

Gazco Limited

**Annual report and Financial Statements
for the year ended 31 December 2017**

Registered number 2228426

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Gazco Limited
Annual report and Financial Statements
31 December 2017

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Company information

Directors

A Compton (Managing Director)
R J Crabb (Sales Director)
A D Walker (Finance Director)
J D Kingscott (Technical Director)
E G C Henry (Commercial Director)
M Oram (Purchasing Director)

Secretary

A D Walker

Auditor

KPMG LLP
Plym House
3 Longbridge Road
Plymouth
Devon
PL6 8LT

Bankers

HSBC Bank Plc
West and Wales Corporate Banking Centre
Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

Solicitor

Ashfords LLP
Exeter

Registered office

Falcon Road
Sowton Industrial Estate
Exeter
EX2 7LF

Registered number

2228426

Strategic report

Principal activities and review of business developments

The principal business activities of the company are the design, manufacture and distribution of decorative fuel-effect gas and electric fires and stoves. During the year, the company has continued to invest in further product research and development and several new products will be launched in 2018, in both domestic and export markets. The company has also invested during the year in improved IT systems and in upgrading its manufacturing and research and development facilities.

Sales for the year rose by 9.6% on the corresponding year ended 31 December 2016. The directors consider this an encouraging performance and note that the investments made in research and development have predominantly driven this growth.

Subsequent events and future developments

The directors envisage that the next year will be one of further controlled expansion, in both domestic and export markets. The directors also believe that the economic circumstances over the next financial year may lead to modest growth in the domestic market and there will be a continuing emphasis on export-led growth.

Key financial performance indicators

The directors use a number of KPIs in measuring the performance of the business, examples being the growth in turnover year on year, the profit before tax as a percentage of turnover and the return on capital employed.

The values of the KPI's for the last 3 years were as follows:-

	2017	2016	2015
Turnover growth	9.6%	11.2%	17.4%
Profit before tax as a % of turnover	14.1%	15.4%	17.4%
Return on Capital Employed	28.0%	30.8%	38.8%

Principal risks and uncertainties

The key business risks affecting the company are considered to be:-

- fire (or other similar sudden unforeseen events) leading to a reduction in production capacity and product availability;
- the impact of significant exchange rate fluctuations on export sales and component purchases,
- overall market and economic conditions and
- the volatility of commodity-based raw material prices.

The present uncertainties around Brexit are increasing the scale of exchange rate fluctuations and introduce a further risk to the company's supply chains, both inward and outward.

The company mitigates these risks in a number of ways, including use of disaster recovery plans covering potential disruptions to its business, the maintenance of strategic stocks of key components, the specific identification of alternate suppliers and the use of relevant financial instruments.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks that include the effects of credit risk and exchange rate risk.

The company monitors and takes action in each of these areas as follows:

Strategic Report (continued)

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. In addition, credit checks are made annually on those customers who are deemed to be a significant credit risk to the company. The Group also monitors all court judgements made against its customers and makes appropriate adjustments in the light of this information.

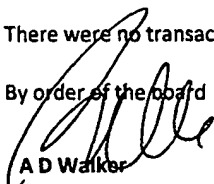
Exchange rate risk

The company monitors its exposures in the foreign currencies in which it regularly transacts. In order to protect against excessive fluctuations, the company will take out financial instruments to restrict these risks where considered appropriate by the Board.

Foreign exchange transactions

There were no transactions outstanding at the end of the financial year.

By order of the board



A D Walker
Secretary

Falcon Road
Sowton Industrial Estate
Exeter
EX2 7LF
21.06.18

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Directors' report

The directors present the Strategic Report, their Directors' Report and Financial Statements for the year ended 31 December 2017.

Results and dividends

The profit for the year attributable to shareholders amounts to £2,863,141 (2016: £2,782,003). A dividend of £83.33 per share totalling £2,500,000 was paid during the year (2016: £800,000).

Going concern

The company has reviewed its position, in the light of the present economic outlook, as part of its normal budgetary process. The directors believe that the company has considerable financial resources, as demonstrated by the cash balance of £6.5m, and net current assets in excess of £12.4m at 31 December 2017. The company is expected to continue trade profitability, despite the anticipated modest growth in the global economy compared to the previous financial year.

After making appropriate enquiries, the directors are of the opinion 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 report and accounts.

Employees

Applications for employment from disabled persons are always fully considered, bearing in the mind the respective aptitude and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person which is fortunate enough not to suffer from a disability.

Employees are kept informed and consulted on matters of importance to them, including those factors affecting the performance and future of the business, by regular meetings.

Directors

The directors who held office during the year and subsequently were as follows:

M Oram	A Compton (appointed 5 September 2017)
E G C Henry	I D Kingscott
R J Crabb	A D Walker

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Donations

The company made no political or charitable donations in the current year or the prior year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Research and Development

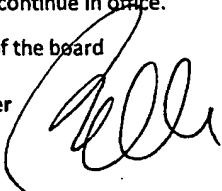
The company continues to invest in product innovation and £887,563 was spent on this area in the year (2016-£810,853).

Auditor

Pursuant to section 487 of the Companies Act 2006 the auditor will be deemed reappointed and KPMG LLP will therefore continue in office.

By order of the board

A D Walker
Secretary
21.06.18



Falcon Road
Sowton Industrial Estate
Exeter EX2 7LF

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Statement of directors' responsibilities in respect of the Strategic report, the Directors' report, and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditor's report to the members of Gazco Limited

Opinion

We have audited the financial statements of Gazco Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report to the members of Gazco Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

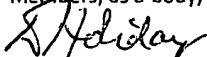
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.


Emma Holiday (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plym House
3 Longbridge Road
Marsh Mills
Plymouth
Devon
PL6 8LT

25th July 2018

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**Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2017**

	<i>Note</i>	2017 £	2016 £
Turnover	2	24,914,710	22,730,249
Cost of sales		(17,104,963)	(15,100,094)
Gross profit		7,809,747	7,630,155
Distribution costs and administrative expenses		(4,308,018)	(4,148,402)
Operating profit		3,501,729	3,481,753
Interest receivable and similar income	6	5,424	12,450
Interest payable and similar expenses	7	(73)	(350)
Profit before taxation		3,507,080	3,493,853
Tax on profit	8	(643,939)	(711,850)
Profit for the financial year		2,863,141	2,782,003

The company has no recognised gains and losses other than profits above and therefore no separate statement of other comprehensive income has been presented.

All activities relate to continuing operations

The notes on pages 11 to 22 form part of the financial statements.

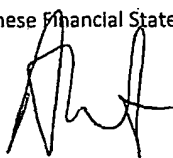
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Balance sheet
at 31 December 2017

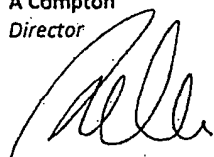
	Note	2017 £	2016 £
Fixed assets			
Tangible assets	10	1,046,945	650,856
Current assets			
Stocks	11	4,938,853	4,785,955
Debtors	12	3,372,977	2,842,557
Cash at bank and in hand	13	6,486,009	7,010,160
		14,797,839	14,638,672
Creditors: amounts falling due within one year	14	(2,346,375)	(2,013,670)
Net current assets		12,451,464	12,625,002
Total assets less current liabilities		13,498,409	13,275,858
Provisions for liabilities	15	(827,319)	(967,909)
Net assets		12,671,090	12,307,949
Capital and reserves			
Called up share capital	16	30,000	30,000
Profit and loss account		12,641,090	12,277,949
Shareholders' funds		12,671,090	12,307,949

The notes on pages 11 to 22 form part of the financial statements.

These Financial Statements were approved by the board of directors on 21st June 2018 and were signed on its behalf by:



A Compton
Director



A D Walker
Director

Company registered number: 2228426

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Statement of changes in equity
at 31 December 2017

	<i>Note</i>	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	16	30,000	10,295,946	10,325,946
Total comprehensive income for the year				
Profit for the year		-	2,782,003	2,782,003
Total comprehensive income for the year		-	2,782,003	2,782,003
Dividends	9	-	(800,000)	(800,000)
Balance at 31 December 2016	16	30,000	12,277,949	12,307,949
Balance at 1 January 2017	16	30,000	12,277,949	12,307,949
Total comprehensive income for the year				
Profit for the year		-	2,863,141	2,863,141
Total comprehensive income for the year		-	2,863,141	2,863,141
Dividends	9	-	(2,500,000)	(2,500,000)
Balance at 31 December 2017	16	30,000	12,641,090	12,671,090

All amounts relating to continuing activities.

The notes on pages 11 to 22 form part of the financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods in these financial statements.

Gazco Limited (the "Company") is a private company limited by shares, and incorporated, domiciled and registered in the UK. The Company number is 2228426 and the registered office is Falcon Road, Sowton Industrial Estate, Exeter, EX2 7LF.

These Financial Statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these Financial Statements is sterling. All amounts in the Financial Statements have been rounded to the nearest £1.

The Company's parent undertaking, NIBE Industrier AB, whose address is Järnvägsgatan 40, 285 37 Markaryd, Sverige, a company registered in Sweden, includes the Company in its consolidated Financial Statements. The consolidated Financial Statements of NIBE Industrier AB, are prepared in accordance with International Financial Reporting Standards as adopted by the EU, are available to the public and may be obtained from the website <http://www.nibe.com> under the section "Investor Relations".

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon despatch of goods from the company's premises.

Measurement convention

The Financial Statements are prepared on the historical cost basis.

Going concern

At 31 December 2017 the company had net current assets of over £12.4m with cash balances in excess of £6.4m and no debt. The directors have reviewed forecast budgets, (which look forward for a period greater than 12 months) as part of their assessment of the company's future prospects. The directors, therefore, consider that the company's current financial position and forecast trading will enable it to continue in operational existence for the foreseeable future and enable it to meet its liabilities, as they fall due without being dependent on its ultimate parent, NIBE Industrier AB, for working capital funds. Accordingly, they continue to adopt the going concern basis in preparing the report and accounts.

Stocks

Stocks are valued at the lower of cost, on a first in, first out basis, and net realisable value after making due allowance for any obsolete and slow moving items. Cost of stock comprises the purchase price of stocks and all other directly attributable costs.

Distribution costs and administrative expenses

Distribution costs and administrative expenses are stated net of any recharges made by the company for such costs.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with the incidental expenses of acquisition. The company assesses at each reporting date whether the tangible assets are impaired. Depreciation is charged to the profit and loss account and is calculated so as to write off the cost of fixed assets on a straight-line basis over the useful economic lives of the asset concerned. The principal annual rates used for this purpose are:

Plant, fixtures, fittings and equipment	15%
Computer equipment	33% (included with Plant, fixtures, fittings and equipment)
Motor vehicles	25% (included with Plant, fixtures, fittings and equipment)
Production rights and stove patterns	15% to 25% (included within Plant, fixtures, fittings and equipment)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pensions

The company is one of the employers in a group personal pension scheme with an external provider. This is defined contribution scheme, which is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the years during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

Research and development expenditure

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on tangible assets purchased as part of development activities, such as cast iron and production tooling, is capitalised (if the foreseeable life is sufficient to justify capitalisation) over four years to seven years, depending on the type of tooling purchased.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs.

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other development expenditure is recognised in the profit and loss account as an expense as incurred.

Foreign currencies

The presentation currency of these Financial Statements is Sterling.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rate ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to the OCI, which are recognised in OCI.

Computer software

Computer software is expensed in the year in which the expenditure is incurred, unless its economic life is greater than three years in which case it is capitalised and included in intangible assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Notes (continued)

1 Accounting policies (continued)

Leases

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss account over the term of the lease as an integral part of the total lease expense.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the years in which they are incurred.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Provision is made for the expected cost of maintenance under warranties in respect of products delivered and invoiced.

Basic financial instruments

Financial Assets - Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. At the end of each reporting year the financial assets are assessed for evidence of impairment. If an asset is impaired, the impairment loss is recognised in the profit and loss account.

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) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial Liabilities - Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Financial Liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Interest Receivable and Interest Payable

Interest Receivable and Interest Payable are accounted for on an accruals basis.

Dividend Policy

The company has no formal dividend policy. The amount is determined, each year, in consultation with its ultimate holding company, NIBE Industrier AB.

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Notes (continued)

2 Turnover

Turnover comprises the invoice value of goods and services supplied by the company exclusive of VAT. In the opinion of the directors, the company operates in one business segment and therefore no analysis of turnover by segment is provided.

	2017 £	2016 £
The company's turnover arose in the following geographic areas:-		
United Kingdom	21,757,023	20,133,903
Europe	2,850,706	2,305,925
Rest of the World	256,985	234,839
Intragroup	49,996	55,582
	<u>24,914,710</u>	<u>22,730,249</u>

3 Expenses and auditor's remuneration

	2017 £	2016 £
Included in the profit and loss account are the following:		
Depreciation of tangible fixed assets	234,987	183,223
Profit on disposal of fixed assets	(500)	-
Auditor's remuneration:		
- Audit services	12,450	11,625
- relating to taxation	6,153	3,500
Research and development expenditure	887,563	810,853
Hire of plant and machinery	27,458	18,709
Operating lease rentals – land and buildings – external	81,467	79,613
Intragroup rental charges – land and buildings	476,754	476,754
Foreign exchange losses/(gains)	22,807	(20,088)
	<u>22,807</u>	<u>(20,088)</u>

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	2017 £	2016 £
Production	80	74
Distribution	21	20
Administration	64	59
Staff numbers	<u>165</u>	<u>153</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	4,380,304	4,095,221
Social security costs	325,230	290,133
Pension costs	93,078	112,619
	<u>4,798,612</u>	<u>4,497,973</u>

The company operates a group personal pension plan under which it contributes to money purchase personal pension plans for individual employees. There were outstanding contributions at the end of the current year of £12,469 (2016 - £nil).

Notes (continued)

5 Remuneration of directors

	2017 £	2016 £
Paid directly by the company	99,995	184,382
Paid by UK ultimate holding company - Stovax Heating Group Limited	257,845	487,041
Recharged from fellow subsidiary - Stovax Limited	78,790	186,016
Company contributions to pension scheme	8,583	7,400
	<u>445,213</u>	<u>864,839</u>
	Number	Number
Number of directors accruing benefits under money purchase group personal pension plan	1	1
Highest paid director	99,995	184,382
Company contributions paid to pension scheme	8,583	7,400
	<u>108,578</u>	<u>191,782</u>

6 Interest receivable

	2017 £	2016 £
Bank interest and other interest receivable	5,424	12,450

7 Interest payable

	2017 £	2016 £
Interest payable to group companies	73	350

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account

(a) Analysis of charge in the year

The tax charge is made up as follows:

	2017 £	2016 £
Corporation tax		
UK corporation tax on the profit for the year	656,800	711,462
Adjustments in respect of previous years	(1,076)	(5,641)
Total current tax	655,724	705,821
Deferred tax (see note 15)		
Origination and reversal of timing differences	(17,538)	5,672
Adjustment in respect of previous years	5,753	357
Total deferred tax	(11,785)	6,029
Total tax expense	643,939	711,850

All tax has been recognised in the profit and loss account.

(b) Factors affecting the tax charge for the current year

The effective current corporation tax rate in 2017 is 19.25% the average applicable rate throughout the year. The previous 21% rate was reduced to 20% from 1 April 2016 and then to 19% from 1 April 2017. The current tax charge for the year is 18.36% which is lower than the standard rate of corporation tax in the UK of 19.25 %. The prior year current tax charge for the year was 20.3% which was higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2017 £	2016 £
Profit for the year	2,863,141	2,782,003
Total tax expense	643,939	711,850
Profit excluding taxation	3,507,082	3,493,853
Tax using the UK corporation tax rate of 19.25% (2016:20%)	675,112	698,771
Effects of:		
Permanent differences	2,406	40,557
Miscellaneous	497	(3,505)
Impact of R&D credits	(33,000)	(18,689)
Adjustment in respect of previous years	(1,076)	(5,284)
Total tax charge for current year included in profit and loss account	643,939	711,850

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly. The deferred tax liability at balance sheet date has been calculated based on these rates.

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Notes (continued)

9 Dividends

	2017 £	2016 £
Dividends paid in respect of current financial year £83.33 per share (2016: £26.66)	2,500,000	800,000

10 Tangible fixed assets

	Plant, fixtures, Fittings and equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2017	2,810,753	122,266	2,933,019
Additions	603,231	32,554	635,785
Transfers to Group Companies	(1,050)	(13,200)	(14,250)
Disposals	(18,295)	-	(18,295)
At 31 December 2017	3,394,639	141,620	3,536,259
Depreciation			
At 1 January 2017	2,181,286	100,877	2,282,163
Charge for year	216,945	18,042	234,987
Transfers to Group Companies	-	(13,200)	(13,200)
On disposals	(14,636)	-	(14,636)
At 31 December 2017	2,383,595	105,719	2,489,314
Net book value			
At 31 December 2017	1,011,044	35,901	1,046,945
At 31 December 2016	629,467	21,389	650,856

There are no leased assets included in the above totals nor has any security been given over any of the above assets.

11 Stocks

	2017 £	2016 £
Raw materials and work in progress	2,530,255	2,261,509
Finished goods	2,408,598	2,524,446
	4,938,853	4,785,955

The directors do not consider that the replacement cost of stocks materially exceeds the balance sheet value.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £11,971,531 (2016: £10,436,195). The write-downs of stocks to net realisable value amounted to £9,337 (2016: £58,326).

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Notes (continued)

12 Debtors

	2017 £	2016 £
Trade debtors	3,110,604	2,546,106
Amounts owed by group companies	17,376	73,019
Prepayments	244,997	223,432
	<u>3,372,977</u>	<u>2,842,557</u>

Trade debtors are stated after provisions for impairment of £178,692 (2016: £124,050). None of the debtors fall due after more than one year. Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

13 Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	6,486,009	7,010,160

There were no significant non-cash transactions during the year and there are no restrictions on the cash and cash equivalents held.

14 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	661,896	971,338
Amounts owed to group companies	10,933	62,258
Corporation tax	366,457	320,821
Other taxes and social security	158,316	182,720
Accruals	1,148,773	476,533
	<u>2,346,375</u>	<u>2,013,670</u>

Amounts owed to group undertakings are trading balances repayable on demand and are non-interest bearing.

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Notes (continued)

15 Provisions for liabilities

	Dilapidation provision £	Deferred tax £	Warranty Provision £	Total provisions £
Cost				
At 1 January 2017	126,850	52,648	788,411	967,909
Prior year adjustments	-	5,754	-	5,754
Provided in the year	31,800	-	507,629	539,429
Released in the year	-	-	(169,285)	(169,285)
Utilised in the year	-	(17,538)	(498,950)	(516,488)
At 31 December 2017	158,650	40,864	627,805	827,319

Warranty provision is made for the anticipated cost of customer warranties, which are expected to be incurred over the following two years. This is based on an analysis of the type of warranty claims received during the year and an estimate of the likely incidence of similar claims in the remaining warranty period for the appliances sold. Dilapidations provision is made at the amount for which the Company is contractually liable, arising since the inception of the current leases on the properties on 31 January 2013.

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000	Net 2017 £000	2016 £000
Accelerated capital allowances	-	-	40,864	52,648	40,864	52,648
Net tax liabilities	-	-	40,864	52,648	40,864	52,648

There is not expected to be a net reversal of deferred tax liabilities in the next reporting period, based on the company's current investment plans.

16 Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
30,000 Ordinary shares of £1 each	30,000	30,000

Notes (continued)

17 Financial commitments

The company had the following commitments at the end of the financial year:

	2017 £	2016 £
Capital expenditure authorised and not contracted	14,030	26,380
Capital expenditure authorised and contracted	-	505,000
	<u> </u>	<u> </u>

Commitments under non-cancellable operating leases for land and buildings are as follows:

	2017 £	2016 £
Less than one year	75,000	37,500
Between one and five years	37,500	-
	<u> </u>	<u> </u>
	<u>112,500</u>	<u>37,500</u>

During the year £81,467 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £79,613)

18 Contingent liabilities

The company had the following contingent liabilities.

	2017 £	2016 £
Customs and excise guarantees	75,000	75,000
	<u> </u>	<u> </u>

The guarantee relates to the Company's VAT deferment account. Group banking facilities are covered by a cross guarantee between group companies, but there was no exposure at the year-end or the previous year end.

The amounts outstanding at the end of the year were as follows: -

	2017 £	2016 £
Customs and excise guarantees	73,360	69,610
	<u> </u>	<u> </u>

The amounts were paid in January 2018 and January 2017 respectively.

19 Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1a of the provisions of FRS102 Related Party Disclosures not to disclose intra-group transactions, on the grounds that it is a wholly owned subsidiary.

Notes (continued)

20 Ultimate parent undertaking and controlling party

The immediate parent company is Stovax Group Limited which holds 100% of the issued share capital of the company.

Stovax Group Limited is a subsidiary of Stovax Heating Group Limited. A 100% controlling stake in Stovax Heating Group Limited is held by NIBE Industrier AB, whose address is Järnväggsgatan 40, 285 37 Markaryd, Sverige, a company registered in Sweden, which is the controlling party and ultimate parent company.

The only UK group of which the company is a member and for which consolidated Financial Statements are prepared for the 12 months ended 31 December 2017 is Stovax Heating Group Limited. Copies of the Financial Statements are available from Stovax Heating Group Limited, Falcon Road, Sowton Industrial Estate, Exeter, EX2 7LF.

21 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 10 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

Impairment of debtors

The company makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

Stock Obsolescence

The company makes an estimate of the value of slow moving and obsolete stocks, based on historic usages and projected future sales.

Warranty provisions

The company makes an estimate of the likely cost of claims under its customer warranties. A review of the warranty claims made during the year is undertaken at each year end. The provision is calculated by estimating both the number of likely future occurrences of specific issues and their probable cost, based on the historic experience of warranty claims of a similar nature.

Critical accounting judgements in applying the Company's accounting policies

There are no such judgements in either the current or prior year.