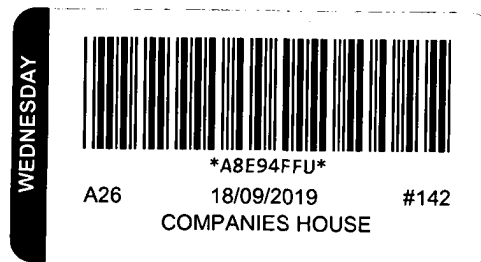


Baxi Heating UK Limited

**Annual report and financial statements
for the year ended 31 December 2018**

Registered number: 03879156



Baxi Heating UK Limited

Annual report and financial statements for the year ended 31 December 2018

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Baxi Heating UK Limited

Strategic report for the year ended 31 December 2018

The directors present their Strategic report of the company for the year ended 31 December 2018.

Principal activity

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

Business review

As shown in the company's profit and loss account on page 9, the company's sales have increased by 2.3% (2017: increased by 7.4%) from the prior year, driven by an increase in sales prices and offset by lower volumes, while profit after tax has increased by 8.6% (2017: decreased by 23.1%) and for 2018 is £19,793,000 (2017: £18,222,000). The increase in profit after tax reflects currency variances and an increase in the rate of interest on intercompany loans. The balance sheet on page 11 shows that the company's net assets at the year-end have increased compared with the prior year reflecting the decrease in the net pension scheme liability.

The company has taken a proactive approach to managing the potential impacts which a no deal Brexit may present. The company has established a working party across the business to identify, review and monitor Brexit related business risks taking action to mitigate these as implications are identified. The company continues to monitor and manage Brexit related risk on its operations, despite the uncertainty surrounding the UK leaving the EU.

In addition to sales and profit as financial KPIs, the company also has a number of non-financial KPIs to help measure the performance of the business and its aim for continuous improvement. The company strives to operate in a sustainable and ethical way with the full support of its employees. Key non-financial KPIs include health and safety performance, specifically the reduction of the lost time injury rate at all sites with the ultimate goal of zero accidents. Injury rates fell at all sites. Another key non-financial KPI includes taking steps to reduce our environmental impact. In delivering this reduction the company also operates under the international environmental management system standard ISO 14001:2015 at certain sites which were certified as compliant.

Key performance indicators ("KPIs")

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

Principal risks and uncertainties

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

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

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

Financial risk – The main financial risks are the availability of funds to meet business needs and exposure to foreign currency transactions. These risks are mitigated by having a central Treasury function managed at Group level.

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2018 (continued)

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

Brexit

The company has focused on managing Brexit related risks to include:

Supply chain and tariffs: Import controls and tariffs at the border could lead to challenges around supply chain delays, increased costs and warehousing.

Labour: The company is actively supporting its EU employees and continues to monitor its labour requirements which could lead to a loss of labour, rising costs and recruitment challenges.

Currency exposure: The company has a number of European suppliers which can give rise to foreign exchange risk.

Employees

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

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

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

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

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

Health and safety

The company's policy is to ensure that there is a working environment which will minimise the risk to the health and safety of employees. It is considered that health and safety is regarded as the most important priority throughout the company and accordingly high standards are required. Procedures exist to enable two way communications about health and safety awareness issues.

Corporate Social Responsibility

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

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2018 (continued)

Post balance sheet events

In early January 2019, the company announced a proposal to close its' Norwich site (operations for cylinders and water-heating products including its R&D facility) and consolidate the activities into other existing Baxi Heating UK Limited sites. Following a period of collective consultation this proposal was accepted and will be executed throughout 2019 and into 2020.

Future developments

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

Approved by the board of directors and signed on its behalf by:



S Oliver
Director
22 March 2019

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2018.

Company registered number

The company's registered number is 03879156.

Dividends and results

The profit for the financial year for the company is £19,793,000 (2017: £18,222,000). During the current and prior year, no dividends were paid or proposed.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance, risks and uncertainties and financial position are set out in the Strategic report on pages 1 - 3.

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

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

Directors

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

S Oliver
J V Ooijen
D Pinder

Directors indemnities

The company purchased and maintained throughout the financial year and up to the date of this report a qualifying third party indemnity provision in respect of itself and its Directors. In addition, the company purchased and maintained throughout the financial year and up to the date of this report a qualifying pension scheme indemnity provision.

Employees

The company's policies on employees are disclosed in the Strategic report on page 2.

Risk Management

The company's policies on risk management are disclosed in the Strategic report on page 1.

Research and development

The company continues to invest in product innovation and quality. Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Future developments

These are included on page 3 in the Strategic Report.

Post balance sheet events

These are included on page 3 in the Strategic Report.

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2018 (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 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.

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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

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

Approved by the board of directors and signed on its behalf by:



S Oliver

Director

22 March 2019

Baxi Heating UK Limited

Independent auditors' report to the members of Baxi Heating UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Baxi Heating UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account; the statement of comprehensive income; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Baxi Heating UK Limited

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Baxi Heating UK Limited

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

Use of this report

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.

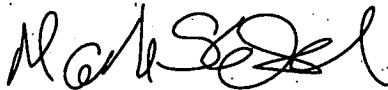
Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
22 March 2019

Baxi Heating UK Limited

Profit and loss account for the year ended 31 December 2018

		2018	2017
	Note	£'000	£'000
Turnover	5	337,384	329,947
Cost of sales		(205,077)	(207,422)
Gross profit		132,307	122,525
Distribution costs		(32,787)	(31,406)
Administrative expenses		(77,817)	(69,382)
Income from shares in group undertakings	10	-	42
Profit before interest and taxation	6	21,703	21,779
Interest receivable and similar income	11	6,695	5,786
Interest payable and similar expenses	12	(2,000)	(3,004)
Profit before taxation		26,398	24,561
Tax on profit	13	(6,605)	(6,339)
Profit for the financial year		19,793	18,222

The current and prior year results relate to continuing operations.

Baxi Heating UK Limited

Statement of comprehensive income for the year ended 31 December 2018

		2018	2017
	Note	£'000	£'000
Profit for the financial year		19,793	18,222
Remeasurements of net defined benefit obligation	24	21,900	26,500
Total tax on components and other comprehensive income	13	(3,990)	(5,064)
Other comprehensive income		17,910	21,436
Total comprehensive income for the financial year		37,703	39,658

Baxi Heating UK Limited

Balance sheet as at 31 December 2018

		2018	2017
	Note	£'000	£'000
Fixed assets			
Intangible assets	14	18,039	22,871
Tangible assets	15	17,460	15,208
Investments	16	2,313	2,313
		37,812	40,392
Current assets			
Stocks	17	26,738	27,030
Debtors: amounts falling due within one year	18	77,741	92,256
Debtors: amounts falling due after more than one year	18	399,004	381,475
Cash at bank and in hand		42,082	35,056
		545,565	535,817
Creditors: amounts falling due within one year	19	(149,477)	(148,188)
Net current assets		396,088	387,629
Total assets less current liabilities		433,900	428,021
Creditors: amounts falling due after more than one year	20	(320)	(480)
Provisions for liabilities	21	(13,084)	(15,148)
Post-employment benefits	24	(55,900)	(85,500)
Net assets		364,596	326,893
Capital and reserves			
Called-up share capital	23	200,000	200,000
Retained earnings		164,596	126,893
Total equity		364,596	326,893

The notes on pages 13 to 36 are an integral part of these financial statements.

The financial statements on pages 9 to 36, were approved for issue by the Board of Directors on 22 March 2019. They were signed on its behalf by:



S Oliver
Director

Baxi Heating UK Limited
Registered number 03879156

Baxi Heating UK Limited

Statement of changes in equity for the year ended 31 December 2018

	Called-up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2017	200,000	87,235	287,235
Profit for the financial year	-	18,222	18,222
Other comprehensive income for the financial year	-	21,436	21,436
Total comprehensive income for the financial year	-	39,658	39,658
At 31 December 2017	200,000	126,893	326,893
Balance at 1 January 2018	200,000	126,893	326,893
Profit for the financial year	-	19,793	19,793
Other comprehensive income for the financial year	-	17,910	17,910
Total comprehensive income for the financial year	-	37,703	37,703
At 31 December 2018	200,000	164,596	364,596

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018

1 General information

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

2 Statement of compliance

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

3 Summary of significant accounting policies

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

Basis of preparation

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and 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 note 4.

Going concern

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

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

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

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12, from preparing a statement of cash flows, some financial instrument disclosures and the non-disclosure of key management personnel compensation on the basis that it is a qualifying entity. The aforementioned information is included in the consolidated financial statements of the ultimate parent entity. The company has also taken advantage of its exemption in FRS 102, with respect of related party transactions with companies that fall within a 100% owned group.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Consolidated financial statements

At 31 December 2018, the company is a wholly owned subsidiary of Remeha Group BV, registered office Kanaal Zuid 106, 7332 BD Apeldoorn. The company is included in the consolidated financial statements of Remeha Group BV, which are publicly available. Copies of the Remeha Group B.V.

consolidated financial statements are available via the website www.kvk.nl of the Chamber of Commerce in The Netherlands. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

Intangible fixed assets - goodwill

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

Goodwill is amortised on a straight line basis over the estimated useful life, where it is not possible to determine a useful life, the goodwill is amortised over 10 years. No change was made to the useful life of pre-existing goodwill on adoption of FRS 102 in 2015.

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

Intangible fixed assets - software

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

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

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. Software development assets are amortised over 3 to 5 years.

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

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

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Tangible fixed assets

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

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

No depreciation is provided on freehold land.

Residual values are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are 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 profit or loss.

Investments

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

Impairment of assets

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

Stocks

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

Functional currency

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

Foreign currencies

Assets and liabilities denominated in overseas currencies are translated into sterling at the rate ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account. Exchange differences arising in respect of revenue transactions are taken to the profit and loss account in the year in which they arise.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments

i. Financial assets

Basic financial assets, including trade, other receivables, amounts owed from group undertakings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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 profit or loss.

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.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

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

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

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Taxation (continued)

(ii) Deferred tax

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

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

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

Employee benefits

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

Pension costs

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

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

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments and then adjusted for the impact of any special events (if any). The net interest is recognised in profit or loss as interest payable.

Re-measurements, including actuarial gains and losses, are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

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

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Turnover

Turnover is the invoiced value of goods and services supplied, net of rebates and credit notes. It excludes Value Added Tax and similar sales based taxes. Turnover from the sale of goods is recognised when the goods are despatched. Service and repair related revenue is recognised on completion of the work.

Cash

Cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Operating leases

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

Provisions

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

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when

- (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or
- (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

4 Critical accounting judgements and estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no significant judgements made in applying the company's accounting policies.

Critical accounting estimates and assumptions

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 are considered to have a potential risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

i. Defined benefit pension scheme

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Management estimates these factors in determining the net pension obligation in the balance sheet using assumptions that reflect historical experience and current trends. See note 24 for the disclosures relating to the defined benefit pension scheme.

ii. Warranty provisions

The company offers a range of warranties on its products and as a result recognises a warranty provision to reflect the estimated future cost. When calculating the provision, management considers the guarantee period for each product, the historical claims information and the level of sales. See note 21 for details of the warranty provision.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Turnover

Turnover and profit before taxation are all attributable to the company's principal activity.

An analysis of turnover by geographical destination is as follows:

	2018	2017
	£'000	£'000
United Kingdom	322,612	313,223
European Union	12,379	14,351
Other	2,393	2,373
	337,384	329,947

An analysis of turnover by class of business is as follows:

	2018	2017
	£'000	£'000
Goods supplied	303,800	296,432
Services supplied	33,584	33,515
	337,384	329,947

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Profit before interest and taxation

Profit before interest and taxation is stated after charging:

	2018	2017
	£'000	£'000
Fees payable to the Company's auditors for:		
- the audit of the Company's financial statements	132	130
- the audit of the Company's associated companies	21	22
- audit related assurance services	11	39
- tax advisory services	33	46
- other non-audit services	2	10
Amortisation of intangible fixed assets (note 14)	9,107	8,750
Depreciation (note 15)	3,561	3,341
Stocks recognised as an expense	162,117	160,790
Impairment of stocks	719	1,249
Research and development	3,633	3,944
Management service charges	30,884	30,072
Foreign exchange (gain)/loss	(1,278)	571
Operating lease rentals	5,600	4,910

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Directors' emoluments

	2018	2017
	£'000	£'000
Aggregate emoluments	552	527
Aggregate amounts receivable under long-term incentive scheme	10	41
	562	568

During the year one (2017: one) of the directors accrued retirement benefits under a defined benefit scheme. No directors (2017: none) were members of defined contribution schemes.

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

	2018	2017
	£'000	£'000
Highest paid director		
Aggregate emoluments	342	330
Aggregate amounts receivable under long-term incentive scheme	7	30
	349	360

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

8 Employee information

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

	2018	2017
	Number	Number
Production	582	634
Distribution	291	301
Administration	659	617
	1,532	1,552

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Employee costs

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

	2018	2017
	£'000	£'000
Wages and salaries	50,859	50,130
Social security costs	5,438	4,523
Other pension costs:		
Defined benefit pension current year service cost (note 24)	3,400	3,700
Defined benefit pension past service cost (note 24)	3,600	-
Defined contribution pension costs (note 24)	2,541	2,247
	65,838	60,600

10 Income from shares in group undertakings

	2018	2017
	£'000	£'000
Dividends received	-	42

11 Interest receivable and similar income

	2018	2017
	£'000	£'000
Group interest receivable	6,690	5,783
External interest receivable	5	3
	6,695	5,786

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Interest payable and similar expenses

	2018	2017
	£'000	£'000
External interest payable	-	4
Net interest expense on post-employment benefits (note 24)	2,000	3,000
	2,000	3,004

13 Tax on profit

(a) Tax charge included in profit and loss account

	2018	2017
	£'000	£'000
Current taxation:		
United Kingdom corporation tax on profit for the year	5,058	4,375
Adjustments in respect of prior periods	(590)	(120)
Current tax charge for the year	4,468	4,255
Deferred taxation:		
Origination and reversal of timing differences	362	303
Adjustments in respect of prior periods	407	64
Pension liability movement	1,368	1,717
Total deferred tax (note 18)	2,137	2,084
Tax charge on profit	6,605	6,339

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 Tax on profit (continued)

(b) Tax charge included in other comprehensive income

	2018	2017
	£'000	£'000
Deferred taxation:		
Origination and reversal of timing differences	(3,892)	(4,739)
Impact of tax rate change	(98)	(325)
Total tax charge included in other comprehensive income	(3,990)	(5,064)

(c) Reconciliation of tax charge

The tax charge for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are shown below:

	2018	2017
	£'000	£'000
Profit before taxation	26,398	24,561
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	5,016	4,728
Effects of:		
Expenses not deductible for tax purposes	1,798	1,796
Dividend income not taxable	-	8
Re-measurement of deferred tax – change in UK tax rate	(26)	(137)
Adjustments in respect of prior periods – deferred tax	407	64
Adjustments in respect of prior periods – current tax	(590)	(120)
Tax charge for the year	6,605	6,339

Factors affecting current and future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016 on 6 September 2016. This includes a reduction to the main rate to 17% from 1 April 2020.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Intangible assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost at 1 January 2018	158,197	8,460	166,657
Additions	-	4,275	4,275
Cost at 31 December 2018	158,197	12,735	170,932
Accumulated Amortisation			
At 1 January 2018	142,146	1,640	143,786
Charge for the year	8,043	1,064	9,107
At 31 December 2018	150,189	2,704	152,893
Net book amount			
At 31 December 2018	8,008	10,031	18,039
At 31 December 2017	16,051	6,820	22,871

The goodwill relating to Myson Radiators Limited is being amortised on a straight-line basis over 20 years and at 31 December 2018 has a net book value of £6,566,000, (2017: £14,441,000) and a remaining useful life of less than 1 year. In 2017, the Company acquired the entire ordinary shareholding in Packaged Plant Solutions Limited which resulted in additions to goodwill of £1,680,000. This is being amortised on a straight-line basis over 10 years and at 31 December 2018 has a net book value of £1,442,000, (2017: 1,610,000) and a remaining useful life of 8.6 years.

The software intangible assets relate mainly to externally procured software. However, the 2018 carrying value includes a net book value amount of £4,733,000 (2017: £3,306,000) relating to internally generated software investments, which include capitalised expenditures for the development of the Apollo programme. This programme aims at standardisation and optimisation of business processes via the implementation of an ERP system for several main companies of the Group to which this company belongs. Costs relating to the ERP system are being amortised from the date of implementation over a 5 year period.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

15 Tangible assets

	Leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	8,664	81,303	89,967
Additions	3,318	2,495	5,813
Disposals	-	(16,035)	(16,035)
At 31 December 2018	11,982	67,763	79,745
Accumulated depreciation			
At 1 January 2018	3,665	71,094	74,759
Charge for the year	391	3,170	3,561
Disposals	-	(16,035)	(16,035)
At 31 December 2018	4,056	58,229	62,285
Net book value			
At 31 December 2018	7,926	9,534	17,460
At 31 December 2017	4,999	10,209	15,208

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Investments

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2018	2,313
At 31 December 2018	2,313

The directors consider the value of the investments to be supported by the higher of net realisable value or future cash flows.

Details of the subsidiaries of the company for 2018 and 2017 are as follows:

Company	Registered office	Type of shares held	Holding %	Activity
Potterton Myson (Ireland) Limited	Unit F6 Calmount Business Park, Calmount Road, Ballymount, Dublin, D12 Y923. Republic of Ireland	Ordinary	100	Distribution
Packaged Plant Solutions Limited	Brooks House, Coventry Road, Warwick, CV34 4LL	Ordinary	100	Dormant

17 Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	10,603	10,960
Work in progress	487	133
Finished goods and goods for resale	15,648	15,937
	26,738	27,030

Stocks are stated after provision for impairment of £3,567,000 (2017: £2,766,000).

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

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade debtors	68,001	77,505
Amounts owed by group undertakings	3,063	4,365
Other debtors	1,029	3,916
Deferred tax asset	4,099	4,777
Prepayments and accrued income	1,549	1,693
	77,741	92,256
Amounts falling due after more than one year		
Amounts owed by group undertakings	390,323	367,345
Deferred tax asset	8,681	14,130
Total Debtors	476,745	473,731

Trade debtors are stated after provision for impairment of £423,000 (2017: £226,000).

Amounts owed by group undertakings falling due within one year are unsecured and repayable on demand.

Amounts owed by group undertakings falling due after more than one year relate to Group loans and are unsecured.

Interest is receivable on active Group loans at a rate of 1.3% above LIBOR or equivalent rate.

	2018 £'000	2017 £'000
Deferred tax asset		
The deferred tax asset consists of the following:		
Excess of depreciation over capital allowances	2,302	2,556
Short term timing differences	545	1,060
Deferred tax asset on pension scheme net deficit	9,933	15,291
	12,780	18,907

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Debtors (continued)

	£'000
At 1 January 2018	18,907
Charge to profit and loss account	(2,137)
Credit to statement of comprehensive income	(3,990)
At 31 December 2018	12,780

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. The directors are satisfied that the company will make sufficient future taxable profits to support the recognition of the deferred tax asset.

19 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	57,931	56,293
Amounts owed to group undertakings	32,266	28,242
Corporation tax	866	1,152
Other creditors	3,866	3,222
Other taxation and social security	16,208	15,836
Accruals and deferred income	38,340	43,443
	149,477	148,188

Amounts owed to group undertakings relate to group loans and are unsecured and repayable on demand. Interest is payable on Group loans at a rate of 1.3% above LIBOR or equivalent rate.

20 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Other creditors	320	480
	320	480

Other creditors relate to deferred consideration in respect of the acquisition of packaged Plant Solutions Limited in 2017. The deferred consideration is payable over two years.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

21 Provisions for liabilities

	Warranty	Other	Total
	£'000	£'000	£'000
At 1 January 2018	14,201	947	15,148
Charged to profit and loss account	10,869	240	11,109
Utilised	(10,519)	(369)	(10,888)
Unutilised amounts reversed in profit and loss account	(2,285)	-	(2,285)
At 31 December 2018	12,266	818	13,084

The warranty provision is to cover potential liabilities relating to products sold and is dependent on guarantee periods on individual products. The provision has been recognised based on historic claims information and the level of sales and is expected to be utilised no later than ten years.

Other provisions include provisions for Insurance claims which are expected to be settled within one year and employer liability claims which are expected to be utilised within five years.

The effect of discounting on provisions is not material.

22 Financial commitments

At 31 December 2018, the company had the following minimum lease commitments under non-cancellable operating leases expiring as follows:

	2018	2017
	£'000	£'000
Amount due		
No later than one year	4,421	4,403
Later than one year and no later than five years	8,324	8,206
Later than five years	14,623	15,134
	27,368	27,743

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

23 Called up share capital

	2018	2017
	£'000	£'000
Allotted and fully paid		
200,000,000 (2017: 200,000,000) ordinary shares of £1 each	200,000	200,000

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

24 Post-employment benefits

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

The Baxi Group Pension Scheme is closed to new entrants, with future service benefits for existing members generally accruing on a career average revalued earnings (CARE) basis. As the scheme is closed to new entrants, the average age of the members of the scheme will rise in the future, which means that, under the projected unit method of calculation, the current service cost (as a percentage of pensionable payroll for active members) will increase. A full actuarial valuation of this scheme as at 31 March 2018 is currently in progress and this valuation, along with an updated schedule of contributions until 31 May 2026 is expected to be formally agreed before 30 June 2019.

The Newmond Pension Plan has no active members and therefore there will be no further accrual of benefits to members. A full actuarial valuation of this scheme as at 31 March 2018 is currently in progress and this valuation, along with an updated schedule of contributions is expected to be formally agreed before 30 June 2019.

The contribution expected to be paid by the company to the defined benefit schemes during 2019 is £17,200,000.

The company also operates defined contribution schemes, for which the charge in the year was £2,541,000 (2017: £2,247,000). No contributions were outstanding at the balance sheet date in either the current or the prior year.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

24 Post-employment benefits (continued)

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

	2018	2017
	£'000	£'000
Defined benefit scheme liability	55,900	85,500

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

	2018	2017
	£'000	£'000
Current service cost	3,400	3,700
Past service cost	3,600	-
Net interest expense	2,000	3,000
Total charge	9,000	6,700

No amounts (2017: nil) were included in the cost of assets.

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

	2018	2017
	£'000	£'000
Actuarial gains on pension liabilities	21,900	26,500
Deferred taxation on actuarial gains	(3,990)	(5,064)
	17,910	21,436

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

24 Post-employment benefits (continued)

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

	2018	2017
	%	%
Expected rate of increase in pensions in payment	3.02	2.96
Discount rate	2.89	2.53
Inflation	3.18	3.15

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

	2018	2017
Member age 65 (current life expectancy):		
Male	21.7 years	22.5 years
Female	23.7 years	24.5 years
Member age 40 (life expectancy at age 65):		
Male	23.4 years	24.8 years
Female	25.6 years	27.0 years

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

24 Post-employment benefits (continued)

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 January 2018	536,800	(622,300)	(85,500)
Benefits paid	(28,200)	28,200	-
Employer contributions	16,700	-	16,700
Current service cost	-	(3,400)	(3,400)
Past service cost	-	(3,600)	(3,600)
Interest income / (expense)	13,400	(15,400)	(2,000)
Re-measurement gains			
Actuarial gains	-	67,100	67,100
Experience losses	-	(13,500)	(13,500)
Return on plan assets excluding interest income	(31,700)	-	(31,700)
At 31 December 2018	507,000	(562,900)	(55,900)

Plan assets

The fair value of the plan assets were:

	2018	2017
	£'000	£'000
Investment funds	105,400	109,900
Equity instruments	70,700	74,700
Debt instruments	300,100	331,900
Cash and cash equivalents	30,700	18,200
Real estate	100	2,100
	507,000	536,800

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

24 Post-employment benefits (continued)

The return on the plan assets were:

	2018 £'000	2017 £'000
Interest income	13,400	13,500
Return on plan assets excluding interest income	(31,700)	20,400
Total return on plan assets	(18,300)	33,900

25 Contingent liabilities

The company is a guarantor of loans provided by various banks to Heating Finance Limited and BDR Thermea Group BV, both of which are group companies. At 31 December 2018, the contingent liability was £365.7 million (2017: £358.0 million), being the net amount drawn down under the facility.

26 Ultimate parent company and controlling party

At 31 December 2018, the company is a wholly owned subsidiary of Baxi Potterton Limited, a company incorporated in England, which is the immediate parent undertaking.

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

Copies of the Remeha Group B.V. consolidated financial statements are available via the website www.kvk.nl of the Chamber of Commerce in The Netherlands.

27 Events after the end of the reporting period

In early January 2019, the company announced a proposal to close its' Norwich site (operations for cylinders and water-heating products including its R&D facility) and consolidate the activities into other existing Baxi Heating UK Limited sites. Following a period of collective consultation this proposal was accepted and will be executed throughout 2019 and into 2020.