



Morphy Richards Limited

Directors' report and financial statements

Year ended 30 September 2019

Registered number: 644702

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Strategic report	2
Directors' report	3
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	5
Independent auditor's report to the members of Morphy Richards Limited	6
Statement of profit and loss account and other comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes forming part of the financial statements	12

Morphy Richards Limited

UK 644702

Directors and other information

Directors

M. Naughton
F. Naughton
D. Flynn
V. Philemon

Secretary

F. Naughton

Registered office

Mexborough
South Yorkshire
S64 8AJ

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Solicitor

Gordons
Riverside West
Whitehall Road
Leeds
LS1 4AW

Strategic report

The principal activity of the Company is the distribution of domestic electrical products.

The Company is exposed to a range of risks, the principal risks are as follows:

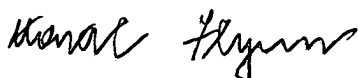
- Product demand – increasingly consumers are more demanding in relation to product functionality and appearance, consequently product lives are becoming shorter;
- Exchange fluctuations – the Company has significant foreign currency exposure, which are not naturally hedged, in US dollars, and is thus exposed to fluctuations in exchange rates; and
- General economic risk – the Company is exposed to general economic risk, including changes in the economic outlook in its principal markets and government changes in industrial, fiscal, monetary or regulatory policies. In particular, there is significant uncertainty regarding the UK economy following the Brexit vote and Covid-19.

The Company has a long and successful track record of managing these risks. The principal key performance indicators used by management to monitor performance are as follows:

- Gross margin and operating profit measures;
- Changes in sales volumes and sales prices;
- Various working capital measures including cash conversion; and
- Various measures in relation to capital expenditure.

The directors will continue to develop the principal activities of the Company and to identify areas with further growth potential, which would increase shareholder value.

On behalf of the board



D. Flynn
Director

18 May 2020

Directors' report

The directors present their directors report together with the audited financial statements of the Company for the year ended 30 September 2019.

Results and state of affairs as at 30 September 2019

The Company's results cover the twelve months to September 2019, whereas the prior period covers an eighteen month period. The profit before interest and non-trading items amounted to £1,037,000 (2018: £3,525,000). Shareholders' funds amounted to £46,031,000 at 30 September 2019 (2018: £45,038,000).

Dividends and retention

No dividends or transfers to reserves are recommended by the directors in respect of the current year (2018: £Nil).

Directors, secretary and their interests

The directors and secretary who held office during the year, unless otherwise stated, were as follows:

M. Naughton
F. Naughton (director and secretary)
D. Flynn
V. Philemon

The directors and secretary do not have any interests which are required to be disclosed under the Companies Act 2006.

Post balance sheet events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty coupled with more volatile asset prices and currency exchange rates.

For the Company's 30 September 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future. The Company has considerable financial resources available to it together with long-term relationships with a number of customers and suppliers. As a consequence, the directors believe that the Company will manage the risk posed by the Coronavirus by undertaking actions such as ensuring it controls its cost base. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Research and development

The Company is engaged in ongoing research and development work in order to improve its product range and increase its market share. During the year the Company incurred research expenditure of £1,427,000 (2018: £2,541,000).

Directors report *(continued)*

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Financial instruments

Due to the nature of its business, the Company is exposed to the effects of fluctuations in foreign currency exchange rates and interest rates. In order to manage these exposures, the Company has entered into various hedging arrangements with commercial banks. These arrangements comprise the use of forward currency purchase and sales contracts. Further details are set out in the notes to these financial statements.

Political and charitable donations

There were no political or charitable donations made during the year (2018: £Nil).

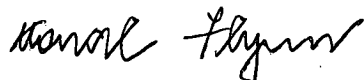
Disclosure of information to auditor

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG will therefore continue in office.

On behalf of the board



D. Flynn
Director

18 May 2020
Mexborough
South Yorkshire
S64 8AJ

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.

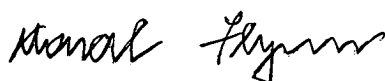
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 year. 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 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 controls 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.

On behalf of the board



D. Flynn
Director

18 May 2020



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of Morphy Richards Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Morphy Richards Limited ("the Company") for the year ended 30 September 2019 set out on pages 9 to 30, which comprise the statement of profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly 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 under those standards are further described in *the Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
- We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

- The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

- 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 a year from the date of approval of the financial statements. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.



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

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic and directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report 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.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including 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.



-- Independent auditor's report to the members of Morphy Richards Limited
(continued)

Respective responsibilities and restrictions on use (continued)

Auditor's responsibilities for the audit of the financial statements

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

A 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

- Our 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.

-- *Brian Kane*

18 May 2020

Brian Kane (*Senior Statutory Auditor*) for and
on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Statement of profit and loss account and other comprehensive income
for the year ended 30 September 2019

	<i>Note</i>	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
Turnover	2	61,462	97,412
Cost of sales		(46,116)	(74,979)
		<hr/>	<hr/>
Gross profit		15,346	22,433
Operating expenses, net	3	(14,309)	(18,908)
		<hr/>	<hr/>
Profit on ordinary activities before interest and non-trading items		1,037	3,525
Restructuring	4	(512)	-
Interest and other finance income/(costs), net	5	629	(711)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	1,154	2,814
Tax on profit on ordinary activities	8	(161)	131
		<hr/>	<hr/>
Profit for the financial year/period		993	2,945
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year/period		993	2,945
		<hr/>	<hr/>

Balance sheet
as at 30 September 2019

	Note	30 September 2019 £'000	30 September 2018 £'000
Fixed assets			
Tangible assets	9	3,787	4,812
Current assets			
Inventories	10	15,007	18,017
Debtors	11	101,358	102,548
Derivative financial instruments	13	4,219	1,760
Cash at bank and in hand	14	3,001	1,967
		123,585	124,292
Creditors: amounts falling due within one year	12	(77,181)	(81,812)
Derivative financial instruments	13	(2,564)	(906)
Net current assets		43,840	41,574
Total assets less current liabilities		47,627	46,386
Government grants	17	(7)	(11)
Provisions for liabilities	18	(1,589)	(1,337)
Net assets		46,031	45,038
Capital and reserves			
Called up share capital	20	500	500
Share premium account		1,103	1,103
Profit and loss account		44,428	43,435
Shareholders' funds		46,031	45,038

The accompanying notes form an integral part of the financial statements.

On behalf of the board



D. Flynn
Director

18 May 2020

Statement of changes in equity
for the year ended 30 September 2019

	Called up share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2017	500	1,103	40,490	42,093
Total comprehensive income for the period				
Profit for the period	-	-	2,945	2,945
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	2,945	2,945
Balance at 30 September 2018	500	1,103	43,435	45,038
Balance at 1 October 2018	500	1,103	43,435	45,038
Total comprehensive income for the year				
Profit for the year	-	-	993	993
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	993	993
Balance at 30 September 2019	500	1,103	44,428	46,031

The accompanying notes form an integral part of the financial statements.

Notes

forming part of the financial statements

1 Accounting policies

Morphy Richards Limited ("the Company") is a private company limited by shares and incorporated, domiciled and registered in the United Kingdom. The registered number is 644702 and the registered address is Mexborough, South Yorkshire, S64 8AJ.

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 £1,000.

The Company is a subsidiary undertaking of Glen Dimplex Europe Holdings Limited. The consolidated financial statements of Glen Dimplex Europe Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from the Companies Registration Office, Bloom House, Gloucester Place Lower, Dublin 1. As the consolidated financial statements of Glen Dimplex Europe Holdings Limited include the equivalent disclosures, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Key management personnel compensation; and
- The disclosure required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instruments* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36 (4) of Schedule 1.

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 25.

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

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments; and financial instruments classified at fair value through the profit or loss.

Going concern

The Company has considerable financial resources together with long-term relationships with a number of customers and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate 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 a 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 rates 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 other comprehensive income, which are recognised in other comprehensive income.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments*Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Investments in preference and ordinary shares

Investments in preference and ordinary shares are measured initially at transaction price less attributable transaction costs. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes (continued)

1 Accounting policies (continued)

Other financial instruments*Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value or the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets *(continued)*

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Years
Freehold buildings	25
Plant, machinery and vehicles	4 - 8
Fixtures, fittings and tools	4 - 8

Government grants

Government grants are included in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in marketing, selling and distribution.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

The Company provides retirement benefits to a certain number of its employees through contributions to separately administered defined benefit and defined contribution schemes.

The assets of the defined benefit scheme are held independently of the Company's assets by trustees. The Company is not the sponsoring employer of the scheme. The cost of providing retirement benefits to employees is charged to the profit and loss account as the sponsoring employer requests based on funding requirements as are determined by an independent actuary by reference to a funding plan and funding assumptions. These amounts are charged to the profit and loss account in the year in which they arise.

The amount charged to the profit and loss account in respect of defined contribution schemes is the contributions payable for the year. Any difference between amounts charged to the profit and loss account and contributions paid to retirement benefit schemes is included in debtors or creditors in the balance sheet.

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 in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Turnover

Turnover represents the invoiced value of goods sold to customers less VAT, returns and allowances, and is recognised on shipment of the related goods.

Expenses

Operating lease

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 over the term of the lease as an integral part of the total lease expense.

Finance lease

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 period 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 periods in which they are incurred.

Notes (continued)

1 Accounting policies (continued)

Expenses (continued)*Interest receivable and interest payable*

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy above).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Research

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of 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 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 tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods 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; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property.

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.

Notes (continued)

2 Turnover

All turnover relates to the sale of domestic electrical goods. Turnover by geographical location is as follows:

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
United Kingdom	49,167	80,591
Rest of European Union	6,216	9,605
Other countries	6,079	7,216
	<hr/>	<hr/>
	61,462	97,412
	<hr/>	<hr/>

Segmental disclosures of turnover by source, profit before taxation and net assets by geographical area are not provided as, in the opinion of the directors, such information would be prejudicial to the interests of the Company.

3 Operating expenses, net

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
Selling and distribution costs	6,689	10,280
Research costs	1,427	2,541
Administrative expenses	6,209	8,044
Other operating income	(16)	(1,957)
	<hr/>	<hr/>
	14,309	18,908
	<hr/>	<hr/>

4 Non-trading items

	Year ended 30 September 2019 €'000	18 month period ended 30 September 2018 €'000
Restructuring costs	512	-
	<hr/>	<hr/>

Restructuring costs relate to the restructuring of the business.

Morphy Richards Limited

UK 644702

Notes (continued)

5 Interest and other finance income/(costs), net

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
(i) Interest, net		
Interest payable and similar expense	(172)	(310)
(ii) Other finance income		
Fair value movement on forward foreign exchange contracts	801	(401)
Interest and other finance income/(costs), net	629	(711)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
Amortisation of development grant (note 17)	(4)	(6)
Depreciation of tangible assets (note 9)	1,103	2,051
Gain on the sale of fixed assets	(16)	(20)
Auditor's remuneration –in respect of financial statements	39	48
Staff costs (note 7)	6,221	10,347
Other operating lease rentals	4	1

7 Staff costs

Particulars of employees (including directors) are shown below:

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
<i>Employee costs during the year/period amounted to:</i>		
Wages and salaries	5,548	9,216
Social security costs	541	890
Retirement benefit costs	132	241
	6,221	10,347

Notes (continued)

7 Staff costs (continued)

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

	Year ended 30 September 2019 Number	18 month period ended 30 September 2018 Number
Service	9	38
Research	23	27
Distribution	55	70
Sales	39	42
Administration	52	26
	<hr/>	<hr/>
	178	203
	<hr/>	<hr/>

Directors' remuneration:

Directors' remuneration (including retirement benefit contributions) was paid in respect of directors of the Company as follows:

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
Emoluments	222	509
	<hr/>	<hr/>

Directors' retirement benefits:

The number of directors who were members of the Company retirement benefit schemes were as follows:

	Year ended 30 September 2019 Number	18 month period ended 30 September 2018 Number
Defined benefit schemes	-	2
	<hr/>	<hr/>

Notes *(continued)***7 Staff costs** *(continued)***Highest paid director:**

Directors' emoluments include the following in respect of the highest paid director:

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
Emoluments	222	256

8 Tax on profit on ordinary activities

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
Corporation tax at 19% (2018: 19%)	42	51
Adjustment in respect of prior years	-	(65)
Current tax charge/(credit) for the year/period	42	(14)
Deferred tax (note 19)	119	(117)
Total tax charge/(credit) for the year/period	161	(131)

Notes (continued)

8 Tax on profit on ordinary activities (continued)

The difference between the total taxation showing above and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

	Year ended 30 September 2019 £'000	18 month period ended 30 September 2018 £'000
Profit on ordinary activities before taxation	1,154	2,814
Tax on profit on ordinary activities at standard corporation tax rate of 19%	219	535
<i>Effects of:</i>		
Non-taxable items	1	12
Permanent depreciation	47	69
Current tax adjustment in respect of prior years	-	(65)
Group relief	(95)	(696)
Impact of change in tax rate on deferred tax asset b/f	(14)	15
Other	3	(1)
Total tax charge/(credit) for the year/period	161	(131)

Factors that may affect future tax charges:

With effect from 1 April 2017, the UK corporation tax rate was reduced from 20% to 19%. The rate is expected to stay at 19% with an expected reduction by 2% to 17% for the year starting 1 April 2020.

Notes (continued)

9 Tangible assets	Freehold land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings and tools £'000	Total £'000
Cost				
At beginning of year	6,109	1,816	8,731	16,656
Additions	-	15	108	123
Disposals/retirements	(16)	(804)	(5,044)	(5,864)
At end of year	6,093	1,027	3,795	10,915
Depreciation				
At beginning of year	3,116	1,379	7,349	11,844
Charge for the year	246	148	709	1,103
Disposals/retirements	(16)	(758)	(5,045)	(5,819)
At end of year	3,346	769	3,013	7,128
Net book value				
At 30 September 2019	2,747	258	782	3,787
At 30 September 2018	2,993	437	1,382	4,812

Included in the above are the following amounts in respect of fixed assets, which are financed by finance leases and which continue to be legally owned by the lessors:

	30 September 2019 £'000	30 September 2018 £'000
Net book value as at end of year/period	201	303
Depreciation charge for year/period	74	157

Notes (continued)

10 Inventories	30 September 2019 £'000	30 September 2018 £'000
Finished goods and goods for resale	14,884	17,925
Spares	123	92
	<u>15,007</u>	<u>18,017</u>

The replacement cost of inventories did not differ significantly from the amounts shown above. Inventories are stated net of a provision for impairment of £742,000 (2018: £644,000).

11 Debtors: amounts falling due within one year	30 September 2019 £'000	30 September 2018 £'000
Trade debtors (a)	8,962	11,037
Prepayments and other debtors	1,192	582
Deferred tax asset (note 19)	141	260
Amounts owed from fellow subsidiary undertakings (b)	91,063	90,669
	<u>101,358</u>	<u>102,548</u>

(a) Trade debtors are stated net of a provision for impairment of £Nil (2018: £Nil).

(b) The amounts owed from group undertakings are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year	30 September 2019 £'000	30 September 2018 £'000
Trade creditors	3,934	3,015
Finance lease obligations	201	304
Payroll taxes and social security	171	201
VAT	1,491	1,872
Corporation tax	501	501
Accruals	10,337	19,839
Amounts owed to parent company and fellow subsidiary undertakings (a)	60,546	56,080
	<u>77,181</u>	<u>81,812</u>

(a) The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes (continued)

13 Financial instruments	30 September 2019 £'000	30 September 2018 £'000
Assets/(liabilities) at fair value through profit or loss		
Financial assets		
Forward foreign exchange contracts	4,219	1,760
Total financial assets	<u>4,219</u>	<u>1,760</u>
Financial liabilities		
Forward foreign exchange contracts	(2,564)	(906)
Total financial liabilities	<u>(2,564)</u>	<u>(906)</u>
Total net financial assets	<u>1,655</u>	<u>854</u>

(a) Financial risk measured at fair value**Derivative financial instruments**

The fair value of forward exchange contracts is determined using quoted forward foreign currency exchange rates at the balance sheet date.

(b) Financial risk management**Foreign currency**

Due to the nature of its business, the Company is exposed to the effects of fluctuations in foreign currency exchange rates. In order to manage these exposures, the Company enters into various hedging arrangements. At 30 September 2019, the Company had commitments under forward foreign exchange contracts, whereby it is committed to purchase contracts with a sterling equivalent of £33,448,119 (2018: £30,835,936).

Credit risk

In order to manage credit risk exposure, the Company has procedures in place to set customer credit limits and also to monitor credit exposure on an ongoing basis.

14 Cash at bank and in hand	30 September 2019 £'000	30 September 2018 £'000
Cash at bank and in hand	<u>3,001</u>	<u>1,967</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents equals the carrying the amount.

Notes (continued)

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 September 2019 £'000	30 September 2018 £'000
Less than one year	1	1
Between one and five years	4	2
More than five years	1	-
	<u>6</u>	<u>3</u>

During the year £4,000 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £1,000).

16 Capital and reserves

	30 September 2019 £'000	30 September 2018 £'000
Profit and loss reserves at the start of the year/period	43,435	40,490
Profit for the year/period	993	2,945
Other comprehensive income	-	-
	<u>44,428</u>	<u>43,435</u>

17 Government grants

	30 September 2019 £'000	30 September 2018 £'000
Balance at beginning of year/period	11	17
Amortisation	(4)	(6)
	<u>7</u>	<u>11</u>

Notes (continued)

18 Provision for liabilities	30 September 2019 £'000	30 September 2018 £'000
Warranty	1,337	1,337
Restructuring	252	-
	<hr/>	<hr/>
	1,589	1,337
	<hr/>	<hr/>

The provision for warranties relates to expected warranty claims on products sold at the balance sheet date. It is expected that the majority of this expenditure will be incurred over the next year.

19 Deferred tax asset	30 September 2019 £'000	30 September 2018 £'000
Balance at beginning of year/period	260	143
Credit/(charge) for the year/period (note 8)	(119)	117
	<hr/>	<hr/>
Balance at end of year/period	141	260
	<hr/>	<hr/>

The deferred tax asset at 30 September 2019 consists of £141,000 (2018: £260,000) relating to timing differences.

Notes (continued)

20 Called up share capital

	30 September 2019 £	30 September 2018 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
500,000 deferred shares of £1 each	500,000	500,000
	<hr/>	<hr/>
	600,000	600,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100
500,000 deferred shares of £1 each	500,000	500,000
	<hr/>	<hr/>
	500,100	500,100
	<hr/>	<hr/>

The deferred shares, which are non voting, equity shares as defined in FRS 4 *Capital Instruments*, as they have the following rights:

- i. Fifty percent of the balance of profits distributed over £10 million.
- ii. Fifty percent of the balance of assets over £10 million on a return of assets on liquidation or otherwise.

21 Commitments and contingencies

(a) Capital commitments

At the end of the year/period capital commitments were:

	30 September 2019 £'000	30 September 2018 £'000
Authorised and contracted for	40	149
Authorised and not contracted for	233	2
	<hr/>	<hr/>
	273	151
	<hr/>	<hr/>

(b) Contingencies

At 30 September 2019, the Company had outstanding documentary credits and bills of exchange totalling £1.1 million (2018: £7.8 million).

Notes (continued)

22 Retirement benefit obligations

Certain Company employees are members of either an externally funded defined benefit scheme or one of the Company's defined contribution retirement benefit schemes. On 28 February 2013, the Glen Dimplex Group defined benefit retirement benefit scheme was closed to further accrual.

Some of the Company's employees together with employees of other Glen Dimplex group companies participate in the Glen Dimplex Group Pension Scheme, the assets of which are held separately from those of the Company, and are vested in trustees for the benefit of employees and their dependants. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

The charge to the Company for the defined benefit scheme amounted to £Nil (2018: £35,000). The retirement benefit charge for payments to defined contribution schemes for the period was £132,000 (2018: £206,000).

As at the balance sheet date, the defined benefit scheme shows a net deficit of £16,116,000 based on valuations of the scheme updated to that date by qualified independent actuaries (2018: £11,574,000). The market value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, was £44,422,000 (2018: £42,234,000). The present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, was £63,839,000 (2018: £56,179,000), and the related deferred tax asset, was £3,301,000 (2018: £2,371,000).

The Company's share of this deficit is not readily identifiable on a consistent and reasonable basis and accordingly, as allowed under Section 28 of FRS 102, the Company accounts for its contributions to the scheme as if it were a defined contribution retirement benefit scheme. The most recent actuarial valuation of the scheme was at 5 April 2018. Particulars of these valuations and the updated valuations as at 30 September 2019 referred to above can be found in the consolidated financial statements of the parent company, Glen Electric Limited.

The Company is one of a number of participating employers in the scheme and the implications of surpluses or deficits are considered on a Group basis. The contribution rate for the period ended 30 September 2019 was 0% (2018: 0%) of pensionable earnings and it is intended to maintain contributions at least at these levels into the future. Current employees of the Company represent c.1% of the total employees entitled to benefit under the scheme.

23 Related party transactions

The Company has availed of the exemptions permitted under FRS 102.33.1(a) in not disclosing transactions with fellow wholly owned subsidiary undertakings which eliminate in the consolidated financial statements of Glen Dimplex Europe Holdings Limited.

24 Ownership and operations

The Company's immediate parent company is Morphy Richards Appliances Limited, a company registered in Northern Ireland. The ultimate parent company is Kilkee Investments Unlimited, a company incorporated in the Isle of Man. The controlling shareholder is M. Naughton.

The smallest and largest group in which the results of the Company are consolidated is that of Glen Dimplex Europe Holdings Limited, Airport Road, Cloghran, Co. Dublin, whose consolidated financial statements are available to the public and may be obtained from the Companies Registration Office, Bloom House, Gloucester Place Lower, Dublin 1.

Notes (continued)

25 Accounting estimates and judgements

Key sources of estimation uncertainty and critical accounting judgements are as follows:

Recoverability of trade receivables

The Company provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances. Trade receivables are considered for impairment on a case by case basis, when they are past due at the reporting date or when objective evidence is received that a specific counterparty may default. The Company does not have a history of material customer default.

Valuation of inventory

Inventories are measured at the lower of cost and net realisable value. The Company's policy is to hold inventories at original cost and create an inventory provision where evidence exists that indicates net realisable value is below cost for a particular item of inventory. Damaged, slow-moving or obsolete inventory are typical examples of such evidence.

Warranty

Certain products carry formal guarantees for varying periods following their purchase. Local management evaluate the constructive or legal obligation arising from customer feedback and assess the requirement to provide for any probable outflow of economic benefit arising from a settlement. Details of the carrying value of warranty provisions is set out in note 18.

26 Post balance sheet events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty coupled with more volatile asset prices and currency exchange rates.

For the Company's 30 September 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future. The Company has considerable financial resources available to it together with long-term relationships with a number of customers and suppliers. As a consequence, the directors believe that the Company will manage the risk posed by the Coronavirus by undertaking actions such as ensuring it controls its cost base. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

27 Approval of financial statements

The financial statements were approved by the directors on 18 May 2020.