Morphy Richards Limited

Directors' report and
financial statements

18 month period ended
30 September 2018

Registered number: 644702

Morphy Richards Limited

UK 644702

Directors' report and financial statements

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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

Morphy Richards Limited

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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 referendum.

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

Kieran Flynn

D. Flynn
Director

15 May 2019

Directors' report

The directors present their directors' report together with the audited financial statements of the Company. During the period the Company extended its year end from 31 March 2018 to 30 September 2018 in order to move to a year end in line with its ultimate parent company. As a result these financial statements cover an eighteen month accounting period to 30 September 2018.

Results and state of affairs as at 30 September 2018

The profit before interest and non-trading items amounted to £3,525,000 *(2017: £3,086,000)*. Shareholders' funds amounted to £45,038,000 at 30 September 2018 *(2017: £42,093,000)*.

Dividends and retention

No dividends or transfers to reserves are recommended by the directors in respect of the current period *(2017: £Nil)*.

Directors, secretary and their interests

The directors who served during the period were as follows:

M. Naughton
F. Naughton (director and secretary)
D. Flynn
A. Griffiths (resigned as director 30 June 2018)
V. Philemon

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

Supplier payment policy

The Company's policy is to agree terms of payment when agreeing terms of business.

Post balance sheet events

There have been no significant post balance sheet events that would require disclosure in the financial statements.

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 period the Company incurred research expenditure of £2,541,000 *(2017: £1,928,000)*.

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.

Directors report *(continued)*

Employee consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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 period *(2017: £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

Donal Flynn

D. Flynn
Director

15 May 2019

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 period. 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 assets, liabilities and financial position of the Company and of its profit or loss 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 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss 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. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2006.

On behalf of the board

Dónal Flynn

D. Flynn
Director

15 May 2019

KPMG

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

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of Morphy Richards Limited ('the Company') for the 18 month period ended 30 September 2018 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 2018 and of its result for the period 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

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.

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 other than the financial statements and our auditor's report thereon. 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.

KPMG

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

1 Report on the audit of the financial statements *(continued)*

Other information *(continued)*

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 regard to these matters.

2 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 and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

KPMG

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

2 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.

R. McCarthy

15 May 2019

Ryan McCarthy ***(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 18 month period ended 30 September 2018

	Note	**18 month period ended 30 September 2018 £'000**	Year ended 31 March 2017 £'000
Turnover	2	97,412	74,317
Cost of sales		(74,979)	(56,280)
Gross profit		22,433	18,037
Operating expenses, net	3	(18,908)	(14,951)
Profit on ordinary activities before interest and non-trading items		3,525	3,086
Interest and other finance (costs)/income, net	4	(711)	1,071
Profit on ordinary activities before taxation	5	2,814	4,157
Tax on profit on ordinary activities	7	131	(856)
Profit for the financial period/year		2,945	3,301
Other comprehensive expense			
Effective portion of changes in fair value of cash flow hedges		-	(133)
Income tax credit on other comprehensive income		-	27
Other comprehensive expense for the period/year, net of income tax		-	(106)
Total comprehensive income/(expense) for the period/ year		2,945	3,195

Morphy Richards Limited

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Balance sheet
as at 30 September 2018

	Note	30 September 2018 £'000	31 March 2017 £'000
Fixed assets			
Tangible assets	8	4,812	5,821
Current assets			
Inventories	9	18,017	14,144
Debtors	10	102,548	59,317
Derivative financial instruments	12	1,760	1,693
Cash at bank and in hand		1,967	1,390
		124,292	76,544
Creditors: amounts falling due within one year	11	(81,812)	(38,481)
Derivative financial instruments	12	(906)	(437)
Net current assets		41,574	37,626
Total assets less current liabilities		46,386	43,447
Government grants	15	(11)	(17)
Provisions for liabilities	16	(1,337)	(1,337)
Net assets		45,038	42,093
Capital and reserves			
Called up share capital	18	500	500
Share premium account		1,103	1,103
Profit and loss account		43,435	40,490
Shareholders' funds		45,038	42,093

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

On behalf of the board

Donal Flynn

D. Flynn
Director

15 May 2019

Statement of changes in equity
for the 18 month period ended 30 September 2018

	Called up share capital £'000	Share premium £'000	Profit and loss account £'000	Cash flow reserve £'000	Total equity £'000
Balance at 1 April 2016	500	1,103	37,189	106	38,898
Total comprehensive income/ (expense) for the year					
Profit for the year	-	-	3,301	-	3,301
Other comprehensive expense (note 14)	-	-	-	(106)	(106)
Total comprehensive income for the year	-	-	3,301	(106)	3,195
Balance at 31 March 2017	500	1,103	40,490	-	42,093
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 expense (note 14)	-	-	-	-	-
Total comprehensive income for the period	-	-	2,945	-	2,945
Balance at 30 September 2018	500	1,103	43,435	-	45,038

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 23.

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.

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.

1 Accounting policies *(continued)*

Employee benefits

The Company provides pensions 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 pensions 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 pension 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 period 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 period, 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.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation *(continued)*

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.

2 Turnover

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

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
United Kingdom	80,591	64,680
Rest of European Union	9,605	5,378
Other countries	7,216	4,259
	97,412	74,317

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

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
Selling and distribution costs	10,280	7,916
Research costs	2,541	1,928
Administrative expenses	8,044	6,090
Other net operating income	(1,957)	(983)
	18,908	14,951

Notes *(continued)*

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

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
(i) Interest, net		
Interest payable and similar expense	(310)	(185)
(ii) Other finance income		
Fair value movement on forward foreign exchange contracts	(401)	1,256
Interest and other finance (costs)/income, net	(711)	1,071

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
Amortisation of development grant (note 15)	(6)	(4)
Depreciation of tangible assets (note 8)	2,051	1,094
Gain on the sale of fixed assets	(20)	(23)
Auditor's remuneration –in respect of financial statements	48	39
Staff costs (note 6)	10,347	7,888

6 Staff costs

Particulars of employees (including directors) are shown below:

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
Employee costs during the period/year amounted to:		
Wages and salaries	9,216	6,255
Social security costs	890	621
Retirement benefit costs	241	1,012
	10,347	7,888

Notes *(continued)*

6 Staff costs *(continued)*

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

	18 month period ended 30 September 2018 Number	Year ended 31 March 2017 Number
Service	38	40
Research	27	30
Distribution	70	81
Sales	42	44
Administration	26	24
	203	219

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

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
Emoluments	509	202

Directors' pensions:
The number of directors who were members of the Company pension schemes were as follows:

	18 month period ended 30 September 2018 Number	Year ended 31 March 2017 Number
Defined benefit schemes	2	1

Notes *(continued)*

6 Staff costs *(continued)*

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

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
Emoluments	256	202

7 Tax on profit on ordinary activities

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
Corporation tax at 19% (2017: 20%)	51	658
Adjustment in respect of prior years	(65)	(25)
Current tax (credit)/charge for the period/year	(14)	633
Deferred tax (note 17)	(117)	223
Total tax (credit)/charge for the period/year	(131)	856

Notes *(continued)*

7 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:

	18 month period ended 30 September 2018 £'000	Year ended 31 March 2017 £'000
Profit on ordinary activities before taxation	2,814	4,157
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2017: 20%)	535	831
Effects of:		
Non-taxable items	12	7
Permanent depreciation	69	49
Current tax adjustment in respect of prior years	(65)	(25)
Group relief	(696)	-
Impact of change in tax rate on deferred tax asset b/f	15	7
Other	(1)	(13)
Total tax (credit)/charge for the period/year	(131)	856

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.

8 Tangible assets

	Freehold land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings and tools £'000	Total £'000
Cost				
At beginning of period	6,107	1,896	8,320	16,323
Additions	2	171	934	1,107
Disposals	-	(251)	(523)	(774)
At end of period	6,109	1,816	8,731	16,656
Depreciation				
At beginning of period	2,750	1,302	6,450	10,502
Charge for the period	366	271	1,414	2,051
Disposals	-	(194)	(515)	(709)
At end of period	3,116	1,379	7,349	11,844
Net book value				
At 30 September 2018	2,993	437	1,382	4,812
At 31 March 2017	3,357	594	1,870	5,821

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 2018 £'000	31 March 2017 £'000
Net book value as at end of period/year	303	352
Depreciation charge for period/year	157	115

Notes *(continued)*

9 Inventories

	30 September 2018 £'000	31 March 2017 £'000
Finished goods and goods for resale	17,925	14,055
Spares	92	89
	18,017	14,144

The replacement cost of inventories did not differ significantly from the amounts shown above. Inventories are stated net of a provision for impairment of £644,000 *(2017: £505,000)*.

10 **Debtors**: amounts falling due within one year

	30 September 2018 £'000	31 March 2017 £'000
Trade debtors (a)	11,037	9,659
Prepayments and other debtors	582	327
Deferred tax asset (note 17)	260	143
Amounts owed from fellow subsidiary undertakings (b)	90,669	49,188
	102,548	59,317

(a) Trade debtors are stated net of a provision for impairment of £Nil *(2017: £Nil)*.

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

11 **Creditors**: amounts falling due within one year

	30 September 2018 £'000	31 March 2017 £'000
Trade creditors	11,000	8,091
Finance lease obligations	304	353
Payroll taxes and social security	201	217
VAT	1,872	1,807
Corporation tax	501	565
Accruals	11,854	6,425
Amounts owed to parent company and fellow subsidiary undertakings (a)	56,080	21,023
	81,812	38,481

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

Notes *(continued)*

12 Financial instruments

30 September 2018	Assets/ (liabilities) at fair value through profit or loss £'000	Total £'000
Financial assets		
Forward foreign exchange contracts	1,760	1,760
Total financial assets	1,760	1,760
Financial liabilities		
Forward foreign exchange contracts	(906)	(906)
Total financial liabilities	(906)	(906)
Total net financial assets	854	854

31 March 2017	Assets/ (liabilities) at fair value through profit or loss £'000	Total £'000
Financial assets		
Forward foreign exchange contracts	1,693	1,693
Total financial assets	1,693	1,693
Financial liabilities		
Forward foreign exchange contracts	(437)	(437)
Total financial liabilities	(437)	(437)
Total net financial assets	1,256	1,256

Notes *(continued)*

12 Financial instruments *(continued)*

(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 2018, the Company had commitments under forward foreign exchange contracts, whereby it is committed to purchase contracts with a sterling equivalent of £30,835,936 *(2017: £53,098,035).*

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.

13 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 September 2018 £'000	31 March 2017 £'000
Less than one year	1	1
Between one and five years	2	6
More than five years	-	-
	3	7

During the period £1,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £3,000).*

Notes *(continued)*

14 Capital and reserves

Other comprehensive income

30 September 2018	**Cash flow reserve £'000**	**Total other comprehensive income £'000**
Effective portion of changes in fair value of cash flow hedges	-	-
Income tax on other comprehensive income	-	-
Total other comprehensive income	-	-

31 March 2017	**Cash flow reserve £'000**	**Total other comprehensive income £'000**
Effective portion of changes in fair value of cash flow hedges	(133)	(133)
Income tax on other comprehensive expense	27	27
Total other comprehensive expense	(106)	(106)

15 Government grants

	30 September 2018 £'000	31 March 2017 £'000
Balance at beginning of period/year	17	21
Amortisation	(6)	(4)
Balance at end of period/year	11	17

16 Provision for liabilities

	30 September 2018 £'000	31 March 2017 £'000
Warranty	1,337	1,337

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.

Notes *(continued)*

17 Deferred tax asset

	30 September 2018 £'000	31 March 2017 £'000
Balance at beginning of period/year	143	339
Credit/(charge) for the period/year (note 7)	117	(223)
Cash flow reserve in O.C.I.	-	27
Balance at end of period/year	260	143

The deferred tax asset at 30 September 2018 consists of £260,000 *(2017: £143,000)* relating to timing differences.

18 Called up share capital

	30 September 2018 £	31 March 2017 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
500,000 deferred shares of £1 each	500,000	500,000
	600,000	600,000
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
	500,100	500,100

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.

Notes *(continued)*

19 Commitments and contingencies

(a) Capital commitments

At the end of the period/year capital commitments were:	**30 September 2018 £'000**	31 March 2017 £'000
Authorised and contracted for	149	290
Authorised and not contracted for	2	2
	151	292

(b) Contingencies

At 30 September 2018, the Company had outstanding documentary credits and bills of exchange totalling £7.8 million *(2017: £19.0 million)*.

20 Retirement benefit obligations

Certain Company employees are members of either an externally funded defined benefit scheme or one of the Company's defined contribution pension schemes. On 28 February 2013, the Glen Dimplex Group defined benefit pension 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 £35,000 *(2017: £908,000)*. The pension charge for payments to defined contribution schemes for the period was £206,000 *(2017: £122,000)*.

As at the balance sheet date, the defined benefit scheme shows a net deficit of £11,574,000 based on valuations of the scheme updated to that date by qualified independent actuaries *(2017: £18,492,000)*. 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 £42,234,000 *(2017: £38,665,000)*. The present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, was £56,179,000 *(2017: £60,945,000)*, and the related deferred tax asset, was £2,371,000 *(2017: £3,788,000)*.

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 pension scheme. The most recent actuarial valuation of the scheme was at 5 April 2015. Particulars of these valuations and the updated valuations as at 30 September 2018 referred to above can be found in the consolidated financial statements of the parent company, Glen Electric Limited.

Notes *(continued)*

20 Retirement benefit obligations *(continued)*

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 2018 was 0% *(31 March 2017: 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.

21 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.

22 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 group in which the results of the Company are consolidated is that of Glen Electric Limited, Rampart Road, Greenbank Industrial Estate, Warrenpoint Road, Newry, Co. Down, BT34 2QU, whose consolidated financial statements may be obtained from the Companies House UK, 2nd Floor, The Linenhall, 32-38 Linenhall Street, Belfast, BT2 8BG. The 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.

23 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 16.

Notes *(continued)*

24 Approval of financial statements

The financial statements were approved by the directors on 15 May 2019.