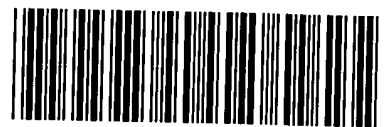


Baxi Heating UK Limited

Annual report and financial statements
for the year ended 31 December 2021

Registered number: 03879156

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Baxi Heating UK Limited

Annual report and financial statements for the year ended 31 December 2021

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Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021

The directors present their Strategic report of the Company for the year ended 31 December 2021.

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.

Product sales are primarily through merchants who sell to installers providing services to end users. The Company operates a comprehensive service and spares business in support of its sales operation.

Strategy

The Company is part of the BDR Thermea Group. The Group's strategic programme reflects the changing global environment and key megatrends relating to energy transition, digitalisation and a shift in global economic power. In particular, environmental issues continue to bring sharper focus on protecting our planet and our people. The megatrends have been accentuated and accelerated by the global response to Covid-19 which has forced industry to change.

The Board, together with the UK executive team, have reviewed the strategic priorities and developed a 2021-2025 strategy plan, with a 10 year outlook. In doing so, the Board, together with Executive management, have identified the key stakeholders and the impact upon each. This has enabled the Board to determine long term strategic objectives which promote the success of the Company whilst benefitting the shareholders as a whole.

Key performance indicators ("KPIs")

The Company has adopted twelve KPIs. The principal financial KPIs relate to turnover and profit for the financial year and there are a number of non-financial KPIs to support the performance of the business in its aim for continuous improvement in areas focusing on customer experience, employee engagement, market share, operational efficiency and sustainability. One important non-financial KPI measure is the health and safety performance of the Company, and specifically the reduction in the Lost Time Injury Rate (LTIs) for all UK sites, with the ultimate target of zero accidents.

Business review

As shown in the Company's profit and loss account on page 15, the Company's sales have increased by 10% (2020: decreased by 4.8%) against the prior year, while profit for the financial year has increased by 26% (2020: increased by 281.7%) and for 2021 is £34,458,000 (2020: £27,277,000). The increase in profit for the financial year is mainly due to an increase in sales reflecting an excellent operational performance and a reduction in selling and distribution costs which follows the completion of the consolidation of the Norwich site into our premises at Club Street in Bamber Bridge, and the merger of the regional sales teams.

Company net assets at year-end have increased compared with prior year. This reflects primarily a decrease in the net pension scheme liability due to the improved funding position year on year and a reduction in the end of year creditors with creditor balances, deferred in 2020 due to Covid, having been paid. Lower cash balances are largely offset by higher intercompany receivables.

The Company's actions to identify Brexit-related business risks and implement suitable mitigating actions reduced direct impact following the end of the transition period on 31 December 2020. Nevertheless, the operating environment continued to be challenging due to the ongoing pandemic, government restrictions and industry wide supply chain difficulties.

The measures implemented during the first lockdown in 2020 to maintain operations were flexed as necessary throughout the year in response to the changing situation and the business continued to operate safely and in accordance with Government advice throughout the period, with manufacturing continuing throughout the year on a 'safety first basis.'

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Following the announcement in January 2019 of the closure of the Norwich site, the transfer of manufacturing operations to Preston was completed in the first quarter of 2021. In September 2021, the Company also relocated from Milton Keynes to Preston, having been announced in early 2020. All production has now been consolidated at the Preston site.

In March 2021, the Company announced proposals to move its Commercial Heating business unit activities from its site in Wokingham to the Company's UK Head Office based in Warwick. The move was completed successfully during the year following a period of collective consultation.

The Company's strong financial performance has been mirrored by its success in a number of awards in 2021, demonstrating industry recognition of the Company and its people. Awards include: The Gas Industry Award for Innovation of the Year and The Innovative Supplier award in the Building Innovation Awards for the Company's hydrogen boiler and Collaboration of the Year Award in the HVR Awards for the Company's work with Peabody at Valiant House. The Company was shortlisted in both the HVR Awards and H&V News Awards in the Commercial Heating Product of the Year category, for the Remeha Gas 320/620 Ace. The Company was Highly Commended in H&V News Awards for #InItTogether – Covid Frontline Achievement, recognising the Company's hard work in keeping its business and people safe in the fight against COVID-19 during these unprecedented times. The Company is passionate about training for its employees, customers and the future generation of engineers for the heating industry and is extremely proud that its National Training Manager and the Company have been shortlisted for Skills Champion of the Year at the Enginuity Skills Awards 2022.

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 discussed below:

Supply chain difficulties

Throughout 2021 there was pressure both on cost and availability of materials, components and labour. This is expected to continue throughout 2022 and into 2023. These challenges are not unique to the Company nor the sector in which it operates and while the Company is supported by the combined buying power of BDR Thermea Group supply chain challenges will remain. Growing our close partnership with customers and suppliers will be key to managing the impact of this risk.

Skilled labour shortages

Across the wider economy the competition for talent is greater with fewer people seeking employment than before the pandemic. The Company is focussing on talent acquisition and retention via enhanced employer brand recognition, defining career pathways and placing wellbeing and engagement at the heart of its approach. The Company is committed to talent development with training a key element of its people strategy.

Cyber risk

Organisations are increasingly reliant on their IT systems and hybrid working introduced to maintain business continuity during the pandemic has reinforced the need for cyber secure systems to protect company information, including personal data, as a strategic asset. With the support of BDR Thermea Group the Company is managing information security risk by adopting a cloud-first approach, enabling cyber security technology and raising awareness through ongoing training.

Impact of industry specific legislation

The Government is currently consulting on the introduction of a market mechanism for heat pumps which would impose an obligation upon manufacturers of boilers. The Company is fully engaging with the consultation, both unilaterally and through the appropriate trade bodies. It fully supports the increased use of heat pumps and are now offering commercial and residential heat pumps

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Economic challenges

Current increases in the cost base, and in cost of living in general, is impacting throughout the industry, and indeed throughout industries world-wide. The Company is ensuring all possible measures are being taken to manage its supplier base, plan forward on purchases working with the Global BDR procurement team and manage pricing effectively through the sectors in which it sells.

Financial risk management

The main financial risks are credit risk, availability of funds to meet business needs (liquidity risk), cash flow interest rate risk and exposure to foreign currency transactions (market risk).

Credit risk is mitigated through the diversification of customers in different sectors, reviews of existing customer credit limits, and the performance of credit checks on all new customers. The trade receivables 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.

The remaining financial risks are mitigated by having a central Treasury function managed at Group level which seeks to manage liquidity and interest rate risk and to hedge exposures to foreign currency fluctuations through the use of forward foreign exchange contracts.

Employee engagement

Our employees are key to the success of Baxi Heating UK Limited. Our employees are guided by our mission, values and strategy and 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. The Company has established procedures in place to ensure that the impact on employees of key business decisions is considered and any appropriate action taken.

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 and are encouraged to give feedback to the Company. Each year an annual employee survey is completed to measure employee engagement and identify improvement priorities, which are shared with employees.

Where relevant, throughout the year, monthly meetings are held with trade unions, employee representatives and management. In addition, continued discussions continued at our Norwich site addressing the timing of the site closure and to ensure employee involvement regarding the redundancy and site closure procedures.

The Company provides a regular flow of internal communications to the employees about the business, including financial updates, with employees encouraged to feedback. The Company also operates a Yammer platform (Yammer is a secure social networking tool) for employees to share their ideas across the Company, and to develop them through conversation with colleagues across the worldwide group.

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.

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Stakeholder engagement

The Company focusses on delivering high efficiency domestic and commercial heating and hot water solutions that meet our customers' needs. It aims to deliver best value through its products, training, service and technical support while promoting environmental, social and economic sustainability. In achieving this, the Company recognises the significance of developing and maintaining effective stakeholder engagement with customers and suppliers and advocates a collaborative approach.

As a member of the BDR Thermea Group, the Company works closely with its shareholder. BDR Thermea is a global organisation operating in more than 70 countries. Wherever in the world, business operations and relationships with stakeholders are based on the same core values and business principles. The Company focuses on the business through sales to customers, marketing and product development and operations. There is close co-ordination between the Company and Group Functions in innovation and product development, while Group Functions support and coordinate activities to exploit economies of scale.

The Company is actively working with industry bodies and the government to help shape the heating industry of the future as the UK moves towards net zero emissions by 2050. To prepare for this, The Company is strengthening its position - investing in our people, our processes and our infrastructure. Our dedicated teams support our customers, providing technical help and advice, practical training, service and maintenance, warranties and genuine parts.

The Company seeks to form trusted relationships with its suppliers. Where possible it has sought to consolidate its supplier base to promote this. The Company has a clearly defined supplier quality policy and undertakes supplier visits where possible.

The Company operates under the international environmental management system standard ISO 14001:2015 at key sites, each of which were certified as compliant.

The Company is also mindful of its obligations to its two defined benefit pension schemes, the Baxi Group Pension Scheme and the Newmond Pension Plan and the effect on the principal decisions taken by the Company during the financial year on the pension schemes and their members.

Sustainability

The Board recognises that heating will play a huge part in the UK and Ireland's attempts to reduce carbon emissions, and has set stringent goals to show its commitment to providing a cleaner, greener business for those who follow, and to make the world a better place for future generations.

In the UK, the government has already committed to a target of reducing carbon emission to net zero by 2050 with a new target for all new heating systems installed in UK homes by 2035 to be either using low-carbon technologies, such as electric heat pumps, or supporting new technologies like hydrogen-ready boilers. The Company's commitment is backed up with a pledge to become a net zero carbon business by 2030 and by 2025, every product made by the Company in the UK will run on low carbon energy.

Health and safety

The safety of its people and products is the Company's highest priority. In 2021 the Company published its safety strategy "Safety Matters: Make time for it" with a challenging target of zero safety-related incidents and zero lost time injuries (LTIs) by 2025. The strategy comprises delivering a safety plan, developing our safety systems and engaging with behaviours, all aligned to the Company's "Grow Together With Energy" strategic plan. The Company has set challenging safety targets to be achieved by 2025, which are backed by specific actions. Implementation is monitored at board level and the LTI rate forms one of the principal KPIs reported by the Company. The LTI rate reduced in 2021 to 0.29 down from 0.87 in 2020.

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Streamlined Energy and Carbon Reporting

In accordance with the Companies (Directors' Report) Regulations 2018, Baxi Heating UK Limited has prepared the following energy and carbon declaration. The data has been reported for all entities which operate under Baxi Heating UK Limited without exclusion. Baxi Heating UK Limited is not responsible for any energy consumption or emissions outside of the UK.

UK Greenhouse gas emissions and energy use data for the period 1st January 2021 to 31st December 2021

	2021	2020
Energy consumption used to calculate emissions (kWh)	28,330,943	25,346,209
Energy consumption break down (kWh):		
Natural Gas	10,315,943	9,454,545
Electricity	6,044,958	5,457,712
Diesel used for electricity generation during outages	-	2,037,913
Transport fuel	11,970,042	8,396,039

	2021	2020
Scope 1 emissions in metric tonnes CO ₂ e		
Natural Gas consumption	1,889	1,738
Owned transport business mileage	2,832	2,018
Diesel used for electricity generation during outages	-	515
Total Scope 1	4,721	4,271
Scope 2 emissions in metric tonnes CO ₂		
Purchased electricity	1,284	1,272
Total gross emissions in metric tonnes CO₂	6,005	5,543
Intensity ratio - Tonnes CO ₂ e per £million(revenue)	17.4	17.7

Notwithstanding an increase in our energy usage from 2020 to 2021, reflecting the artificially low energy usage in 2020 due to COVID and increased production in 2021, our carbon emissions have reduced following the move to a renewable electricity supply during 2021.

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Streamlined Energy and Carbon Reporting (continued)

Emission reductions in metric tonnes CO₂e

Electricity purchased on zero-carbon contracts	(563)
Total net emissions in metric tonnes CO ₂ e	5,442
Net intensity ratio - tonnes CO ₂ e per £million (revenue)	15.77

Methodology used in the calculation of disclosures

The following standards are used in the calculation the above disclosures:

- 2019 HM Government Environmental Reporting Guidelines
- GHG Reporting Protocol – Corporate Standard
- 2020 UK Government's Conversion Factors for Company Reporting

Energy efficiency action

Baxi has cemented its commitment to a sustainable future by pledging to become carbon neutral in all operations by 2030, as well as ensuring all its products are low carbon energy compatible by 2025.

In 2021 the Company streamlined its production capability by consolidating the Norwich and Milton Keynes facilities into the Preston site. This included a considerable investment in new and efficient domestic cylinder manufacturing equipment as part of the hot water production transfer.

The Company has introduced a new Energy Management System at the Preston site.

From 1st July 21 the Company ensured that their main electricity consuming premises were entered onto 100% REGO-backed renewable energy contracts, reducing their carbon footprint by 9.37%.

The transport fleet is also undergoing a green transformation, with an ongoing transition to smaller, less fuel intensive service engineer vans. A trial has begun of an electric van for a field engineer to provide insight into how the fleet can be fully electrified.

The Company has introduced a new policy that all company cars must be hybrid or full electric, with a commitment for all Company cars to be only electric by 2025.

EV charge points have been installed at our Preston and Warwick sites.

Section 172(1) statement

The Board of Directors consider that they have acted together and individually in good faith, in a manner that would be most likely to promote the success of the Company for the benefit of its members as a whole ("the section 172 duty"). In doing so they have had regard (amongst other matters) to factors (a) to (e) of section 172 in the decisions made during the year ended 31 December 2021. As a wholly owned subsidiary, the directors do not consider the requirement to act fairly between members of the company, as required by s172(1)(f) is relevant to the proper discharge of their section 172 duty.

This statement sets out how the directors have met the section 172 duty.

Business decisions

The strategic plan is supported by functional plans which are the basis for the operational and investment budgets. In determining the annual plan, the Board focuses not only on the year ahead, but how the plan will support delivery of its long-term vision. In its decision making, the Board considers a range of factors including the changing operational environment, the interests of the BDR Thermea Group, its employees, customers and suppliers. It also has regard to its values and the need to safeguard the reputation of itself and the wider BDR Thermea Group.

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Section 172(1) statement (continued)

The Board follows the Group's enterprise risk management policy to identify potential risks that may affect the Company's strategy and objectives and to manage these risks to be within risk appetite.

The Board meets with the executive leadership (ELT) monthly to monitor business performance against the strategy, review risks and take decisions. All business activities have an ELT lead, ensuring that the impact of decisions on all parts of the business are considered.

Employees' interests

The Board recognises that its success is entirely dependent on its employees. In 2021 it focused on talent recruitment, succession planning and restructuring to ensure the business is aligned for future growth. Total reward has been realigned to role and grade. Hybrid working, introduced in 2020, has continued and the Company has maintained the robust measures to protect on-site staff from the effects of COVID. The Company has established procedures in place to ensure that the impact on employees of key business decisions is considered and any appropriate action taken. People issues are a standing item on the agenda of the monthly Board and executive team meetings.

implemented in early 2022, a new wellbeing strategy (BWell) has introduced and improved maternity, adoption and paternity benefits have been introduced. In September 2021 the Company achieved a Silver accreditation for Wellbeing from Investors in People. The Company is also aiming to achieve the Investors in People Silver Standard in 2022, rising to Gold by 2024; a gold accreditation says that our people and leadership take full ownership of the practices we have in place to support our employees. Further detail on how the Company engages with and considers the interest of its employees is set out on page 3 of the Strategic Report.

Business relationships with other stakeholders

The Company advocates a collaborative approach when working with its suppliers and customers. The Directors continually monitor and review the Company's main stakeholder groups and the existing channels of engagement with each to ensure that their views are understood and can be considered in decision making.

Key stakeholders identified include employees, customers, suppliers, other members of the BDR Thermea Group and the Company's pension schemes (and their beneficiaries). Further detail on how the Company fosters good business relationships with its stakeholders are set out on page 4 of the Strategic Report.

Impact on community and environment

Directors also consider the impact of the Company's activities on the communities in which it operates (predominantly Bamber Bridge, Preston) and the environment and further details are set out earlier in the Strategic Report on pages 4-6.

Maintaining a reputation for high standards of business conduct

The Board of Directors is determined to behave responsibly towards all stakeholders and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected whilst delivering the Company's mission, vision and values.

As a member of the BDR Thermea Group, the Company operates a Code of Conduct that sets out minimum standards of behaviour expected from all employees that are consistent with the group's shared core values and safeguard the group's good reputation worldwide. The Board promotes ethical conduct as integral to being a sustainable business; promoting transparency and integrity to build trusted relationships with stakeholders.

The Company's values underpin everything the Company does; the way the Company and its employees behave, how the Company works with its stakeholders and the pride it takes in its products and services.

Baxi Heating UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Key decisions made in the year

In March 2021, the Company announced proposals to move its Commercial Heating business unit activities from its site in Wokingham to the Company's UK Head Office based in Warwick. The move was completed successfully during the year following a period of collective consultation.

Future developments

The Company's vision is to lead the market in smart and sustainable heating solutions. The UK Government has set legally binding targets to achieve net zero greenhouse gas emissions by 2050, with a further commitment to cut emissions by 78% compared to 1990 levels by 2035. Heat for buildings accounts for about 30% of the UK's total emissions and achieving net zero will require a step change in the ways that homes, commercial premises and public buildings are heated. The timeline for the phasing out of gas boilers has been published and low carbon heating is being incentivised; the energy transition is already happening. The Company is part of a group which continually invests in product innovation and research and development.

In line with technological and sustainability developments the group continues to invest in hydrogen and heat pumps solutions in addition to its existing product portfolio. 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
3 May 2022

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2021

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2021.

Company registered number

The Company's registered number is 03879156.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

S Oliver
K Boswell

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.

Dividends and results

The profit for the financial year for the Company is £34,458,000 (2020: £27,277,000). 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 - 8. These have been reviewed in conjunction with the Company's financial resources alongside its relationships with a number of customers and suppliers across different geographic areas.

For the forthcoming year the Company believes there are reduced uncertainties for the heating industry from Covid-19. While new variants continue to be discovered, the widespread vaccination programme mitigates the risk of global lockdowns and society as a whole is adapting to the "new normal". Whilst disruptions remain a part of the global supply chain, the industry has proven very robust over the last 12 months, and it is within this environment that the Company has continued to operate.

Based on the Company's cashflow forecasts and future profit projections 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.

Future developments

These are included on page 8 in the Strategic report.

Employee engagement

The Company's policies on employees and employee engagement are disclosed in the Strategic report on page 3.

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Statement of engagement with suppliers, customers and others in a business relationship with the company

Details of how the Company recognises the significance of developing and maintaining effective stakeholder engagement with customers and suppliers, whilst ensuring the needs of other stakeholders are met, are set out in the Strategic Report on page 4.

Financial Risk Management

The Company's policies on risk management are disclosed in the Strategic report on pages 2 and 3.

Research and development

Research and development is a BDR Thermea group function, allowing economies of scale to be optimised. BDR Thermea Group is committed fostering a culture of quality and innovation in the products offered by all group companies, recognising that its future competitive advantage depends on its ability to develop new products that fulfil the future needs of its customers, are cost-competitive and reliable.

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 8 in the Strategic report.

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, 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 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 also 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.

Baxi Heating UK Limited

Directors' report for the year ended 31 December 2021 (continued)

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
3 May 2022

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 2021 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 2021; the profit and loss account, the statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Baxi Heating UK Limited

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Baxi Heating UK Limited

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to taxation and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to unusual journals that increase EBITDA and manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- testing higher risk journal entries that increase EBITDA;
- testing accounting estimates;
- making enquiries of management; and
- performing unpredictable procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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 obtained 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
3 May 2022

Baxi Heating UK Limited

Profit and loss account for the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Turnover	5	342,277	310,753
Cost of sales		(211,662)	(192,005)
Gross profit		130,615	118,748
Selling and distribution costs		(25,907)	(27,802)
Administrative expenses		(64,363)	(64,601)
Other operating income	6	-	3,366
Operating profit	7	40,345	29,711
Interest receivable and similar income	11	3,191	4,557
Interest payable and similar expenses	12	(96)	(382)
Profit before taxation		43,440	33,886
Tax on profit	13	(8,982)	(6,609)
Profit for the financial year		34,458	27,277

The current and prior year results relate to continuing operations.

Baxi Heating UK Limited

Statement of comprehensive income for the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Profit for the financial year		34,458	27,277
Remeasurements of net defined benefit obligation	23	800	(3,100)
Total tax on components and other comprehensive income/(loss)	13	94	907
Other comprehensive gain / (loss)		894	(2,193)
Total comprehensive income for the financial year		35,352	25,084

Baxi Heating UK Limited

Balance sheet as at 31 December 2021

		2021	2020
	Note	£'000	£'000
Fixed assets			
Intangible assets	14	13,326	12,863
Tangible assets	15	24,104	24,795
Investments	16	2,313	2,313
		39,743	39,971
Current assets			
Stocks	17	35,431	34,152
Debtors: amounts falling due within one year	18	55,967	54,377
Debtors: amounts falling due after more than one year	18	434,296	406,090
Cash at bank and in hand		40,620	70,680
		566,314	565,299
Creditors: amounts falling due within one year	19	(137,846)	(155,358)
Net current assets		428,468	409,941
Total assets less current liabilities		468,211	449,912
Provisions for liabilities	20	(23,018)	(23,971)
Post-employment benefits	23	4,800	(11,300)
Net assets		449,993	414,641
Capital and reserves			
Called-up share capital	22	200,000	200,000
Retained earnings		249,993	214,641
Total equity		449,993	414,641

The notes on pages 19 to 40 are an integral part of these financial statements.

The financial statements on pages 15 to 40, were approved for issue by the Board of Directors on 3 May 2022. 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 2021

	Called-up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2020	200,000	189,557	389,557
Profit for the financial year	-	27,277	27,277
Other comprehensive loss for the financial year	-	(2,193)	(2,193)
Total comprehensive income for the financial year	-	25,084	25,084
At 31 December 2020	200,000	214,641	414,641
Balance at 1 January 2021	200,000	214,641	414,641
Profit for the financial year	-	34,458	34,458
Other comprehensive income for the financial year	-	894	894
Total comprehensive income for the financial year	-	35,352	35,352
At 31 December 2021	200,000	249,993	449,993

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021

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 on pages 1 - 8. These have been reviewed in conjunction with the Company's financial resources alongside its relationships with a number of customers and suppliers across different geographic areas.

For the forthcoming year the Company believes there are reduced uncertainties for the heating industry from Covid-19. While new variants continue to be discovered, the widespread vaccination programme mitigates the risk of global lockdowns and society as a whole is adapting to the "new normal". Whilst disruptions remain a part of the global supply chain, the industry has proven very robust over the last 12 months, and it is within this environment that the Company has continued to operate.

Based on the Company's cashflow forecasts and future profit projections 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 to 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 2021 (continued)

3 Summary of significant accounting policies (continued)

Consolidated financial statements

At 31 December 2021, 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.

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

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.

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 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 2021 (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.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of 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 subsequently measured at amortised cost.

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 2021 (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.

A surplus is recognised where the scheme rules provide that on termination of the scheme any surplus is returned to the Company.

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 2021 (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 include 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.

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

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.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

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 23 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 20 for details of the warranty provision.

5 Turnover

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

An analysis of turnover, all of which originates in the UK, by geographical destination is as follows:

	2021	2020
	£'000	£'000
United Kingdom	334,811	301,902
European Union	6,067	6,370
Other	1,399	2,481
	342,277	310,753

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

	2021	2020
	£'000	£'000
Goods supplied	303,457	275,068
Services supplied	38,820	35,685
	342,277	310,753

6 Other operating income

	2021	2020
	£'000	£'000
Coronavirus Job Retention Scheme grant	-	3,366

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

7 Operating profit

Operating profit is stated after charging/(crediting):

	2021	2020
	£'000	£'000
Fees payable to the Company's auditors for:		
- the audit of the Company's financial statements	237	194
- the audit of the Company's associated companies	20	20
- tax advisory services	39	33
- other non-audit services	35	5
Amortisation of intangible fixed assets (note 14)	2,143	2,181
Depreciation (note 15)	3,343	3,160
Stocks recognised as an expense	181,616	154,131
Impairment of debtors	25	65
Impairment of stocks	1,068	1,214
Research and development	2,907	2,414
Management service charges	31,963	28,825
Foreign exchange (gain) / loss	(396)	4,670
Operating lease rentals – land and buildings	1,512	1,959
Operating lease rentals – plant and machinery	3,597	3,741

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8 Directors' emoluments

	2021	2020
	£'000	£'000
Aggregate emoluments	1,132	536
	1,132	536

During the year one (2020: one) of the directors accrued retirement benefits under a defined benefit scheme. No directors (2020: none) were members of defined contribution schemes.

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

	2021	2020
	£'000	£'000
Highest paid director		
Aggregate emoluments	601	212
	601	212

9 Employee information

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

	2021	2020
	Number	Number
Production	341	375
Distribution	367	414
Administration	462	478
	1,170	1,267

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

10 Employee costs

Aggregate payroll costs for the persons included in note 9 were:

	2021	2020
	£'000	£'000
Wages and salaries	46,396	49,433
Social security costs	4,730	4,861
Other pension costs:		
Defined benefit pension current year service cost (note 23)	2,600	2,900
Defined benefit pension past service cost (note 23)	-	600
Defined contribution pension costs (note 23)	2,617	3,004
	56,343	60,798

11 Interest receivable and similar income

	2021	2020
	£'000	£'000
Group interest receivable	3,191	4,557
	3,191	4,557

12 Interest payable and similar expenses

	2021	2020
	£'000	£'000
External interest payable	96	82
Net interest expense on post-employment benefits (note 23)	-	300
	96	382

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

13 Tax on profit

(a) Tax charge included in profit and loss account

	2021	2020
	£'000	£'000
Current taxation:		
United Kingdom corporation tax on profit for the year	4,580	4,172
Adjustments in respect of prior periods	(4)	(174)
Current tax charge for the year	4,576	3,998
Deferred taxation:		
Origination and reversal of timing differences	841	375
Adjustments in respect of prior periods	63	165
Impact of change in tax rate	237	(247)
Pension liability movement	3,265	2,318
Total deferred tax (note 18)	4,406	2,611
Tax charge on profit	8,982	6,609

(b) Tax credit included in other comprehensive income/(loss)

	2021	2020
	£'000	£'000
Deferred taxation:		
Origination and reversal of timing differences	171	(589)
Impact of tax rate change	(265)	(318)
Total tax credit included in other comprehensive income/(loss)	(94)	(907)

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

13 Tax on profit (continued)

(c) Reconciliation of tax charge

The tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are shown below:

	2021	2020
	£'000	£'000
Profit before taxation	43,440	33,886
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	8,254	6,438
Effects of:		
Expenses not deductible for tax purposes	432	427
Re-measurement of deferred tax – change in UK tax rate	237	(247)
Adjustments in respect of prior periods – deferred tax	63	165
Adjustments in respect of prior periods – current tax	(4)	(174)
Tax charge for the year	8,982	6,609

Factors affecting current and future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. 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 2021 (continued)

14 Intangible assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost at 1 January 2021	158,197	17,663	175,860
Additions	-	2,606	2,606
Cost at 31 December 2021	158,197	20,269	178,466
Accumulated Amortisation			
At 1 January 2021	157,090	5,907	162,997
Charge for the year	168	1,975	2,143
At 31 December 2021	157,258	7,882	165,140
Net book amount			
At 31 December 2021	939	12,387	13,326
At 31 December 2020	1,107	11,756	12,863

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 2021 has a net book value of £939,000, (2020: £1,106,000) and a remaining useful life of 5.4 years.

The 2021 carrying value includes a net book value amount of £3,876,000 (2020: £4,789,000) 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 2021 (continued)

15 Tangible assets

	Leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2021	12,276	65,558	77,834
Additions	-	2,949	2,949
Transfer from provisions	-	(128)	(128)
Disposals	-	(17,195)	(17,195)
At 31 December 2021	12,276	51,184	63,460
Accumulated depreciation			
At 1 January 2021	4,858	48,181	53,039
Charge for the year	602	2,741	3,343
Disposals	-	(17,026)	(17,026)
At 31 December 2021	5,460	33,896	39,356
Net book value			
At 31 December 2021	6,816	17,288	24,104
At 31 December 2020	7,418	17,377	24,795

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

16 Investments

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2021	2,313
At 31 December 2021	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 2021 and 2020 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

	2021 £'000	2020 £'000
Raw materials and consumables	17,512	13,900
Work in progress	107	87
Finished goods and goods for resale	17,812	20,165
	35,431	34,152

Stocks are stated after provision for impairment of £4,972,000 (2020: £4,655,000).

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 2021 (continued)

18 Debtors

	2021	2020
	£'000	£'000
Amounts falling due within one year		
Trade debtors	49,247	46,109
Amounts owed by group undertakings	3,079	2,866
Other debtors	883	546
Deferred tax asset	72	2,637
Corporation tax debtor	282	-
Prepayments and accrued income	2,404	2,219
	55,967	54,377
Amounts falling due after more than one year		
Amounts owed by group undertakings	434,296	404,343
Deferred tax asset	-	1,747
	434,296	406,090
Total Debtors	490,263	460,467

Trade debtors are stated after provision for impairment of £190,000 (2020: £180,000).

Amounts owed by group undertakings falling due within one year are unsecured, repayable on demand and are not interest bearing.

Amounts owed by group undertakings falling due after more than one year relate to Group loans. These amounts are unsecured and interest is charged at a rate of between 0.85 and 1.12% (2020: 0.8 and 1.1%) above SONIA or equivalent rate.

£1,837,000 of the deferred tax asset is expected to reverse within one year. A breakdown of the deferred tax asset is shown below.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

18 Debtors (continued)

Deferred tax asset	2021	2020
	£'000	£'000
The deferred tax asset consists of the following:		
Excess of depreciation over capital allowances	131	870
Short term timing differences	965	1,367
Deferred tax (liability) / asset on pension scheme net asset / (deficit)	(1,024)	2,147
	72	4,384
		£'000
At 1 January 2021		4,384
Charge to profit and loss account		(4,406)
Credit to statement of comprehensive income		94
At 31 December 2021		72

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.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	43,342	60,957
Amounts owed to group undertakings	27,764	29,750
Corporation tax	-	370
Other creditors	3,293	3,364
Other taxation and social security	11,373	20,425
Accruals and deferred income	52,074	40,492
	137,846	155,358

Amounts owed to group undertakings relate to group loans. These amounts are unsecured, repayable on demand and are not interest bearing.

20 Provisions for liabilities

	Re- organisation	Warranty	Other	Total
	£'000	£'000	£'000	£'000
At 1 January 2021	12,165	10,880	926	23,971
Charged to profit and loss account	963	10,988	54	12,005
Utilised	(3,335)	(9,383)	(240)	(12,958)
At 31 December 2021	9,793	12,485	740	23,018

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 reorganisation provision relates to the costs associated with the closure of its Norwich site and Wokingham sites and the consolidation of activities into other existing Baxi Heating UK Limited sites, including redundancies, dilapidations, property provisions and onerous lease costs. It is expected to be utilised within 25 years and has been discounted.

The effect of discounting on Warranty and other provisions is not material.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

21 Financial commitments

At 31 December 2021, the Company had the following minimum lease commitments under non-cancellable operating leases expiring as follows:

	2021		2020	
	Land and buildings	Other plant and machinery	Land and buildings	Other plant and machinery
Amount due	£'000	£'000	£'000	£'000
No later than one year	447	1,671	638	2,917
Later than one year and no later than five years	1,732	1,100	2,386	2,583
Later than five years	11,234	-	11,234	11,595
	13,413	2,771	16,184	20,118

22 Called-up share capital

	2021	2020
	£'000	£'000
Allotted and fully paid		
200,000,000 (2020: 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.

23 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 was carried out by the scheme's independent consulting actuaries and a schedule of contributions until 31 August 2024 has been agreed.

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 was carried out by the scheme's independent consulting actuaries and a schedule of contributions until 31 August 2024 has been agreed.

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

23 Post-employment benefits (continued)

The contribution expected to be paid by the Company to the defined benefit schemes during 2022 is £22,200,000.

The Company also operates defined contribution schemes, for which the charge in the year was £2,617,000 (2020: £3,004,000). No contributions were outstanding at the balance sheet date in either the current or the prior year.

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

	2021	2020
	£'000	£'000
Defined benefit scheme (asset)/liability	(4,800)	11,300

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

	2021	2020
	£'000	£'000
Current service cost	2,600	2,900
Past service cost	-	600
Net interest expense	-	300
Total charge	2,600	3,800

No amounts (2020: 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:

	2021	2020
	£'000	£'000
Actuarial gains / (losses) on pension liabilities	800	(3,100)
Deferred taxation on actuarial gains / (losses)	94	907
	894	(2,193)

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

23 Post-employment benefits (continued)

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

	2021	2020
	%	%
Expected rate of increase in pensions in payment	3.28	2.81
Discount rate	1.83	1.43
Inflation	3.44	2.90

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

	2021	2020
Member age 65 (current life expectancy):		
Male	21.9 years	21.7 years
Female	23.8 years	23.7 years
Member age 40 (life expectancy at age 65):		
Male	23.6 years	23.4 years
Female	25.8 years	25.6 years

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 January 2021	637,700	(649,000)	(11,300)
Benefits paid	(29,100)	29,100	-
Employer contributions	17,900	-	17,900
Current service cost	-	(2,600)	(2,600)
Interest income / (expense)	9,000	(9,000)	-
Re-measurement gains:			
Actuarial gain	-	1,300	1,300
Return on plan assets excluding interest income	(500)	-	(500)
At 31 December 2021	635,000	(630,200)	4,800

Baxi Heating UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

23 Post-employment benefits (continued)

Plan assets

The fair value of the plan assets were:

	2021 £'000	2020 £'000
Investment funds	119,100	108,800
Equity instruments	24,800	63,500
Debt instruments	483,700	456,800
Cash and cash equivalents	7,400	8,600
	635,000	637,700

The return on the plan assets were:

	2021 £'000	2020 £'000
Interest income	9,000	11,600
Return on plan assets excluding interest income	(500)	67,000
Total return on plan assets	8,500	78,600

24 Contingent liabilities

The Company is a guarantor of loans provided by various banks to BDR Thermea Group BV, a group company. At 31 December 2021, the contingent liability was £243.1 million (2020: £335.2 million), being the net amount drawn down under the facility.

25 Ultimate parent Company and controlling party

At 31 December 2021, 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 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.