

**VAILLANT INDUSTRIAL UK LIMITED**

**Vaillant Industrial UK Limited**

**Company number : 01064184**

**Report and Financial Statements**

**Year Ended**

**31 December 2016**

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# **VAILLANT INDUSTRIAL UK LIMITED**

## **Report and financial statements for the year ended 31 December 2016**

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### **Directors**

S S Bhadal  
K Jesse  
K Kock  
N J Partridge  
N Schiedeck  
A Stark

### **Secretary and registered office**

S S Bhadal

Nottingham Road, Belper, Derbyshire, DE56 1JT

### **Company number**

01064184

### **Independent Auditors**

PricewaterhouseCoopers LLP, St Paul's Place, 121 Norfolk Street, Sheffield, S1 2LE

# **VAILLANT INDUSTRIAL UK LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The income statement is set out on page 8 and shows revenue for the year of £158.3m (2015: £162.1m) which is a decrease of 2% largely due to market conditions. This resulted in a profit for the financial year of £23.2m (2015: £20.4m). The increase is partially due to gains from forward foreign currency contracts.

The statement of financial position set out on page 9 shows property, plant and equipment for the year of £10.3m (2015: £10.1m), an increase coming from further investment in new efficient processes, equipment and machinery for future product ranges.

During 2016, both UK and European markets continued the trend towards higher efficiency products which has been evident over the past few years. As a result of being at the forefront of energy efficient technology, the Company is well placed to benefit from this development.

The Company's heating products are exclusively high efficiency boilers sold in both the Domestic and European boiler markets where demand continued to be stable throughout 2016. The Company continued to develop its product range of high efficiency appliances and has new product launches planned for 2017.

The Company continues to focus on what it perceives as key business issues. These include the quality of its products and processes, sustainability issues and the health and safety of its employees.

It seeks to improve the working environment of its employees through a number of different continuous improvement methods and initiatives, with the involvement of employees in all aspects of company activities. The Company is also committed to the continuous development of its employees.

The directors anticipate a continuation of this positive performance within the gas heating sector and are looking to the future with confidence.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The general economic outlook remains uncertain and the market for domestic heating appliances both in the UK and the EU, to which the Company supplies its products, is expected to remain highly competitive.

The Company's sales to customers in Europe are made in Euros along with purchased components from suppliers in Europe that are also purchased in Euros. The Company is therefore exposed to movements in the Euro to Sterling exchange rate. The Company manages the net exposure using financial instruments to optimise the impact from foreign currency movements.

Commodity prices generally have increased over the recent past but this is not currently seen as an area of major risk. A number of key suppliers are known to be partially covered by hedge arrangements on some key commodities such as copper and aluminium. This in turn should reduce the impact of any further changes in commodity prices which may be passed on to the Company.

The Company considers credit risk and monitors cash flow as part of its day to day control procedures. Cash flow projections are considered on a regular basis to ensure that appropriate facilities are available.

### **ENVIRONMENTAL ISSUES**

The Company ensures that any environmental issues are fully considered and continues to play a prominent role in the promotion of high efficiency domestic appliances and renewable energy products, which are more beneficial for the environment.

The Company is committed to reducing its environmental impact and continually improving its environmental performance as an integral and fundamental part of its business strategy, and through development in product technologies and through operating methods. It is also a matter of delivering on its duty of care towards future generations.

# VAILLANT INDUSTRIAL UK LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### FINANCIAL KEY PERFORMANCE INDICATORS

The Key Performance Indicators used to monitor the business on a monthly basis include both financial and non-financial KPIs. Key Non-financial KPIs include unit sales, production efficiency, headcount, and quality trends. The actual performance is tracked against industry and group targets. Most indicators in 2016 performed well against targets and have strong links into the financial performance.

In conjunction with the management of costs, working capital and cash flows in order to improve operating profit, the company uses certain financial KPIs to monitor its performance, notably:

	<u>2016</u>	<u>2015</u>	<u>Deviation</u>
Revenue (£'000)	158,327	162,056	(3,729)
Operating expenses (£'000)	(129,257)	(136,444)	7,187
Operating profit %	18.4%	15.8%	2.6%

By Order of the Board



S S Bhadal

SECRETARY

21<sup>st</sup> March 2017

Registered Office:  
Nottingham Road  
BELPER  
Derbyshire  
DE56 1JT

## **VAILLANT INDUSTRIAL UK LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the audited financial statements for the year ended 31 December 2016.

#### **DIRECTORS AND THEIR INTERESTS**

The following is a list of all persons who were directors of the Company at any time during the period between 1 January 2016 and the date of this report.

S S Bhadal  
J Borkowski - Resigned 26<sup>th</sup> April 2016  
K Jesse - Appointed 1<sup>st</sup> August 2016  
K Kock  
J E Moore - Resigned 31<sup>st</sup> July 2016  
N J Partridge  
N Schiedeck  
A Stark

No director has any interests in the share capital of the Company, either by way of holdings or share options, or of any group company at any time during the year.

The ultimate parent company is Vaillant GmbH, a company incorporated in Germany.

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has arranged qualifying third party indemnity for all of its directors.

#### **DIVIDENDS**

The directors declared and paid an interim dividend in 2016 of £24.0m (2015: £12.5m). No final dividend was proposed (2015: NIL).

#### **POST REPORTING EVENTS**

There have been no events since the balance sheet date, which materially affect the profits of the Company.

#### **GOING CONCERN**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **LIKELY FUTURE DEVELOPMENTS**

All likely future developments have been covered under the review of the business in the Strategic Report on page 1.

#### **CREDIT RISK**

Credit risk has been covered under principle risks and uncertainties in the Strategic Report on page 1.

## **VAILLANT INDUSTRIAL UK LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

#### **EMPLOYEES**

The Company considers all forms of discrimination to be unacceptable in the workplace. The Company is committed to providing equal opportunities throughout employment, including in the remuneration, recruitment, training and promotion of staff. The Company is committed to ensuring that no employee receives less favourable treatment or is unlawfully discriminated against on grounds of disability, gender, sexual orientation, marital status, race, colour, religion, age, nationality or ethnic origin.

The Company continues its practice of keeping all its employees informed on matters affecting them.

The Company gives full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the development of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

#### **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

The current directors have taken the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

## **VAILLANT INDUSTRIAL UK LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

#### **In preparing the financial statements, the directors are required to:**

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



S S Bhadal  
SECRETARY

21<sup>st</sup> March 2017

Registered Office:  
Nottingham Road  
BELPER  
Derbyshire  
DE56 1JT

# **VAILLANT INDUSTRIAL UK LIMITED**

## **Independent auditors' report to the members of Vaillant Industrial UK Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Vaillant Industrial UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

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

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.



# **VAILLANT INDUSTRIAL UK LIMITED**

## **Independent auditors' report to the members of Vaillant Industrial UK Limited (CONTINUED)**

### **Directors' remuneration**

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

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of the Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **What an audit of financial statements involves**

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.



Andy Ward (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Sheffield

10<sup>th</sup> April 2017

# VAILLANT INDUSTRIAL UK LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	<u>2016</u> £'000	<u>2015</u> £'000
<b>REVENUE</b>	2	158,327	162,056
Other operating income	3	7	19
Operating expenses	3	<u>(129,257)</u>	<u>(136,444)</u>
<b>OPERATING PROFIT</b>	4	29,077	25,631
Finance costs	6	<u>(7)</u>	<u>(4)</u>
<b>PROFIT BEFORE TAXATION</b>		29,070	25,627
Income tax expense	7	<u>(5,830)</u>	<u>(5,264)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>23,240</u>	<u>20,363</u>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	<u>2016</u> £'000	<u>2015</u> £'000
<b>PROFIT FOR THE FINANCIAL YEAR</b>		23,240	20,363
Change in value of hedge instruments	14	460	4,521
Total tax on components other comprehensive income	16	<u>(79)</u>	<u>(904)</u>
<b>Other comprehensive income for the year, net of tax</b>		<b>381</b>	<b>3,617</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>23,621</u>	<u>23,980</u>

The notes on pages 11 to 27 form an integral part of these financial statements.

# **VAILLANT INDUSTRIAL UK LIMITED**

## **STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

Company Number: 01064184

	Note	<u>2016</u> £'000	<u>2015</u> £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	8	15	46
Property, plant and equipment	9	10,327	10,073
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,342</b>	<b>10,119</b>
<b>CURRENT ASSETS</b>			
Inventories	11	4,951	4,450
Trade and other receivables	12	45,544	27,440
Derivative financial assets	14	2,275	1,657
Cash and cash equivalents		12	25,480
<b>TOTAL CURRENT ASSETS</b>		<b>52,782</b>	<b>59,027</b>
<b>TOTAL ASSETS</b>		<b>63,124</b>	<b>69,146</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Called up share capital	17	(8,800)	(8,800)
Retained earnings		(34,445)	(34,824)
<b>TOTAL EQUITY</b>		<b>(43,245)</b>	<b>(43,624)</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	(1,233)	(1,839)
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>(1,233)</b>	<b>(1,839)</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	(18,207)	(23,402)
Derivative financial liabilities	14	(439)	(281)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(18,646)</b>	<b>(23,683)</b>
<b>TOTAL LIABILITIES</b>		<b>(19,879)</b>	<b>(25,522)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>(63,124)</b>	<b>(69,146)</b>

These financial statements on pages 8 to 27 were approved by the board of directors and authorised for issue on 21<sup>st</sup> March 2017 and were signed on its behalf by:



S S Bhadal  
DIRECTOR

The notes on pages 11 to 27 form an integral part of the financial statements.

# **VAILLANT INDUSTRIAL UK LIMITED**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Called up Share capital £'000	Retained earnings £'000	Total Equity £'000
<b>Balance as at 1 January 2015</b>	<b>17</b>	<b>8,800</b>	<b>23,315</b>	<b>32,115</b>
Profit for the financial year		-	20,363	20,363
Other comprehensive income for the year		-	3,617	3,617
Total comprehensive income for the year		-	<b>23,980</b>	<b>23,980</b>
Dividends	<b>18</b>	-	(12,471)	(12,471)
Total transactions with owners, recognised directly in equity		-	<b>(12,471)</b>	<b>(12,471)</b>
<b>Balance as at 31 December 2015</b>	<b>17</b>	<b>8,800</b>	<b>34,824</b>	<b>43,624</b>
Profit for the financial year		-	23,240	23,240
Other comprehensive income for the year		-	381	381
Total comprehensive income for the year		-	<b>23,621</b>	<b>23,621</b>
Dividends	<b>18</b>	-	(24,000)	(24,000)
Total transactions with owners, recognised directly in equity		-	<b>(24,000)</b>	<b>(24,000)</b>
<b>Balance as at 31 December 2016</b>		<b>8,800</b>	<b>34,445</b>	<b>43,245</b>

# **VAILLANT INDUSTRIAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016**

### **1 ACCOUNTING POLICIES**

#### **General Information**

Vaillant Industrial UK Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Nottingham Road, Belper, Derbyshire, DE56 1JT.

The principal activities of the Company are the manufacturing of heating appliances within the UK and Europe.

#### **Statement of compliance**

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

#### **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **a) Basis of presentation**

The financial statements have been prepared on the going concern basis, in accordance with applicable UK Accounting Standards, under the historical cost convention as modified by some financial asset and financial liabilities at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in policy "Critical accounting judgements and estimation uncertainty" below.

##### **b) Going concern**

The directors, having reviewed the Company's forecasts and having made appropriate enquiries of the wider group's financial position and forecasts, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Vaillant GmbH which are publicly available.

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### c) Exemptions for qualifying entities under FRS 102 (Continued)

As a qualifying entity, the Company has taken advantage of the following exemptions:

- (i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- (ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- (iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- (iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

#### d) Consolidated financial statements

The Company is a wholly owned subsidiary of Vaillant Home Products Limited and of its ultimate parent, Vaillant GmbH. It is included in the consolidated financial statements of Vaillant GmbH which are publicly available. Copies of the consolidated financial statements of Vaillant GmbH can be obtained from [www.unternehmensregister.de](http://www.unternehmensregister.de).

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

#### e) Foreign currency

##### -- (i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling and rounded to thousands.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-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.

#### f) Revenue

Revenue comprises of the invoiced value, excluding value added tax, of goods supplied to customers.

Revenue is recognised when goods are despatched to customers.

Revenue is wholly attributable to the principle activities of the Company and arises within the United Kingdom and Continental Europe.

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### g) Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

##### *(i) Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

##### *(ii) Defined contribution pension plans*

The company operates a defined contribution pension plan for its employees. The contributions are charged to the income statement as they become payable.

##### *(iii) Defined benefit pension plans*

The Company participates in a defined benefit pension scheme operated by Vaillant Holdings Limited the sponsoring employer and an intermediate parent company. There is no contractual agreement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities. Therefore the net defined benefit cost and net defined benefit liability of the UK scheme has been recognised in the individual financial statements of Vaillant Holdings Limited and accordingly the Company has recognised a cost equal to the contributions paid in the year.

#### h) Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

##### *(i) Current tax*

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

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

##### *(ii) Deferred tax*

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

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

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

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### i) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their estimated useful life, of four years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances with the effect of any change accounted for in the income statement.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

#### j) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is calculated at rates appropriate to write off the cost of property, plant and equipment less their estimated residual value by equal annual instalments over their estimated useful economic lives, which are as follows:

Plant and machinery	5-10 Years
Fixtures and fittings and tooling equipment	5-10 Years

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for in the income statement and adjusted prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and included in 'Other operating (losses)/gains'.

#### k) Leasing of buildings and equipment

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### As a lessee:

##### i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the income statement on a straight line basis over the life of the lease.



# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### k) Leasing of buildings and equipment (Continued)

##### ii) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

#### l) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

#### m) Inventories

Inventories are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value.

Cost is determined on the first-in, first-out (FIFO) method.

#### n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### p) Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

#### q) Warranties for products or services

Warranty accruals are recognised for specific warranty issues based on the anticipated costs to be incurred. No provision is held for general warranty costs.

#### r) Financial instruments

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 and disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

##### i) Classification

The Company classifies its financial assets in the following categories:

- measured at fair value through profit or loss (FVTPL);
- measured at fair value through other comprehensive income (FVOCI); and
- measured at amortised cost.

Financial liabilities are classified in the following categories:

- measured at fair value through profit or loss (FVTPL); and
- measured at fair value through other comprehensive income (FVOCI); and
- measured at amortised cost

##### ii) Measurements

At initial recognition, the Company measures a financial asset and liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

Assets classified as subsequently measured at amortised cost, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in the income statement. On de-recognition, any gain or loss is recognised in the income statement.

Assets classified as subsequently measured at fair value through other comprehensive income, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in the statement of comprehensive income. Other gain and losses on re-measurement to fair value are recognised in other comprehensive income. On de-recognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement.

Assets classified as subsequently measured at fair value through profit and loss, all gains and losses are recognised in the income statement.

Financial liabilities held for trading; derivatives; and financial liabilities designated as at fair value through profit or loss on initial recognition are subsequently measured at fair value with all gains and losses being recognised in the income statement.

Financial liabilities that are not classified at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### r) Financial instruments (Continued)

##### iii) Derivative financial instruments and hedge accounting

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 14 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

##### iv) Impairment

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

##### v) De-recognition

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### vi) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### s) Related party transactions

The Company has taken advantage of the exemption, as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. The Company discloses transactions with related parties which are not wholly owned with the same group.

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### t) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *- Useful economic lives of property, plant and equipment and intangible assets (Section 17 and 18)*

The annual depreciation / amortisation charge for property, plant and equipment/intangible assets are sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 8 / 9 for the carrying amount of property, plant and equipment / intangible assets and note 1 above for the useful economic lives for each class of asset.

#### *- Inventory provisioning*

The company sells heating products and is subject to changing customer demands and industry trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory.

#### *- Warranty accruals*

Accruals are made for warranties, these accruals require management's best estimate of costs that will be incurred based on contractual terms.

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 2) REVENUE

	<u>2016</u> £'000	<u>2015</u> £'000
<b>Revenue by geographical market</b>		
United Kingdom	129,557	161,302
Continental Europe	<u>28,770</u>	<u>754</u>
	<u>158,327</u>	<u>162,056</u>

All of the above revenue is derived from one class of business, the manufacture and sale of gas fired boilers and spares.

### 3) OPERATING EXPENSES AND OTHER OPERATING INCOME

	<u>2016</u> £'000	<u>2015</u> £'000
<b>Operating expenses</b>		
Raw materials and consumables	99,886	107,835
Staff costs (Note 5)	12,354	12,607
Depreciation of property, plant and equipment	2,458	1,973
Loss on disposal of fixed assets	-	1
Other operating charges	<u>14,559</u>	<u>14,028</u>
	<u>129,257</u>	<u>136,444</u>

#### Other operating income

Other operating income includes costs recovered from external supplier claims.

### 4) OPERATING PROFIT

Operating profit is stated after charging the following amounts:

	<u>2016</u> £'000	<u>2015</u> £'000
Auditors remuneration in respect of audit services	27	33
Hire of plant and machinery	22	109
Hire of land and buildings	<u>513</u>	<u>1,360</u>

# **VAILLANT INDUSTRIAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)**

### **5) DIRECTORS AND EMPLOYEES**

The remuneration of the directors of the Company was as follows:

	<u>2016</u> £'000	<u>2015</u> £'000
Directors' remuneration: as executives	134	125
Company contributions to defined benefit and defined contribution pension schemes	<u>15</u>	<u>21</u>
	<u>149</u>	<u>146</u>

	<u>2016</u> Number	<u>2015</u> Number
Retirement benefits are accruing to the following number of directors under defined benefit scheme	<u>2</u>	<u>2</u>

The emoluments of the directors are paid by a fellow group company, Vaillant Group UK Limited. Costs relating to the service as directors of the company are apportioned and are recharged to the company from Vaillant Group UK Limited by way of a management charge. This has been reflected in the disclosure above.

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

	<u>2016</u> Number	<u>2015</u> Number
Production and distribution	<u>163</u>	<u>168</u>

The aggregate staff costs were as follows:

	<u>2016</u> £'000	<u>2015</u> £'000
Wages and salaries	4,825	4,932
Social security costs	465	441
Other pension costs (Note 19)	<u>7,064</u>	<u>7,234</u>
	<u>12,354</u>	<u>12,607</u>

### **6) FINANCE COSTS**

	<u>2016</u> £'000	<u>2015</u> £'000
Finance leases	<u>(7)</u>	<u>(4)</u>

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 7) INCOME TAX EXPENSE

	<u>2016</u> £'000	<u>2015</u> £'000
Current tax: UK corporation tax at 20.00% (2015 - 20.25%)	5,946	5,197
Adjustments in respect of prior year	<u>(68)</u>	<u>(77)</u>
<b>Total current tax</b>	<b>5,878</b>	<b>5,120</b>
<b>Deferred tax</b>		
Increase in timing differences	(79)	(1)
Adjustments in respect of prior year	<u>31</u>	<u>145</u>
<b>Total deferred tax</b>	<b>(48)</b>	<b>144</b>
<b>Income tax expense</b>	<b><u>5,830</u></b>	<b><u>5,264</u></b>

The tax assessed for the year is higher (2015: Higher) from the standard rate of corporation tax in the UK. The differences are explained below:

	<u>2016</u> £'000	<u>2015</u> £'000
Profit before taxation	<u>29,070</u>	<u>25,627</u>
Profit at the standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%)	5,814	5,189
Deferred tax not recognised	4	-
Expenses not deductible for tax purposes	49	7
Adjustments in respect of prior year	<u>(37)</u>	<u>68</u>
<b>Total tax charge for year</b>	<b><u>5,830</u></b>	<b><u>5,264</u></b>

The tax effect of timing differences has been included within the deferred tax calculation.

### Deferred taxation

The Company's accounting policy in respect of deferred taxation is set out in note 1 above and the Company's deferred tax provision is detailed in note 16 below.

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 8) INTANGIBLE ASSETS

	Cost £'000	Depreciation £'000	Net Book Value £'000
Licences for software and for the rights to produce components to a design			
At 1 January 2016	80	34	46
Disposals	(29)	(19)	(10)
Amortisation charge for the year	-	21	(21)
At 31 December 2016	<u>51</u>	<u>36</u>	<u>15</u>

The amortisation expenses are included within the operating expenses line in the income statement.

### 9) PROPERTY, PLANT AND EQUIPMENT

	Plant and Machinery £'000	Fixtures and fittings and tooling equipment £'000	Equipment under finance lease £'000	Assets under construction £'000	Total £'000
<b>COST</b>					
At 1 January 2016	12,904	7,010	105	1,846	21,865
Additions	930	755	-	1,006	2,691
Reclassifications	1,253	510	-	(1,763)	-
Disposals	(925)	(10)	(12)	-	(947)
At 31 December 2016	<u>14,162</u>	<u>8,265</u>	<u>93</u>	<u>1,089</u>	<u>23,609</u>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2016	7,572	4,198	22	-	11,792
Charge for the year	1,578	840	19	-	2,437
Disposals	(925)	(10)	(12)	-	(947)
At 31 December 2016	<u>8,225</u>	<u>5,028</u>	<u>29</u>	<u>-</u>	<u>13,282</u>
<b>NET BOOK VALUE</b>					
At 31 December 2016	<u>5,937</u>	<u>3,237</u>	<u>64</u>	<u>1,089</u>	<u>10,327</u>
At 31 December 2015	<u>5,332</u>	<u>2,812</u>	<u>83</u>	<u>1,846</u>	<u>10,073</u>



# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 10) CAPITAL COMMITMENTS

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	<u>2016</u> £'000	<u>2015</u> £'000
Contracted	<u>933</u>	<u>586</u>

Capital commitments relate to investment activity for future products ranges.

### 11) INVENTORIES

	<u>2016</u> £'000	<u>2015</u> £'000
Raw materials	4,576	4,156
Work in progress	213	197
Finished goods	<u>162</u>	<u>97</u>
	<u>4,951</u>	<u>4,450</u>

The amount of inventories recognised as an expense during the year was £99,886,000 (2015: £107,835,000).

There is no material difference between the replacement cost of inventory and the amounts stated above.

As at 31 December 2016 the Company physically held consignment stock from suppliers which was not included in the statement of financial position, to a value of £344,000 (2015: £307,000). The replacement cost of stock is not materially different from the historic cost.

### 12) TRADE AND OTHER RECEIVABLES

	<u>2016</u> £'000	<u>2015</u> £'000
Trade receivables	123	29
Amounts owed by immediate parent undertaking	31,764	152
Amounts owed by group undertakings	12,653	26,089
Value Added Tax	884	1,037
Prepayments and accrued income	<u>120</u>	<u>133</u>
	<u>45,544</u>	<u>27,440</u>

All amounts shown fall due for payment within one year.

# **VAILLANT INDUSTRIAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)**

### **13) TRADE AND OTHER PAYABLES**

	<u>2016</u> £'000	<u>2015</u> £'000
<b>Non-current</b>		
Other creditors	852	1,470
Finance leases	48	66
Deferred taxation	333	303
	<u>1,233</u>	<u>1,839</u>

	<u>2016</u> £'000	<u>2015</u> £'000
<b>Current</b>		
Trade payables	5,382	4,161
Amounts owed to immediate parent undertaking	-	7,189
Amounts owed to group undertakings	9,554	7,079
Other creditors	756	887
Finance leases	18	17
Other taxation and social security	1,457	2,989
Accruals and deferred income	1,040	1,080
	<u>18,207</u>	<u>23,402</u>

The future minimum finance lease payments under the finance lease which is secured on equipment are as follows:

	<u>2016</u> £'000	<u>2015</u> £'000
Not later than one year	18	17
Later than one year and not later than five years	48	66
	<u>66</u>	<u>83</u>

# **VAILLANT INDUSTRIAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)**

### **14) DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

The Company has the following derivative financial instruments at fair value:

<b>Derivative financial instruments</b>	<b>Assets at FVOCI<sup>1</sup> £'000</b>	<b>Total £'000</b>
At 1 January 2016	1,657	1,657
Fair value movement through other comprehensive income	618	618
At 31 December 2016	<b>2,275</b>	<b>2,275</b>

  

<b>Financial liabilities</b>	<b>Liabilities at FVOCI<sup>1</sup> £'000</b>	<b>Total £'000</b>
<b>Derivative financial instruments</b>		
At 1 January 2016	(281)	(281)
Fair value movement through other comprehensive income	(158)	(158)
At 31 December 2016	<b>(439)</b>	<b>(439)</b>

#### *1) FVOCI - Fair value through other comprehensive income*

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2016, the outstanding contracts all mature within 12 months (2015: 12 months) of the year end. The company is committed to buy €82,000,000 and receive a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:EUR.

Forward contracts are designated as cash flow hedges against forecasted foreign currency purchases. Gains or losses on forward contracts on maturity were recycled from other comprehensive income to operating expenses which amounted to a gain of £9,415,000 (2015: loss of £8,043,000).

### **15) OPERATING LEASES**

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Payments due</b>		
Not later than one year	13	13
Later than one year and not later than five years	9	22
	<b>22</b>	<b>35</b>

# VAILLANT INDUSTRIAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)

### 16) DEFERRED TAXATION

	<u>2016</u> £'000	<u>2015</u> £'000
Balance at beginning of year	303	(745)
(Credited) / charged to the income statement	(49)	144
Derivatives through OCI	79	904
Balance at end of year	<u>333</u>	<u>303</u>
Deferred taxation liabilities	<u>333</u>	<u>303</u>

The full potential liability for deferred taxation and the amount provided at 17% (2015: 20%) are as follows:

	<u>2016</u> Full potential liability £'000	<u>2016</u> Amount provided £'000	<u>2015</u> Full potential liability £'000	<u>2015</u> Amount provided £'000
Derivatives through OCI	353	353	275	275
Capital allowances	46	46	59	59
Other timing differences	(66)	(66)	(31)	(31)
	<u>333</u>	<u>333</u>	<u>303</u>	<u>303</u>

### 17) CALLED UP SHARE CAPITAL

	<u>2016</u> £'000	<u>2015</u> £'000
Allotted, issued, and fully paid 8,800,000 ordinary shares of £1 each	<u>8,800</u>	<u>8,800</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

### 18) DIVIDENDS

	<u>2016</u> £'000	<u>2015</u> £'000
<b>Equity - Ordinary</b>		
Interim 2016 (2015: Interim 2015) paid	<u>(24,000)</u>	<u>(12,471)</u>
<b>Total dividends paid</b>	<u>(24,000)</u>	<u>(12,471)</u>

No final dividend will be recommended by the directors in respect of the year (2015: £ Nil).

# **VAILLANT INDUSTRIAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (Continued)**

### **19) PENSION SCHEME**

The Company participates in the Vaillant Group Pension Scheme covering a proportion of its employees, including the executive directors. The scheme is a funded defined benefit scheme and is financed through separate trustee administered funds. Contributions to the Scheme, which are charged against profits, are based upon actuarial advice following the most recent valuation of the fund as at April 2016. The Scheme was closed to new participants from April 2013 and closed to future accrual from April 2015. As a result, the Company also operates a defined contribution scheme. Contributions under the defined contribution scheme are charged to the income statement as they become payable. Details of the actuarial valuation (which is performed every 3) of the defined benefit scheme can be found in the financial statements of Vaillant Holdings Limited.

The pension charge for the Company for the year was £7,064k (2015: £7,234k).

### **20) CONTINGENT LIABILITIES**

As part of its normal trading the Company has issued guarantees as at 31 December 2016 amounting to £20,000 (2015: £20,000) with HSBC in respect of a Customs & Excise Deferment / Duty Guarantee.

The Company has jointly entered into cash concentration arrangements with HSBC, together with its parent company Vaillant Holdings Limited. Under these arrangements, transfers of cleared funds are made to / from Vaillant Holdings Limited on a daily basis. As at 31 December 2016 the cash balance with HSBC was positive.

### **21) RELATED PARTY TRANSACTIONS**

During the year Technocargo Logistik GmbH, an associate of the Vaillant Group, provided services amounting to £1,623k (2015: £1,507k). The balance outstanding at year end amounts to £183k (2015: £109k).

During the year Technocargo Limited (UK), an associate of the Vaillant Group, provided services amounting to £97k (2015: £95k). The balance outstanding at year end amounts to £NIL (2015: £13k).

Please refer to note 5 for total contribution made by the employer to the pension scheme, a related party of the Vaillant Group.

### **22) ULTIMATE PARENT COMPANY**

The Company is a wholly owned subsidiary of Vaillant Home Products Ltd, a company registered in England and Wales, and the parent company of the smallest group of which the Company is a member. Vaillant Home Products Ltd is a wholly owned subsidiary of Vaillant Holdings Ltd.

Copies of the financial statements of Vaillant Home Products Ltd and Vaillant Holdings Ltd can be obtained from Companies House:

Crown Way,  
Cardiff.  
CF14 3UZ

The ultimate holding and controlling company of Vaillant Holdings Ltd is Vaillant GmbH, a company registered in Germany which is the parent of the largest group of which the Company is a member.

Copies of these group financial statements can be obtained from [www.unternehmensregister.de](http://www.unternehmensregister.de).