

**BSH Home Appliances Limited**

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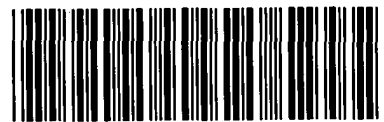
Registered No: 01844007

## **BSH Home Appliances Limited**

### **Annual Report and Financial Statements**

31 December 2016

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COMPANIES HOUSE

# **BSH Home Appliances Limited**

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Registered No: 01844007

## **Directors**

T Baader  
A Willmeroth  
A Meier  
M Normann

## **Secretary**

K Athow

## **Independent Auditors**

PricewaterhouseCoopers LLP  
Central Business Exchange  
Midsummer Boulevard  
Central Milton Keynes  
MK9 2DF

## **Bankers**

HSBC Bank plc  
High Street  
Uxbridge  
Middlesex  
UB8 1BY

Ulster Bank  
130 Lower Baggot Street  
Dublin 2

## **Solicitors**

Shoosmiths LLP  
Witan Gate House  
500-600 Witan Gate West  
Milton Keynes  
MK9 1SH

Eversheds LLP  
115 Colmore Row  
Birmingham  
B3 3AL

Arthur Cox  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland

Howes Percival LLP  
Oxford House  
Cliftonville  
Northampton  
NN1 5PN

Keystone Law  
53 Davies Street  
London  
W1K 5JH

## **Registered Office**

Grand Union House  
Old Wolverton Road  
Wolverton  
Milton Keynes  
Buckinghamshire  
MK12 5PT

## **Directors' Report**

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

### **Principal Activities**

The principal activity of the company during the year continued to be the sale of domestic electrical and gas appliances and related spares and servicing and is generated within the United Kingdom and the Republic of Ireland. The company is a wholly owned subsidiary undertaking of Robert Bosch GmbH.

### **Future Risks and Uncertainties**

BSH Home Appliances Limited ("BSH") has a process for risk identification, risk management and risk acceptance through a framework of policies, procedures and internal controls. All related policies are subject to Board approval, and an ongoing review by management, risk management and internal audit. Compliance with regulations, legal and ethical standards remains a high priority for BSH. The directors reviewed the performance of BSH Home Appliances Limited during 2016 and consider that there were significant opportunities within the UK market. The UK government's target of increasing available housing throughout 2016 provided significant opportunities in terms of growth and increased market share.

Further information on future prospects and financial risk can be found in the strategic report.

### **Results and dividends**

The profit for the financial year amounted to £21,881,821 (2015: £17,409,696). The directors proposed a dividend in the current year of £16,000,000 (2015: £10,000,000) of which £16,000,000 (2015: £10,000,000) was paid.

### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where continuing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### **Employee involvement**

During the year, the company provided employees systematically with information on matters of concern to them as employees. Employees or their representatives are consulted on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

### **Going concern**

The company considers that its considerable financial resources together with its diverse customer base and long established trading relationships mean that it is well placed to manage its business risk successfully despite the current uncertain economic outlook.

After carrying out a thorough business review the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**Directors' Report (continued)**

**Directors**

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

T Baader  
J Krabichler (resigned 31 December 2016)  
A Meier  
M Normann

Mrs A Willmeroth was appointed as a director of the company on 4 January 2017.

**Independent Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

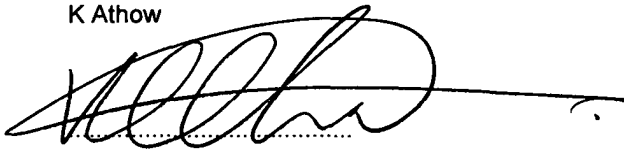
- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed by order of the Board

Secretary  
K Athow



## Strategic Report

### Strategy and Business Model

The business model operated by BSH entails the sales, marketing, distribution and servicing of our core brand products, to offer a complete range of kitchen and small appliances to the retailers and distributors within the UK and Republic of Ireland.

Our attention to delivering exceptional quality and market leading innovative products means we are well positioned to achieve market leadership.

### Business Review

The profit for the financial year amounted to £21,881,821 (2015: £17,409,696).

The overall business continued to develop, with turnover growth of 8.6% compared to the prior year. This is a considered a major achievement when compared with the average market growth rate of 2.3% in value terms according to the Association of Manufacturers of Domestic Electrical Appliances (AMDEA).

There was some evidence to indicate the market slowing down towards the end of the year. This was predominantly due to the uncertainty following the Brexit referendum which resulted in deterioration in the exchange rate for Sterling. This led to a number of manufacturers increasing their prices. Towards the end of the year as average prices rose, sales volumes fell. However, BSH gained market share in all Major Domestic Appliances (MDA) categories with particular emphasis on built-in products. According to GfK, based on full year figures for 2016, BSH became UK market leader for Major Domestic Appliances (MDA8) by value. The Small Domestic Appliance (SDA) market remained flat compared to 2015.

There are some concerns for future prospects in the UK. However, in recent years the UK MDA industry has proven to be resilient in comparison to the rest of the retail market. Both interest rates and unemployment remain at all time lows.

### Principal Risks and Uncertainties

#### Foreign exchange risk

In previous years, the Company has faced significant foreign exchange risk as the vast majority of the Company's operations are in the UK market but products principally sold in this market were imported from Europe and were purchased in Euros. With effect from the end of 2014, these products were switched to being purchased in Sterling thus greatly reducing the foreign exchange risk.

#### Other risks

The company takes its responsibilities towards the environment seriously. With this in mind and to ensure that BSH meets its obligations under the WEEE (Waste Electrical and Electronic Equipment) Directive, it is a founder member of the REPIC (Recycling Electrical Producers' Industry Consortium) compliance scheme.

### Key performance indicators

The directors monitor the following key indicators.

		2016	2015	+ / - %
Sales volume (MDA* only)	(units)	2,332,412	2,156,481	+8.2%
Sales revenue	(£)	712,819,597	656,071,880	+8.6%
Stock coverage		27.8 days	28 days	
Trade debtors coverage		38 days	36 days	

\* Major Domestic Appliances

**Strategic Report (continued)**

During 2016, sales volumes (MDA only) and revenue increased broadly in line with each other. Stock coverage and trade debtors coverage both remained relatively constant.

**Future prospects**

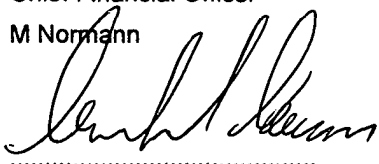
The directors aim to maintain the management policies which have resulted in the Company's growth in recent years. We have a clear strategic orientation towards quality, innovation and environmentally-friendly products. We will continue to rely on our outstanding products and brands and the added value they provide our customers at competitive prices as the basis for our continued profitable growth.

The Directors' Report and the Strategic Report set out above should be read in conjunction with each other.

On behalf of the board

Chief Financial Officer

M Normann

  
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***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 101 "Reduced Disclosure Framework", 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 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

On behalf of the Board

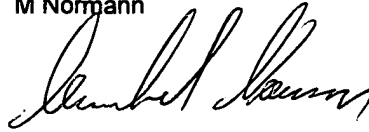
Chief Executive Officer

A Meier



Chief Financial Officer

M Normann



## **Report on the financial statements**

### **Our opinion**

In our opinion, BSH Home Appliances Limited's financial statements (the "financial statements"):

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

### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss account and Statement of other comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

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

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

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

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

We have no exceptions to report arising from this responsibility.



Registered No: 01844007

### **Directors' remuneration**

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

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

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

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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


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

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

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

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

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

  
Jonathan Gilpin (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes  
18 July 2017

**Profit and loss account**

for the year ended 31 December 2016

	Note	2016 £	Restated 2015 £
<b>Turnover</b>		712,819,597	656,071,880
Cost of sales		(539,146,326)	(482,341,124)
<b>Gross profit</b>		173,673,271	173,730,756
Selling and Distribution costs		(132,800,726)	(137,932,267)
Administrative expenses		(11,002,008)	(11,594,348)
Other operating expenses		(2,317,021)	(2,301,541)
<b>Operating profit</b>	<b>5</b>	27,553,516	21,902,600
Interest receivable and similar income	<b>8</b>	287,877	287,383
Interest payable and similar expenses	<b>9</b>	(270,026)	(474,126)
<b>Profit before taxation</b>		27,571,367	21,715,857
Tax on profit	<b>10</b>	(5,689,546)	(4,306,161)
<b>Profit for the financial year</b>		21,881,821	17,409,696

All amounts relate to continuing activities and all profits or losses have been accounted for on an historic cost basis.

## Statement of other comprehensive income

for the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Profit for the financial year</b>		21,881,821	17,409,696
<b>Other comprehensive (expense)/income:</b>			
<b>Items that will not be reclassified to profit and loss:</b>			
Actuarial loss relating to the pension scheme	<b>19</b>	(3,161,000)	(314,000)
Deferred tax effect		537,370	56,520
<b>Total comprehensive income for the year</b>		<u>19,258,191</u>	<u>17,152,216</u>

**Balance sheet**

as at 31 December 2016

	Note	31 Dec 2016 £	31 Dec 2015 £
<b>Non-current assets</b>			
Tangible assets	11	12,801,153	11,771,690
Pension asset	19	5,901,000	7,304,000
		<u>18,702,153</u>	<u>19,075,690</u>
<b>Current assets</b>			
Stocks	12	81,618,465	72,280,259
Debtors	13	109,120,471	103,205,675
Cash at bank and in hand	14	7,081,894	10,876,703
<b>Total current assets</b>		<u>197,820,830</u>	<u>186,362,637</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(158,493,205)</u>	<u>(149,833,542)</u>
<b>Net current assets</b>		<u>39,327,625</u>	<u>36,529,095</u>
<b>Total assets less current liabilities</b>		<u>58,029,778</u>	<u>55,604,785</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(927,452)	(87,027)
<b>Provisions for liabilities</b>	18	(9,832,383)	(10,605,634)
<b>Deferred tax liability</b>	10	(353,163)	(1,253,535)
<b>Net Assets</b>		<u>46,916,780</u>	<u>43,658,589</u>
<b>Capital and reserves</b>			
Called up share capital	21	4,250,000	4,250,000
Profit and loss account	22	42,666,780	39,408,589
<b>Total shareholders' funds</b>	22	<u>46,916,780</u>	<u>43,658,589</u>

Company registered number: 01844007

The financial statements on pages 10 to 33 were approved by the Board of Directors on 18 July 2017.

Signed on behalf of the Board of Directors



Director

M Normann

## Statement of changes in equity

For the year ended 31 December 2016

		<i>Called up Share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
	Note			
<b>At 1 January 2016</b>	<b>22</b>	<b>4,250,000</b>	<b>39,408,589</b>	<b>43,658,589</b>
Profit for the financial year		-	21,881,821	21,881,821
Other comprehensive expense		-	(2,623,630)	(2,623,630)
<b>Total comprehensive income for the year</b>		-	<b>19,258,191</b>	<b>19,258,191</b>
Dividends declared and paid during the year		-	(16,000,000)	(16,000,000)
<b>At 31 December 2016</b>		<b>4,250,000</b>	<b>42,666,780</b>	<b>46,916,780</b>

## Notes to the Financial Statements

### 1. Authorisation of financial statements

The financial statements of BSH Home Appliances Limited ("the Company") for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 18 July 2017 and the balance sheet was signed on the Board's behalf by Mr M Normann.

BSH Home Appliances Limited is a private limited company, limited by shares, and is incorporated in England. The company also operates a branch in the Republic of Ireland. The principal activity of the Company is the sale of home appliances in the United Kingdom and the Republic of Ireland. Information on its ultimate parent is presented in Note 23.

### 2. Summary of significant accounting policies

The basis of preparation and accounting policies used in preparing the financial information for the year ended 31 December 2016 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented following adoption of Financial Reporting Standard 101 'Reduced Disclosure Framework'.

#### ***2.1 Basis of Preparation and statement of compliance with Financial Reporting Standard 101 'Reduced Disclosure Framework'***

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' for the year ended 31 December 2016 and also in accordance with those parts of the Companies Act 2006 applicable to companies reporting under Financial Reporting Standard 'Reduced Disclosure Framework' ('FRS 101'). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

##### **2.1.1 Changes in accounting policy and disclosures**

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2016 have had a material impact on the company.

##### **2.2 Foreign currency translation**

The Company's financial statements are presented in Pounds Sterling which is also the Company's functional currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Income and expenses are translated at the exchange rates prevailing at the dates of the transactions. The resulting exchange differences are recognised in other operating expenses.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### 2.3 *Turnover Recognition*

Turnover is recognised in accordance with IAS 18 '*Revenue*' and comprises amounts received and receivable in respect of the invoiced values.

Turnover is recognised when it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, taking into account contractually defined terms of payment and excluding sales taxes or duty.

The Company assesses its turnover arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its turnover arrangements.

Turnover is attributable to one continuing activity, the sale of domestic electrical and gas appliances and related spares and servicing and is generated within the United Kingdom and the Republic of Ireland. The directors do not consider the Republic of Ireland to be a separate geographical location and results are reported internally as one market for the United Kingdom and Republic of Ireland.

#### *Sale of goods*

Turnover is recognised when, in respect of sale of domestic electrical and gas appliances, the significant risks and rewards of ownership of the goods have been passed to the buyer (usually when the product is delivered).

#### *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

#### 2.4 *Taxes*

##### *Current Income Tax*

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which tax regulations are subject to interpretation and establishes provisions where appropriate.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### 2.4 Taxes (continued)

##### *Deferred Income Tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised, except:

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### 2.5 Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses if any. Such costs include the cost of replacing part of the fixed asset. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises the new part with its own associated useful life and depreciation. Likewise when a major inspection is performed, its cost is recognised in the carrying amount of the fixed asset as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is provided on the cost less residual value of all fixed assets, and is on a straight-line basis over its expected useful life as follows:

Freehold Property	- 3.03% per annum
Fixtures and Fittings	- 8.3% - 33.3% per annum
Motor Vehicles	- 16.6% per annum

Depreciation on fixtures and fittings changed from 12.5% with effect from January 2015 to bring depreciation rates in line with those of Robert Bosch GmbH for all future additions.

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end and where adjustments are required these are made prospectively.

An item of fixed assets and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### 2.6 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date assessing whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The classification of leases as finance or operating leases requires the Company to determine, based on an evaluation of the terms and conditions, whether it retains or acquires the significant risks and rewards or ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised on the statement of financial position.

##### *Company as a lessee*

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the lease term.

The Company does not hold any assets under finance leases.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### 2.7 Financial instruments

##### (i) Financial Assets

###### *Initial recognition and measurement*

Financial assets within the scope of IAS 39: *Financial instruments: Recognition and measurement* ('IAS 39') are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of financial assets at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit and loss.

The Company's financial assets include cash at bank and at hand and trade and other debtors.

###### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification. The Company does not hold any financial assets at fair value through profit or loss, held to maturity investments or available for sale financial assets. Subsequent measurement for loans and receivables is as follows:

###### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method if the time value of money is significant, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

###### *Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### 2.7 Financial instruments (continued)

##### *Impairment of Financial Assets*

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

The Company has trade receivables carried at amortised cost using the effective interest rate method. The assets are reviewed for impairment as follows:

##### *Financial assets carried at amortised cost*

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

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### 2.7 Financial instruments (continued)

##### *ii) Financial liabilities*

###### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of financial assets at initial recognition. The Company has trade and other payables and loans classified as loans and borrowings. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

###### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

###### *Financial liabilities at fair value through profit or loss*

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

Financial liabilities are classified as held for trading if they are acquired for purpose of selling in the near term.

Gains and losses on liabilities held for trading are recognised in the profit and loss account.

###### *Derecognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

##### *iii) Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

#### 2.8 Stocks

Inventories are valued at the lower of cost and net realisable value. Cost includes direct materials and shipping costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of competition and the estimated costs necessary to make the sale.

#### 2.9 Cash and Short Term Deposits

Cash and short term deposits consist of cash at bank and in hand.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### 2.10 Pensions

The company operate two pension schemes both of which required contributions to be made to separately administered funds. One was a Stakeholder Scheme and contributions were charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

The other is a defined benefit scheme and the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

### 3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have the most significant effect on amounts recognised in the financial statements:

#### 3.1 Impairment of non financial assets

In accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework', the Company considers whether there are any indicators of impairment of assets. Where indicators of impairment are identified, the Company tests the asset for impairment. The Company believes its estimates in respect of this impairment testing are appropriate and consistent with the current market situation. This also applies to provisions for debtors and stock.

#### 3.2 Warranty and guarantee provisions

Provisions for warranty and guarantee related costs are recognised when the product is sold or service provided. A provision is made for the estimated future costs of providing free service of goods sold under warranty or guarantee. The initial estimate is based upon expected claim rate and historical average cost of claims. The initial estimate of the warranty and guarantee costs are revised annually.

#### 3.3 Pension assumptions

The company operates a scheme with separate final salary and money purchase sections in the UK. The full actuarial valuation and major assumptions used by the actuary are shown in Note 19.

## Notes to the Financial Statements

### 4. Financial Reporting Standard 101 'Reduced Disclosure Framework' exemptions applied

The Company is a subsidiary undertaking of BSH Hausgerate GmbH. The ultimate parent company is Robert Bosch GmbH ('the Group') which prepares its consolidated group financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. The Group is registered in Germany and copies of the consolidated financial statements can be obtained from Robert Bosch GmbH, Robert Bosch Platz 1, Gerlingen-Schillerhöhe, D-70049 Stuttgart, Germany.

In accordance with Financial Reporting Standard 'Reduced Disclosure Framework', the Company has taken advantage of the available exemptions and so the following is not required:

- Capital management disclosures, and a reconciliation of the number of shares outstanding at the beginning and end of the reporting period in accordance with IAS 1 Presentation of Financial Statements.
- Preparation of a cash flow statement in accordance IAS 7 Statement of Cash Flows.
- Disclosure of issued but not yet effective International Financial Reporting Standards in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- The requirements of IAS 24 Related Party Disclosures on the grounds that related party transactions have taken place between wholly owned subsidiaries of the Group.
- The disclosure of comparative roll-forwards of fixed assets in accordance with IAS 16 Property, Plant and Equipment.
- The requirements of IFRS 7 Financial Instruments: Disclosures on the grounds that the equivalent disclosures are included in the consolidated financial statements of the Group in which the Company is consolidated.

### 5. Operating profit

Operating profit is stated after charging/ (crediting) the following:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Depreciation of owned fixed assets	1,640,676	1,489,384
(Profit)/Loss on the disposal of fixed assets	(62,133)	42,793
Operating lease payments - minimum lease payments		
Plant and machinery	322,976	305,260
Other	5,033,271	4,382,798
Cost of defined contribution pension scheme	1,554,376	1,448,329
Net foreign currency exchange differences	(1,323,373)	11,395

The directors reviewed the classification of certain income & expenses in relation to warranty in the year. This resulted in a reclassification of £25,111,179 (2015: £19,209,901) to cost of sales from other operating income, and a reclassification of £25,643,307 (2015: £24,139,752) to cost of sales from selling & distribution costs. There was also a review of other income and other expenses with the decision to consolidate them due to the majority of the transactions relating to foreign currency exchange differences relating to trading activities. There is no impact on operating profit. The directors consider that the current classification is a more accurate reflection of the nature of the costs incurred.

## Notes to the Financial Statements

### 6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditors for the Audit of financial statements	57,770	57,800
	<u>57,770</u>	<u>57,800</u>

### 7. Staff costs and directors remuneration

#### Staff Costs

Staff costs for the year include amounts paid to directors.

	2016 £	2015 £
Wages and salaries	40,215,481	39,951,235
Social security costs	4,413,387	3,679,183
Other Pension costs	2,088,580	1,841,326
	<u>46,717,448</u>	<u>45,471,744</u>

#### Directors' remuneration

Key management personnel are considered to be the Directors and further information on their remuneration and pensions are detailed below:

	2016 £	2015 £
<b>Directors' remuneration</b>		
Emoluments	<u>1,010,308</u>	<u>732,925</u>

	2016 £	2015 £
<b>Remuneration of the highest paid director</b>		
Emoluments	<u>540,215</u>	<u>403,955</u>

#### Staff numbers

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

	2016 No.	2015 No.
Service and spares	602	562
Sales and distribution	370	335
Administration	76	77
	<u>1,048</u>	<u>974</u>

## Notes to the Financial Statements

### 8. Interest receivable and similar income

	2016 £	2015 £
Intercompany interest receivable	1,877	6,008
Net pension finance income (note 19)	286,000	275,000
Other interest and similar income	-	6,375
	<u>287,877</u>	<u>287,383</u>

### 9. Interest payable and similar expenses

	2016 £	2015 £
Intercompany interest payable	247,299	472,980
Other interest and similar charges	22,727	1,146
	<u>270,026</u>	<u>474,126</u>

### 10. Tax on profit

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

#### (a) Profit and loss account

	2016 £	2015 £
<i>Current income tax:</i>		
UK current income tax charge	5,453,668	4,463,443
Adjustments in respect of prior years	598,880	374,337
UK total current income tax	<u>6,052,548</u>	<u>4,837,780</u>
<i>Deferred tax:</i>		
Relating to origination and reversal of temporary differences	115,833	39,655
Impact of changes in tax laws and rates	(45,571)	(141,156)
Adjustments in respect of prior years	(433,264)	(430,118)
Total deferred tax	<u>(363,002)</u>	<u>(531,619)</u>

#### Income tax expense in the profit and loss account

2016	2015
<u>5,689,546</u>	<u>4,306,161</u>

#### (b) Reconciliation of the total tax charge

A reconciliation between the tax expense and the product of accounting profit multiplied by the United Kingdom's standard tax rate for the years ended 31 December 2016 and 2015 is as follows:

	2016 £	2015 £
Accounting profit before taxation	<u>27,571,367</u>	<u>21,715,857</u>
Accounting profit multiplied by the UK standard rate of tax of 20% (2015: 20.25%)	5,514,273	4,396,723
Expenses not deductible for tax purposes	75,669	111,324
Adjustments in respect of prior years	165,616	(55,781)
Rate change adjustment	(66,012)	(146,105)
Total tax expense reported in the profit and loss account at effective rate of 21% (2015: 20%)	<u>5,689,546</u>	<u>4,306,161</u>



## Notes to the Financial Statements

### 10. Tax on profit (continued)

#### (c) Deferred Tax

The deferred tax included in the Company balance sheet is as follows:

	<b>31 Dec 2016 £</b>	<b>31 Dec 2015 £</b>
Capital allowances in excess of depreciation	(330,551)	(431,526)
Other short term timing differences	829,632	492,711
Pension	(852,244)	(1,314,720)
<b>Deferred tax liabilities</b>	<u>(353,163)</u>	<u>(1,253,535)</u>

#### *Deferred tax in the profit and loss account*

	<b>2016 £</b>	<b>2015 £</b>
Accelerated capital allowances	(100,974)	(141,096)
Other short term timing differences	(336,922)	(259,763)
Pension movement	74,894	(130,760)
<b>Net deferred tax income</b>	<u>(363,002)</u>	<u>(531,619)</u>

#### *Reconciliation of deferred tax liabilities net*

	<b>2016 £</b>	<b>2015 £</b>
<b>Opening balance as of 1 January</b>	(1,253,535)	(1,841,674)
Tax charge during the year recognised in profit and loss account	(70,262)	(39,655)
Tax credit during the year recognised in other comprehensive income	537,370	56,520
Adjustment in respect of prior years	433,264	571,274
<b>Closing balance as at 31 December</b>	<u>(353,163)</u>	<u>(1,253,535)</u>

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. In addition to the already enacted reduction in the main rate to 19% from 1 April 2017, the main rate would now fall to 17% from 1 April 2020. The change was substantially enacted in Finance Act 2016 on 15 September 2016.

As the change has been substantively enacted at the balance sheet date, its effects have been included in these financial statements. The Company does not believe that the timing differences identified will reverse in the foreseeable future and has therefore applied the 17% rate when calculating the deferred tax balance.

## Notes to the Financial Statements

### 11. Tangible assets

	<i>Freehold Property £</i>	<i>Fixtures and Fittings £</i>	<i>Motor Vehicles £</i>	<i>Total £</i>
<b>Cost</b>				
At 1 January 2016	12,687,894	5,162,016	3,753,056	21,602,966
Reclassification	(347,667)	347,667	-	-
Additions	-	1,486,151	1,255,796	2,741,947
Disposals	-	(316,748)	(526,777)	(843,525)
At 31 December 2016	<u>12,340,227</u>	<u>6,679,086</u>	<u>4,482,075</u>	<u>23,501,388</u>
<b>Accumulated Depreciation</b>				
At 1 January 2016	5,398,167	2,673,510	1,759,599	9,831,276
Reclassification	-	-	-	-
Provided during the year	307,511	790,810	542,355	1,640,676
Disposals	-	(305,527)	(466,190)	(771,717)
At 31 December 2016	<u>5,705,678</u>	<u>3,158,793</u>	<u>1,835,764</u>	<u>10,700,235</u>
<b>Net book value</b>				
At 31 December 2016	<u>6,634,549</u>	<u>3,520,293</u>	<u>2,646,311</u>	<u>12,801,153</u>
At 31 December 2015	<u>7,289,727</u>	<u>2,488,506</u>	<u>1,993,457</u>	<u>11,771,690</u>

### 12. Stocks

	<i>31 Dec 2016 £</i>	<i>31 Dec 2015 £</i>
Spare parts for resale	1,530,215	1,388,296
Appliances for resale	<u>80,088,250</u>	<u>70,891,963</u>
	<u>81,618,465</u>	<u>72,280,259</u>

All stocks are carried at cost less a provision to take account of slow moving and obsolete items. There was no material write down of inventories during the current or prior years.

### 13. Debtors

	<i>31 Dec 2016 £</i>	<i>31 Dec 2015 £</i>
Trade debtors	105,123,733	96,142,663
Amounts owed by group undertakings	2,161,668	5,087,350
Other debtors	<u>1,835,070</u>	<u>1,975,662</u>
	<u>109,120,471</u>	<u>103,205,675</u>

Trade debtors are non-interest bearing and are generally on net 30 days credit terms and are shown net of a provision for impairment. Amounts owed by group undertakings are non-interest bearing and payment terms are before the 25<sup>th</sup> of the next month due net.

## Notes to the Financial Statements

### 14. Cash at bank and in hand

	<b>31 Dec 2016 £</b>	<b>31 Dec 2015 £</b>
Cash at bank and in hand	<u>7,081,894</u>	<u>10,876,703</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. At 31 December 2016, the Company did not have any undrawn committed borrowing facilities.

### 15. Creditors: amounts falling due within one year

	<b>31 Dec 2016 £</b>	<b>31 Dec 2015 £</b>
Trade creditors	2,595,026	6,854,771
Amounts owed to group undertakings	86,043,671	72,161,935
Corporation tax	4,035,362	1,759,016
Other taxes and social security costs	7,207,530	7,870,410
Accruals and deferred income	40,011,372	43,578,606
Current provisions (Note 18)	<u>18,600,244</u>	<u>17,608,804</u>
	<u>158,493,205</u>	<u>149,833,542</u>

Amounts owed to group undertakings represents an interest bearing in-house bank overdraft at Libor +0.6% of £42,230,713 (2015: £64,907,038) and non-interest bearing group trade creditors £43,812,958 (2015: £7,254,897) with payment terms before the 25<sup>th</sup> of the next month due net.

### 16. Creditors: amounts falling due after more than one year

	<b>31 Dec 2016 £</b>	<b>31 Dec 2015 £</b>
Deferred Income	<u>927,452</u>	<u>87,027</u>
	<u>927,452</u>	<u>87,027</u>

During 2015, the Company started to sell extended warranty protection relating to the third to fifth years after the original purchase of an appliance. Revenue will start to be recognised in 2017.

### 17. Dividends paid and proposed

	<b>31 Dec 2016 £</b>	<b>31 Dec 2015 £</b>
Declared and paid during the year:		
Interim dividend paid £3.76 per share (2015: £2.35)	<u>16,000,000</u>	<u>10,000,000</u>

## Notes to the Financial Statements

### 18. Provisions for liabilities

<b>Warranties and guarantees</b>	<b>31 Dec 2016 £</b>	<b>31 Dec 2015 £</b>
At 1 January	28,214,438	24,050,351
Arising during the year	13,374,799	15,751,796
Utilised	(13,156,611)	(11,587,710)
At 31 December	<u>28,432,626</u>	<u>28,214,438</u>
Current (Note 15)	18,600,243	17,608,804
Non current	<u>9,832,383</u>	<u>10,605,634</u>
	<u>28,432,626</u>	<u>28,214,438</u>

Provision is made for the estimated future costs of providing free service of goods sold under warranty or guarantee of up to 5 years. The estimate is based upon the expected claim rate, the historical average cost of claims and discounted using a rate of 2% (2015: 2%). The estimated provision costs and the pre-tax discount rate applied take into account the effects of inflation and risks and uncertainties concerning amounts to be settled in the future.

### 19. Pension commitments

#### Defined contribution scheme

With effect from 31 March 2006, the Company closed the defined benefit schemes to new entrants and replaced it with a defined contribution scheme. The pension cost charged in the profit and loss account of £1,544,376 (2015: £1,448,329) represents contributions payable by the Company to the scheme during the year and there were no prepayments or outstanding contributions at 31 December 2016 (2015: £nil).

#### Defined benefit scheme

The Company operates a scheme with separate final salary and money purchase sections in the UK. Further contributions of £153,000 in 2016 (2015: £153,000) have been agreed with the actuary.

A full actuarial valuation of the final salary section of the scheme was carried out at 31 December 2009 and updated to 31 December 2016 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Rate of increase in salaries	3.5	3.3	3.3
Rate of increase of pensions in payment (post 5 April 1997 pensions only)	3.4	3.4	3.1
Discount rate	2.7	3.9	3.7
Inflation assumption (RPI)	3.5	3.3	3.3
Inflation assumption (CPI)	<u>2.5</u>	<u>2.3</u>	<u>2.3</u>

## Notes to the Financial Statements

### 19. Pension commitments (continued)

Amounts recognised in the balance sheet were:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>£</b>	<b>£</b>
Present value of wholly or partly funded obligations	55,041,000	46,934,000
Fair value of plan assets	60,942,000	54,238,000
Surplus for funded plans	<u>(5,901,000)</u>	<u>(7,304,000)</u>

Analysis of the amount charged to operating profit:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>£</b>	<b>£</b>
Current service cost	1,000	1,000
Total operating charge	<u>1,000</u>	<u>1,000</u>

Analysis of the amount included as other finance income / (costs):

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>£</b>	<b>£</b>
Expected return on pension scheme assets	2,053,000	2,014,000
Interest on pension liabilities	<u>(1,767,000)</u>	<u>(1,739,000)</u>
Other finance income	<u>286,000</u>	<u>275,000</u>

Analysis of the amount recognised in Statement of Comprehensive Income:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>£</b>	<b>£</b>
Actual return less expected return on assets	6,045,000	(1,243,000)
Actuarial (loss)/gain on liabilities	<u>(9,206,000)</u>	<u>929,000</u>
Actuarial loss recognised in Statement of Comprehensive Income	<u>(3,161,000)</u>	<u>(314,000)</u>

The cumulative amount of actuarial gains/(losses) recognised is £1,737,000 (2015: £4,898,000).

## Notes to the Financial Statements

### 19. Pension commitments (continued)

#### Movements in benefit obligation and assets during the year:

	31 Dec 2016 £	31 Dec 2015 £
Change in benefit obligation:		
Benefit obligation at beginning of year	46,934,000	47,880,000
Current service cost	1,000	1,000
Interest cost	1,767,000	1,739,000
Actuarial loss/(gain)	9,206,000	(929,000)
Benefits paid from plan/company	(2,866,000)	(1,756,000)
Premiums paid	(1,000)	(1,000)
<b>Benefit obligation at end of year</b>	<b>55,041,000</b>	<b>46,934,000</b>
Change in plan assets:		
Fair value of plan assets at beginning of year	54,238,000	55,390,000
Expected return on plan assets	2,025,000	1,695,000
Actuarial gain/(loss) on plan assets	6,045,000	(1,243,000)
Employer contributions (incl. employer direct benefit payments)	1,500,000	153,000
Benefits paid from plan/company	(2,866,000)	(1,756,000)
Premiums paid	-	(1,000)
<b>Fair value of plan assets at end of year</b>	<b>60,942,000</b>	<b>54,238,000</b>

No improvements in benefits were made in the financial year. Company contributions were 20% for former Robert Bosch members' Pensionable Salaries and 15% for other members' Pensionable Salaries.

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The scheme does not have any investment in the Company's own financial instruments nor any property occupied by, or other assets used by, the Company.

In 2013, a change to CPI inflation assumption has been enacted following Government legislation and in accordance with the scheme rules.

## Notes to the Financial Statements

### 19. Pension commitments (continued)

#### Breakdown of Scheme assets:

	Value 31 Dec 2016 £'000	Value 31 Dec 2015 £'000
Equity	13,207	12,990
Cash	1,541	83
Bonds	37,820	32,701
Other	8,374	8,464
<b>Total market value of assets</b>	<b>60,942</b>	<b>54,238</b>

#### History of experience gains and losses:

	31 Dec 2016 £	31 Dec 2015 £	31 Dec 2014 £	31 Dec 2013 £	31 Dec 2012 £
Fair value of scheme assets	60,942,000	54,238,000	55,390,000	50,082,000	44,357,000
Defined benefit obligation	55,041,000	46,934,000	47,880,000	40,785,000	45,809,000
Surplus/(Deficit)	5,901,000	7,304,000	7,510,000	9,297,000	(1,452,000)
Experience (gains)/losses on scheme liabilities	(393,000)	91,000	22,000	(1,889,000)	107,000
Percentage of scheme assets	1%	0%	0%	4%	0%
<b>Total amount recognised in Statement of Comprehensive Income</b>	<b>(3,161,000)</b>	<b>(314,000)</b>	<b>(2,217,000)</b>	<b>8,553,000</b>	<b>215,000</b>
Percentage of scheme assets	5%	1%	4%	17%	0%

#### Sensitivities of key assumptions

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase / decrease by 0.5%	Decrease by 8.7% / increase by 9.9%
Rate of inflation	Increase / decrease by 0.5%	Increase by 3.4% / decrease by 2.9%
Rate of mortality	Reduce by one year	Increase by 2.2%

Independent actuary: Rob King, Fellow of the Institute and Faculty of Actuaries

## Notes to the Financial Statements

### 20. Commitments and contingencies

The Company has entered into commercial leases on certain properties, motor vehicles and items of plant and machinery. These leases have an average life of between one and five years with a renewal option included in the contracts. There are no restrictions on the Company by entering into these leases.

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

	31 Dec 2016 £	31 Dec 2015 £
<b>Plant and Machinery</b>		
Within one year	272,746	272,746
After one year, but not more than five years	772,779	1,045,524
After five years	-	-
	<u>1,045,525</u>	<u>1,318,270</u>
<b>Other leases</b>		
Within one year	3,115,359	3,450,633
After one year, but not more than five years	5,953,470	7,971,291
After five years	297,500	399,500
	<u>9,366,329</u>	<u>11,821,424</u>

The Kettering Warehouse lease, which was due to expire in September 2015, was terminated. A new lease agreement was entered into on the 16 February 2015 for a period of 5 years.

### 21. Called up share capital

	31 Dec 2016 £	31 Dec 2015 £
<b>Called up, allotted and full paid</b>		
4,250,000 (2015: 4,250,000) shares of £1 each	4,250,000	4,250,000

### 22. Reconciliation of shareholders' funds and movements on reserves

	<b>Called up Share Capital £</b>	<b>Profit and loss account £</b>	<b>Total shareholders' funds £</b>
At 1 January 2016	4,250,000	39,408,589	43,658,589
Profit for the financial year	-	21,881,821	21,881,821
Dividends paid on equity shares	-	(16,000,000)	(16,000,000)
Net actuarial loss	-	(2,623,630)	(2,623,630)
At 31 December 2016	<u>4,250,000</u>	<u>42,666,780</u>	<u>46,916,780</u>



## Notes to the Financial Statements

### 23. Ultimate parent company

The company is a subsidiary undertaking of BSH Finance and Holding GmbH, registered in Austria. Robert Bosch GmbH is regarded by the directors as being the company's ultimate parent company and controlling entity and it is also the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared.

Copies of the group financial statements can be obtained from Robert Bosch GmbH, Robert Bosch Platz 1, Gerlingen-Schillerhöhe, D-70049 Stuttgart, Germany.