disclosures

The ultimate parent undertaking is Noosa Holdings Jersey Limited, a company registered in Jersey. The ultimate controlling party is The Bregal Fund III LP.

The ultimate shareholder loan and immediate parent company loans were put in place as part of the refinancing on 1 December 2014. The funding introduced to the group was £48,935,000 and bears interest at 15%. This amounts consists of two amounts: i) an amount funded by the ultimate controlling party of the group, The Bregal Fund III LP (£41,328,000); and ii) an amount funded by the immediate parent company (£7,607,000). On 17 July 2015 £23,500,000 of this balance was repaid including an amount related to accrued interest (The Bregal Fund III LP: £19,847,000; immediate parent company £3,653,000).

The loans compound periodically and the principal at the 31 December 2015 was £32,257,000 with interest accrued on this loan up to the balance sheet date of £13,000 (The Bregal Fund III LP: £27,254,000; immediate parent company £5,016,000 including accrued interest). There is also a separate deferred consideration balance due to shareholders of £194,000.

As at the 31 December 2014 new shareholder loans and the deferred consideration relating to the old shareholder loan were in total £109,845,000 (The Bregal Fund III LP: £41,837,000; immediate parent company £7,701,000; and deferred consideration £60,306,000 – split between The Bregal Fund III LP and managers) (2013: £100,950,000 old shareholder loan - The Bregal Fund III LP: £98,008,000; managers £2,942,000). As at 31 December 2014 the deferred consideration relating to shares in the boiler subgroup was £194,898,000 (The Bregal Fund III LP: £164,558,000; managers £30,340,000). The deferred consideration, except for £194,000 which remains outstanding was settled in 2015 on sale of the boiler business.

In relation to the old shareholder loan during 2014, £4,993,000 (The Bregal Fund III LP: £4,847,000; managers £146,000) was repaid and £13,534,000 interest accrued (The Bregal Fund III LP: £13,139,000; managers £395,000) giving a balance of £109,491,000 (The Bregal Fund III LP: £106,300,000; managers £3,191,000) immediately prior to the separation of the boilers subgroup. Upon separation of the boilers subgroup the loan was split into a new loan of £48,935,000 and deferred consideration due of £60,306,000 in respect of the old shareholder loan (as described in note 20b).

Under the ownership agreement the group is charged a monitoring fee of £200,000 per annum by Bregal Capital LLP, who are the management company of the ultimate controlling party of the group, The Bregal Fund III LP. An amount of £50,000 (2014: £50,000) (2013: £53,000) was accrued for this at the year end.

The key management personnel are considered to be the directors of the group. The following table highlights the remuneration that it recorded in the income statement in respect of these personnel, including company social security costs:

	2015 £'000	2014 £'000
Salaries / fees	1,127	1,109
Bonuses	585	476
	<u>1,712</u>	<u>1,576</u>

The 2014 figure relates to the key management personnel of Woolamai Holdings Jersey Limited. The key management personnel of Woolamai Holdings Jersey Limited who received remuneration are the same key management personnel who received remuneration for the company.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Company related party transactions

At the year end the company is owed £24,418,000 from Stelrad Radiator Holdings Limited, a subsidiary of the company (this is a net balance with an asset of £43,832,000 and a liability of £19,414,000 with only the liability accruing interest at 15%). On the 18 December 2014 when the company acquired Stelrad Radiator Holdings Limited it also obtained a receivable balance of £49,185,000, during the period £5,353,000 of this asset has been repaid. The liability arose on the 17 July 2015 when Stelrad Radiator Holdings Limited purchased £18,147,000 of loan notes owed by the company to The Bregal Fund III LP, the loan notes have subsequently accrued interest owing to Stelrad Radiator Holdings Limited of £1,267,000.

At the year end the company is owed £1,388,000 from Stelrad Management Limited, a subsidiary of the company. The asset arose due to a net advance of funding within the period.

At the year end the company owes The Bregal Fund III LP £27,254,000. The origination of the loan balance is covered as part of the group related party transactions above. The opening balance of £41,328,000 has moved due to i) the £18,147,000 of loan notes purchased by Stelrad Radiator Holdings Limited; ii) accrued interest repaid of £1,700,000; and iii) the accrual of interest in the period of £5,773,000

At the year end the company owes the immediate parent company £5,016,000. The origination of the loan balance is covered as part of the group related party transactions above. The opening balance of £7,607,000 has moved due to i) loan and accrued interest repaid of £3,653,000; and iii) the accrual of interest in the period of £1,062,000.

On the 1 December 2014 the company acquired loan notes issued by Woolamai Holdings Jersey Limited and ISG Holdings 1 Limited, both former subsidiaries of the company, from the shareholders of the company totalling £60,306,000 in exchange for non-interest bearing deferred consideration of £60,306,000. During the period the loan notes accrued interest of £1,194,000 and were eventually redeemed for £61,500,000 on 6 January 2015, on the same date the company repaid the deferred consideration balance of £60,306,000 to the shareholders.

On the 1 December 2014, the company acquired the shares in Woolamai Holdings Jersey Limited in exchange for the right to deferred consideration totalling £194,898,000 to be settled upon the eventual sale of the boiler business. During the period this was settled in large part, except for £194,000.

30 Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

31 Financial instrument disclosures

a) Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Year ended 31 December 2014	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
<i>Derivative financial assets</i>				
Foreign exchange forward contracts – USD/GBP	887	-	887	-
Foreign exchange forward contracts – USD/Euro	281	-	281	-
Year ended 31 December 2013	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Liabilities measured at fair value				
<i>Derivative financial liabilities</i>				
Foreign exchange forward contracts – USD/GBP	388	-	388	-
Foreign exchange forward contracts – USD/Euro	654	-	654	-
Foreign exchange forward contracts – Euro/GBP	427	-	427	-
Interest rate swap – libor	12	-	12	-

Level 1: Quoted prices in active markets

Level 2: Significant observable inputs

Level 3: Significant unobservable inputs

b) Hedging activity and derivatives

Derivatives not designated as hedging instruments

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 12 months.

Hedge of net investments in foreign operations

Included in loans at 31 December 2015 were EURO denominated borrowings which have been designated as a hedge of the net investments in its overseas subsidiaries. This borrowing is being used to hedge the Group's exposure to the EURO foreign exchange risk on these investments.

Gains or losses on the retranslation of this borrowing are transferred to Other Comprehensive Income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2015.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

c) Fair value of financial instruments

Group	Carrying amount			Fair value		
	2015 £'000	2014 £'000	2013 £'000	2015 £'000	2014 £'000	2013 £'000
Financial liabilities						
£41.3m Ultimate shareholder loans	27,254	41,838	-	27,254	41,838	-
£7.6m Immediate parent company loan	5,016	7,701	-	5,016	7,701	-
€10m Turkish Loan Facility	7,357	-	-	7,357	-	-
£6.56m ABL Term Loan Facility	6,196	-	-	6,196	-	-
£25m ABL Revolving Credit Facility	4,915	-	-	4,915	-	-
£135m Senior loan facility	-	-	135,000	-	-	135,000
£97.1m Ultimate shareholder loans	-	-	100,950	-	-	100,950
	<u>50,738</u>	<u>49,539</u>	<u>235,950</u>	<u>50,738</u>	<u>49,539</u>	<u>235,950</u>

The external loan balances are stated gross of any issue costs and in 2014 the debt balances within the disposal group are excluded.

The directors consider that the carrying amount of the shareholder loans is equal to their fair value as this is the amount at which the borrowings could be settled by the group.

The financial assets and liabilities of the company are intercompany and shareholder loans, the carrying value of which is deemed to be equal to the fair value as this is the amount at which the loans could be settled for.

The management assessed that cash and cash equivalents, Obligations under finance leases and hire purchase contracts, trade and other receivables, trade and other payables and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. As the external debt is all at variable rate the fair values are deemed to be identical to the carrying values. The rate at which interest is paid on the shareholder debt is deemed to be representative of that that would have been assigned if the debt was issued as at the end of the reporting period.
- The financial liabilities which are not recognised at fair value but for which fair value is disclosed are deemed to be level 2 hierarchy measurements, with the exception of shareholder debt which is deemed to be a level 3 valuation.
- There are not deemed to be any significant unobservable inputs to valuation.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

d) Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise of interest bearing borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group also enters into derivative transactions. Due to timing there are no unsettled derivative contracts as at the end of the reporting period.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by individuals that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The group has established a risk and financial management framework, the primary objectives of which are to protect the group from events that may hinder the achievement of financial performance objectives. These are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and commodity price risk. Financial instruments affected by market risk include interest bearing borrowings and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily due to long term interest bearing borrowings.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate borrowings. To manage this, where deemed appropriate, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

At 31 December 2015, due to a proportionally low level of variable rate debt, no interest rate swaps are in place. Approximately 64% of the Group's borrowings are at a fixed rate of interest.

Interest rate risk – sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant the group's profit before tax would be impacted as follows:

Year ended 31 December 2015	Increase / decrease	Effect on profit before tax £'000
Libor / Euribor	+0.5%	(50)
Libor / Euribor	-0.5%	52

Note, there were no variable interest loans held by continuing operations in 2014.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue and expenses are denominated in different currencies) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period.

The Group hedges its exposure to fluctuations on the translation into GBP of its foreign operations by holding net borrowings in foreign currencies.

Foreign currency risk – sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in Euros and USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The impact on the Group's equity is due to the net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

The movement in equity arises from changes in Euro denominated borrowings in the hedge of net investments European operations. These movements will offset the translation of the European operations' net assets into sterling – this movement is not shown.

	Change in Euro rate	Effect on profit before tax £'000	Effect on equity £'000
2015	+5%	(151)	1,439
	-5%	167	(1,590)
2014	+5%	(212)	957
	-5%	235	(1,058)

	Change in USD rate	Effect on profit before tax £'000
2015	+5%	403
	-5%	(445)
2014	+5%	(224)
	-5%	248

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require a continuous supply of steel which poses a risk due to the volatility of the price of the steel. The group seeks to manage its exposure to commodity price risk by holding enough stock to negate short term price fluctuations and if necessary allow sufficient time to pass price changes through to customers.

Demand risk

The market for the group's goods is subject to movements in demand as the demand for new housing or upgrades to existing housing stock varies. The group manages these variations through careful forecasting and flexing of production volumes. Financing arrangements anticipate demand changes and associated working capital movements.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit. Overseas subsidiaries have credit insurance policies in place to minimise the risk of trade debts going bad without recompense. UK subsidiaries have no credit insurance policy in place due to the cost of insurance not being justified by the low risk of non-recoverability with a large proportion of receivables being due from the three major customers.

Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as medium, as it has several large customers in linked markets.

Deposits with banks and other financial institutions

Credit risk from balances with banks and other financial institutions is managed by the Group's treasury team in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. The Group's maximum exposure to credit risk is the cash and cash equivalents balance outlined in the balance sheet at 31 December 2015.

Liquidity risk

The Group monitors its risk to a shortage of funds using monitoring requirements on a daily basis looking out over various time periods. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank revolver and finance leases. The Group's policy is that not more than 10% of borrowings should mature in the next 12-month period.

Approximately 4.3% of the Group's debt will mature in less than one year at 31 December 2015 based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The availability under revolving credit facility is linked to the level of receivables and inventories held by the business. The Group has to carefully monitor expected receivable and inventory balances to understand what the availability will be.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

The table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing loans comprise interest and principal, with interest determined based on rates prevailing at the balance sheet date. The foreign exchange forward contracts are subject to both a cash outflow and also a cash inflow, the cash inflows are not reported in the analysis below, if they were the cash outflow would be substantially lower or indeed even a net inflow.

Group

Year ended 31 December 2015	< 1 year	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000
Obligations under finance leases	30	30	-	60
£41.3m Ultimate shareholder loans	-	-	27,254	27,254
£7.6m Immediate parent company loan	-	-	5,016	5,016
Deferred consideration	-	-	194	194
Interest bearing loans	2,703	16,866	-	19,569
Trade and other payables	38,462	-	-	38,462
	<u>41,195</u>	<u>16,896</u>	<u>32,464</u>	<u>90,555</u>

The financial liabilities of the company are part of the ultimate shareholder and immediate parent company loans with the same terms and conditions and maturity is as outlined above.

Group

Year ended 31 December 2014	< 1 year	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000
Obligations under finance leases	25	21	-	46
£41.3m Ultimate shareholder loans	-	-	41,838	41,838
£7.6m Immediate parent company loan	-	-	7,701	7,701
Deferred consideration	255,204	-	-	255,204
Trade and other payables	36,426	-	-	36,426
Foreign exchange forward contracts - outflows	17,627	-	-	17,627
	<u>309,282</u>	<u>21</u>	<u>49,539</u>	<u>358,842</u>

The financial liabilities included within the disposal group are excluded from this analysis.

Group

Year ended 31 December 2013	< 1 year	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000
Obligations under finance leases	67	28	-	95
Other financial liabilities	12	-	-	12
Interest bearing loans	15,779	38,874	144,789	199,442
£97.1m Ultimate shareholder loans	-	-	100,950	100,950
Trade and other payables	83,169	-	-	83,169
Foreign exchange forward contracts - outflows	88,228	-	-	88,228
	<u>187,255</u>	<u>38,902</u>	<u>245,739</u>	<u>471,896</u>

The above tables do not include the interest cash flows for the ultimate shareholder loan notes. The amount shown in the tables include the principal amount plus accrued interest up to the balance sheet date. The expected timing of repayment of the loans and associated interest is unknown, and may occur before the maturity date. The timing of repayment will affect the ultimate amount of loan and interest repayments to be paid to the lenders.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

32 First time adoption of IFRS

These financial statements, for the year ended 31 December 2015, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2014, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods on or after 31 December 2015, together with comparative period data as at and for the year ended 31 December 2014. In preparing these financial statements, the Group's opening balance sheet was prepared as at 1 January 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP financial statements.

Exemptions applied

The Group has applied the following first-time adoption exemptions:

- *IFRS 3 Business Combinations* has not been applied to the acquisition of subsidiaries that occurred before 1 January 2014. Using this exemption means that the UK GAAP carrying values of assets and liabilities become their deemed cost under IFRS. After the date of acquisition measurement is in accordance with IFRS. This means that the Goodwill recognised has not been split into any other components.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2014.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Group reconciliation of equity as at 1 January 2014 (date of transition to IFRS)

	Notes	UK GAAP 1 Jan 2014 £'000	Continuation stats Adjs £'000	Other Adjs £'000	IFRS as at 1 Jan 2014 £'000
Assets					
Non-current assets					
Property, plant and equipment		64,440			64,440
Intangible assets	A	116,255			116,255
Trade and other receivables		66			66
Non-current financial assets		-			-
Deferred tax assets	C	3,640		(1,938)	1,702
		<u>184,401</u>			<u>182,463</u>
Current assets					
Inventories		51,599			51,599
Trade and other receivables		79,880			79,880
Income tax receivable		514			514
Other current financial assets		-			-
Cash and cash equivalents		18,075			18,075
		<u>150,068</u>			<u>150,068</u>
Total assets		<u>334,469</u>			<u>332,531</u>
Equity and liabilities					
Equity					
Issued capital		212			212
Share premium		942			942
Merger reserve		-			-
Foreign currency reserve		-			-
Cash flow hedge reserve		-	43	(1,170)	(1,127)
Retained losses		(3,919)	170	(3,169)	(6,918)
Total deficit attributable to owners of the parent		<u>(2,765)</u>			<u>(6,891)</u>
Non-controlling interests		-	(213)		(213)
Total deficit		<u>(2,765)</u>			<u>(7,104)</u>
Non-current liabilities					
Interest-bearing loans and borrowings		223,005			223,005
Other non-current financial liabilities		-		-	-
Provisions	F	15,342		(6,501)	8,841
Net employee defined benefit liabilities	C,E	1,257		(536)	721
Deferred tax liabilities	C	-		1,456	1,456
		<u>239,604</u>			<u>234,023</u>
Current liabilities					
Trade and other payables		92,528			92,528
Interest-bearing loans and borrowings		4,838			4,838
Other current financial liabilities	B	-		1,481	1,481
Provisions	F	-		6,501	6,501
Income tax payable		264			264
		<u>97,630</u>			<u>105,612</u>
Total liabilities		<u>337,234</u>			<u>339,635</u>
Total deficit and liabilities		<u>334,469</u>			<u>332,531</u>

These financial statements are a continuation of those prepared for the previous parent company of the Group. The continuation accounting adjustment introduces non-controlling interests into the group which have arisen following a group restructure.

The other adjustments are those required under the transition to IFRS.

The UK GAAP balance sheet has been set out in the balance sheet format used under IFRS.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Group reconciliation of equity as at 31 December 2014

		UK GAAP	Disposal	Continuation	Continuation	Continuation	Other	IFRS as at
		31 Dec 2014	group	stats	stats	stats		
	Note	£'000	£'000	Adjs 1	Adjs 2	Adjs 3	Adjs	31 Dec 2014
	s			£'000	£'000	£'000	£'000	£'000
Assets								
Non-current assets								
Property, plant and equipment		19,323	(19,323)	41,939				41,939
Intangible assets	A	110,369	(110,369)	-				-
Trade and other receivables		-		31				31
Non-current financial assets		-						-
Deferred tax assets	C	6,020	(6,020)	3,130			(1,884)	1,246
		<u>135,712</u>						<u>43,216</u>
Current assets								
Inventories		17,783	(17,783)	24,358				24,358
Trade and other receivables		34,030	(34,030)	39,470				39,470
Income tax receivable		-		52				52
Other current financial assets	B	-		-			1,168	1,168
Cash and cash equivalents		20,669	(20,669)	9,412				9,412
		<u>72,482</u>						<u>74,460</u>
Assets classified as held for sale	A,B,C		208,194				7,298	215,492
Total assets		<u>208,194</u>						<u>333,168</u>
Equity and liabilities								
Equity								
Issued capital		248		250	(248)			250
Share premium		942		-	(942)			-
Merger reserve		-		250	(193,958)			(193,708)
Foreign currency reserve		-				127	(3,461)	(3,334)
Retained earnings		(35,166)		26,026	698	1,277	9,559	2,394
Total deficit attributable to owners of the parent		<u>(33,976)</u>						<u>(194,398)</u>
Non-controlling interests		-				(1,404)		(1,404)
Total deficit		<u>(33,976)</u>						<u>(195,802)</u>
Non-current liabilities								
Interest-bearing loans and borrowings		184,601	(123,243)	(11,350)	(448)			49,560
Other non-current financial liabilities		-	-					-
Provisions	F	16,641	(16,641)	1,795			(370)	1,425
Employee defined benefit liabilities	C	-		2,136			415	2,551
Deferred tax liabilities		-						-
		<u>201,242</u>						<u>53,536</u>
Current liabilities								
Trade and other payables		42,075	(42,075)	38,664				38,664
Interest-bearing loans and borrowings		(1,217)	1,217	60,331	194,898			255,229
Other current financial liabilities		-						-
Provisions	F	-					370	370
Income tax payable		70	(70)	290				290
		<u>40,928</u>						<u>294,553</u>
Liabilities classified as held for sale	B		180,812				69	180,881
Total liabilities		<u>242,170</u>						<u>528,970</u>
Total deficit and liabilities		<u>208,194</u>						<u>333,168</u>

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

These financial statements are a continuation of those prepared for the previous parent company of the Group. The first set of continuation adjustments reverse the disposal of a business that was still under common ownership of the new parent and adjust for intercompany loan transactions and a debt for equity swap. The second set of continuation adjustments set out above adjusts for the difference in equity of the two parent companies, eliminates further intercompany transactions and accounts for the deferred consideration created on reorganisation of the business. The third continuation accounting adjustment introduces non-controlling interests into the group which have arisen following a group restructure.

The disposal group adjustment shows the reclassification of assets and liabilities relating to discontinued operations into assets and liabilities held for sale because the boiler business qualifies as a disposal group.

The other adjustments are those required under the transition to IFRS. The UK GAAP balance sheet has been set out in the balance sheet format used under IFRS.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Group reconciliation of profit or loss for the year ended 31 December 2014

		UK GAAP Discont- inued 31 Dec 2014	UK GAAP Continuing 31 Dec 2014	UK GAAP Total 31 Dec 2014	Discont- inued Adjs B, C, E, I £'000	Continuat ion stats Adjs £'000	Other Adjs £'000	IFRS 31 Dec 2014 £'000
	Notes	£'000	£'000	£'000				
Continuing operations								
Revenue		191,831	176,879	368,710	(191,831)			176,879
Cost of sales		(132,974)	(133,002)	(265,976)	132,974			(133,002)
Gross profit		<u>58,857</u>	<u>43,877</u>	<u>102,734</u>				<u>43,877</u>
Selling and distribution expenses		(13,887)	(27,106)	(40,993)	13,887			(27,106)
Administrative expenses		(10,184)	(9,833)	(20,017)	10,184	(240)		(10,073)
Goodwill amortisation	A	(5,886)	-	(5,886)			5,886	-
Exceptional operating items		(1,888)	(9,565)	(11,453)	1,888			(9,565)
Other operating income	B	125	103	228	(125)		346	449
Other operating expenses	B	(280)	(2,190)	(2,470)	280		822	(1,368)
Operating profit/(loss)		<u>26,857</u>	<u>(4,714)</u>	<u>22,143</u>				<u>(3,786)</u>
Loss of sale of subsidiary				(26,504)		26,504		-
Finance income				54	(40)			14
Finance costs				(26,886)	11,750	448		(14,688)
Loss before tax from continuing operations				<u>(31,193)</u>				<u>(18,460)</u>
Income tax income	C			4,212	(3,696)		784	1,300
Loss for the year				<u>(26,981)</u>				<u>(17,160)</u>
Discontinued operations								
Profit/ after tax for the year from discontinued operations				-	24,729		516	25,245
Loss for the year				<u>(26,981)</u>				<u>8,085</u>

These financial statements are a continuation of those prepared for the previous parent company of the Group.

The continuation adjustments above perform the following accounting entries:

- Reverse the loss on disposal of a business that was still under common ownership of the new parent;
- Add the results of the new parent companies from the 1 December 2014 to 31 December 2014 which were not included in the previous group accounts and eliminates intercompany transactions previously disclosed; and
- Include an impairment loss of £240,000 which was recognised by the radiator business after it was disposed of to common owners.

The discontinued operations adjustment reclassifies the results of the boiler business to a single line in the income statement.

The other adjustments are those required under the transition to IFRS.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

Group reconciliation of other comprehensive income for the year ended 31 December 2014

		UK GAAP	Continuation	Other	IFRS
	Notes	31 Dec 2014 £'000	stats Adjs £'000	Adjs £'000	31 Dec 2014 £'000
(Loss)/profit for the year		(26,981)	26,712	8,354	8,085
Other comprehensive income/(expense)					
<i>Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:</i>					
Movement on cash flow hedges	G	-		1,469	1,469
Income tax effect	C	-		(299)	(299)
Net gain on hedge of a net investment		1,610			1,610
Income tax effect	C	-		(346)	(346)
Exchange differences on translation of foreign operations	D	(4,879)		154	(4,725)
Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods		(3,269)			(2,291)
<i>Other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods:</i>					
Re-measurement losses on defined benefit plans	E	(997)		1,146	149
Income tax effect	C	-		(29)	(29)
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		(997)			120
Other comprehensive expense for the year, net of tax		(4,266)			(2,171)
Total comprehensive (expense)/income for the year, net of tax		(31,247)			5,914

These financial statements are a continuation of those prepared for the previous parent company of the Group. The continuation adjustments above reverse the disposal of a business that was still under common ownership of the new parent.

The other adjustments are those required under the transition to IFRS.

Group reconciliation notes

A) Goodwill

Under UK GAAP goodwill is amortised over a period of 20 years. Under IFRS goodwill is not amortised but instead is subject to annual impairment reviews. As a result of the transition to IFRS the goodwill amortisation charge made in the year ended 31 December 2014 has been reversed.

B) Other financial assets and liabilities

The fair value of forward foreign exchange contracts and interest rate swaps are recognised under IFRS, but were not recognised under UK GAAP. These instruments have been accounted for at fair value through profit and loss.

Stelrad Radiator Group Limited

Notes to the consolidated and parent company financial statements for the year ended 31 December 2015

C) Taxation

Various transition adjustments have led to different temporary differences, significantly in relation to:

- i) the recognition of the fair value of forward contracts and interest rate swaps on the balance sheet; and
- ii) the recognition of deferred tax on fair value adjustments arising from previous business combinations.

Deferred tax previously offset against pension liabilities has also been reclassified to deferred tax assets and the associated movement in deferred tax has been reclassified from the income statement movement to other comprehensive income. The income tax effect in relation to the hedge of a net investment has been reclassified to other comprehensive income. Due to accounting for cash flow hedges within other comprehensive income a tax effect has also arisen.

D) Foreign exchange differences

Additional currency retranslation differences have arisen following balance sheet adjustments made upon transition.

E) Pensions

Upon transition to IFRS the company has implemented IFRIC 14 and therefore recognised a pension surplus which was previously unrecognised under UK GAAP.

F) Provisions

Under UK GAAP there is no current / non-current classification of provisions. Upon transition to IFRS an amount of provisions has been disclosed as current.

G) Cash flow hedges

Under IFRS 1 the fair value of foreign exchange contracts, even though not designated as hedging instruments, is required to be recognised as a cash flow hedge reserve.

H) Statement of cash flows

The transition from UK GAAP to IFRS has not had a material impact on the statement of cash flows.

I) Discontinued operations and disposal group

During the transition period the Boiler business has been disposed of. Under UK GAAP this is presented differently to that under IFRS. The presentation of discontinued operations in the Income statement has been amended from a columnar approach under UK GAAP to being shown as a single line item under IFRS. Under IFRS the Boiler business also qualifies as a disposal group and the therefore its assets and liabilities have been reclassified to assets and liabilities held for sale.