

**BSH Home Appliances Limited**

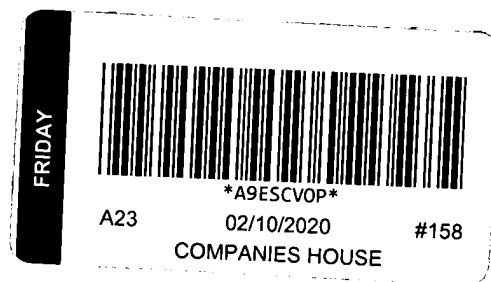
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Registered No: 01844007

## **BSH Home Appliances Limited**

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

31 December 2019



## **BSH Home Appliances Limited**

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Registered No: 01844007

### **Company information**

#### **Directors**

N Klein  
C Prenzel  
G Srivastava  
T Mensing

#### **Secretary**

N Eccles

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
The Atrium  
1 Harefield Road  
Uxbridge  
Middlesex  
UB8 1EX

#### **Bankers**

HSBC Bank plc  
High Street  
Uxbridge  
Middlesex  
UB8 1BY

Ulster Bank  
130 Lower Baggot Street  
Dublin 2

#### **Solicitors**

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

Keystone Law LLP  
53 Davies Street  
London  
W1K 5JH

Arthur Cox LLP  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland

Howes Percival LLP  
Bell House  
Seebeck Place, Knowlhill  
Milton Keynes  
MK5 8FR

Eversheds-Sutherland (International) LLP  
Eversheds House  
70 Great Bridgewater Street  
Manchester  
M1 5ES

#### **Registered Office**

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

## **BSH Home Appliances Limited**

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Registered No: 01844007

### **Directors' Report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

#### **Principal Activities**

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

#### **Future Risks and Uncertainties**

BSH Home Appliances Limited ("BSH") has a process for risk identification, risk management and risk acceptance through a framework of policies, procedures and internal controls. All related policies are subject to Board approval, and an ongoing review by management, risk management and internal audit. Compliance with regulations, legal and ethical standards remains a high priority for BSH.

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

#### **Results and dividends**

The results for the financial year on page 11 show a profit before taxation of £26,951,308 (2018: profit £25,450,410) and turnover of £732,658,551 (2018: £721,332,101) and the balance sheet on page 13 shows net assets of £100,129,238 (2018: £80,942,452). The directors do not recommend the payment of a dividend for the year (2018: £Nil). The profit for the financial year of £21,339,557 (2018: £20,346,466) has been transferred to reserves.

#### **Directors**

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

N Klein (appointed 12 June 2019)

T Baader (resigned 30 June 2019)

C Prenzel

G Srivastava (appointed 1 April 2020)

A Meier (resigned 3 February 2020)

T Mensing

#### **Stakeholder engagement**

##### **With employees**

The company regularly provided employees with information on matters of concern to them as employees through frequent town hall meetings, intranet, weekly newsletters and other communications. Employees or their representatives were also consulted on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

The company is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, religion, sexual orientation or disability.

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

**Directors' Report (continued)**

***With suppliers, customers, and others***

As part of the global BSH group, the company operates under a set of Business Conduct Guidelines whereby it is committed to the guiding principle of responsible and law-abiding conduct. The guidelines set out how the company's employees are expected to act in their day to day business activities and receive regular training. In conjunction with the BSH values, it provides a rock-solid foundation on which trust can grow – trust that is essential if the company is to grow and be successful for the benefit of all its stakeholders.

This includes, but is not limited to:

- Lawful, regulation-compliant, responsible, and fair conduct;
- Observing rules of fair competition, create unambiguous and documented agreements with suppliers and customers, and have a zero-tolerance to corruption in any form;
- Avoiding conflicts of interest;
- Keeping confidential information secret and handling sensitive data responsibly;
- Producing quality, safe products and services to the highest quality and reliability;
- Respect for the intellectual property of third-parties.

The company's executive management is responsible for compliance to Business Conduct Guidelines. The corporate internal auditing department has an unlimited right to request information and conduct audits, provided these do not run contrary to statutory or company regulations.

**Branches outside the UK**

The company operates a branch in the Republic of Ireland.

**Going concern**

Whilst Covid-19 has caused significant disruption to the market in April and May 2020, the company considers that its impact will be relatively short term and there are already substantive signs of recovery. It also believes that its considerable financial resources together with its diverse customer base and long established trading relationships mean that it is well placed to manage its business risk successfully despite the current uncertain economic outlook.

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

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

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**Directors' Report (continued)**

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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.

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Secretary  
N Eccles



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7 August 2020

## **Strategic Report**

The directors present their strategic report for the year ended 31 December 2019.

### **Strategy and Business Model**

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

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

### **Business Review**

The profit for the financial year amounted to £21,339,557 (2018: £20,346,466) with net assets of £100,129,238 (2018: £80,942,452).

The business continued to develop, with net turnover growth of 1.6% in the year. Within this, BSH Major Domestic Appliances (MDA) grew by 1.1% compared with the market growth rate at 2.0% in value (according to the Association of Manufacturers of Domestic Electrical Appliances (AMDEA)) due to a quieter December. This is expected to reverse in 2021 and overall the BSH MDA AMDEA performance is encouraging as we estimate lower levels of BSH inventory in the trade compared with December 2018.

Over the year, the MDA category performed consistently and with peaks in sales during February and March due to Brexit preparations. The following months in the main continued to perform ahead of the prior year. Due to exchange rate challenges and low consumer confidence, December was a light month but this was compared to a strong prior year and these issues improved once the general election had been concluded.

BSH held its market share leadership by value in MDA (GFK 18.2%) with particular success on Dishcare and Laundry. The Small Domestic Appliance (SDA5) market experienced challenges with unit and value declines of 1.7% each. Within this market, BSH lost share from 3.3% to 2.7% however, the company is focused on restoring profitable share gains across these categories in 2020.

### **Principal Risks and Uncertainties**

#### ***Covid-19***

The spread of Covid-19 has caused significant disruption to the business in April and May 2020, especially due to the closure of the retail sector. However, the strong presence in the online sector of many of our customers has gone some way to mitigate this. Implementation of disaster recovery plans and exceptional efforts by our IT staff have enabled significant numbers of our staff, including those in our Customer Contact Centre, to work from home. Processes have been adapted to meet Government guidelines and supplies of Personal Protective Equipment have been procured to ensure that our Customer Service engineers can continue to visit consumers' homes to make essential repairs safely for all involved. The Company has also taken the opportunity to review how it can respond to the market and works with its customers in the environment following this crisis. As a consequence of these measures and an easing of the lockdown, the Company observed sales starting to recover from June 2020.

#### ***Brexit related risks***

Currently overshadowed by the Covid-19 crisis, the UK's departure from the EU at the end of the 2020 remains a significant economic risk. Whilst it is hoped that a trade agreement between the UK and the EU is in place by the year end, existing scenario planning continues to be updated to manage any potential costs or disruption which could take place leading up to 31 December and thereafter.

#### ***Foreign exchange risk***

The vast majority of the Company's operations are in the UK market. Whilst products principally sold in this market are imported from Europe they are purchased in Sterling thus greatly reducing the potential foreign exchange risk.

## BSH Home Appliances Limited

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### Strategic Report (continued)

#### Environmental Matters

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

#### Key performance indicators

The directors monitor the following key indicators.

		2019	2018	+ / - %
Sales volume (MDA* only)	(units)	2,138,266	2,086,608	+2.5%
Sales revenue	(£)	732,658,551	721,332,101	+1.6%
Stock coverage (MDA*only)		38.8 days	29.4 days	
Trade debtors coverage		42 days	40 days	

\* Major Domestic Appliances

During 2019, sales volumes and revenue (MDA only) were broadly in line. Stock coverage was higher than normal in 2019 due to preparation for Brexit. Trade debtors coverage increase by 2 days as a result of changes to payment terms and the withdrawal of settlement discount.

#### Future prospects

Although the Covid-19 crisis has had a significant impact in the second quarter of 2020, as mentioned earlier, the directors believe that the market will recover in the short to medium term and aim to maintain the management policies which have resulted in the Company's growth in recent years. We have a clear strategic orientation towards quality, innovation and environmentally-friendly products. We will continue to rely on our outstanding products and brands and the added value they provide our customers at competitive prices as the basis for our continued profitable growth.

#### Section 172 (1) Statement

In performance of their statutory duties and in accordance with s172 (1) Companies Act 2006, the board of directors of BSH Home Appliances Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Act) in the decisions taken during the year ended 31st December 2019.

Each year, the Board undertakes an in-depth review of the Company's strategy, including a business plan for subsequent years. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and investment decisions and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long term reputation.

Further details how the Board considers the interests of various stakeholders can be found on pages 3-5 of these financial statements.

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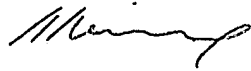
**Strategic Report (continued)**

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

On behalf of the board

Chief Financial Officer

T Mensing



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7 August 2020



## **BSH Home Appliances Limited**

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Registered No: 01844007

### **Independent auditors' report to the members of BSH Home Appliances Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, BSH Home Appliances Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019, the Profit and loss account, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

**Independent auditors' report to the members of BSH Home Appliances Limited**

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

**Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4-5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **BSH Home Appliances Limited**

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### **Independent auditors' report to the members of BSH Home Appliances Limited**

#### **Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

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

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Alex Hookway (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
7 August 2020

## Profit and loss account

for the year ended 31 December 2019

	Note	2019 £	2018 £
<b>Turnover</b>	<b>5</b>	732,658,551	721,332,101
Cost of sales		(557,411,026)	(556,868,523)
<b>Gross profit</b>		<u>175,247,525</u>	<u>164,463,578</u>
Distribution costs		(143,248,059)	(125,435,062)
Administrative expenses		(5,147,231)	(13,923,346)
Other operating income		510,654	303,998
<b>Operating profit</b>	<b>6</b>	<u>27,362,889</u>	<u>25,409,168</u>
Interest receivable and similar income	<b>8</b>	252,503	182,316
Interest payable and similar expenses	<b>9</b>	(664,084)	(141,074)
<b>Profit before taxation</b>		<u>26,951,308</u>	<u>25,450,410</u>
Tax on profit	<b>10</b>	(5,611,751)	(5,103,944)
<b>Profit for the financial year</b>		<u>21,339,557</u>	<u>20,346,466</u>

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

## Statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 £	2018 £
<b>Profit for the financial year</b>		21,339,557	20,346,466
<b>Other comprehensive (expense)/income:</b>			
<b>Items that will not be reclassified to profit and loss:</b>			
Actuarial (loss)/gain relating to the pension scheme	21	(2,582,232)	1,542,908
Deferred tax effect	10	438,979	(262,294)
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<u>(2,143,253)</u>	<u>1,280,614</u>
<b>Total comprehensive income for the year</b>		<u>19,196,304</u>	<u>21,627,080</u>

**Balance sheet**

as at 31 December 2019

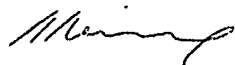
	Note	31 Dec 2019 £	31 Dec 2018 £
<b>Non-current assets</b>			
Tangible assets	11	14,626,275	12,603,573
Right-of-use assets	12	44,448,687	-
Pension asset	21	5,876,506	8,220,348
		<u>64,951,468</u>	<u>20,823,921</u>
<b>Current assets</b>			
Stocks	13	86,929,435	89,426,051
Debtors	14	104,683,379	107,085,562
Cash at bank and in hand	15	3,490,400	16,277,170
<b>Total current assets</b>		<u>195,103,214</u>	<u>212,788,783</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(104,636,315)</u>	<u>(138,757,001)</u>
<b>Net current assets</b>		<u>90,466,899</u>	<u>74,031,782</u>
<b>Total assets less current liabilities</b>		155,418,367	94,855,703
<b>Creditors: amounts falling due after more than one year</b>	17	(44,497,382)	(3,621,452)
<b>Provisions for liabilities</b>	19	(9,902,913)	(8,695,327)
<b>Deferred tax liability</b>	20	(888,834)	(1,596,472)
<b>Net Assets</b>		<u>100,129,238</u>	<u>80,942,452</u>
<b>Capital and reserves</b>			
Called up share capital	23	4,250,000	4,250,000
Profit and loss account		95,879,238	76,692,452
<b>Total shareholders' funds</b>		<u>100,129,238</u>	<u>80,942,452</u>

Company registered number: 01844007

The notes on pages 16 to 34 are an integral part of these financial statements.

The financial statements on pages 12 to 34 were approved by the Board of Directors on 7 August 2020.

Signed on behalf of the Board of Directors



Director

T Mensing

**Statement of changes in equity**

For the year ended 31 December 2019

		<i>Called up Share capital</i> £	<i>Profit and loss account</i> £	<i>Total shareholders' funds</i> £
	Note			
<b>At 1 January 2018</b>	<b>23</b>	4,250,000	55,065,372	59,315,372
Profit for the financial year		-	20,346,466	20,346,466
Other comprehensive income		-	1,280,614	1,280,614
<b>Total comprehensive income for the year</b>		-	21,627,080	21,627,080
Dividends declared and paid during the year		-	-	-
<b>At 31 December 2018</b>	<b>23</b>	4,250,000	76,692,452	80,942,452
Effect of adoption of IFRS16: Leases	<b>26</b>	-	(9,518)	(9,518)
<b>Adjusted balance as at 1 January 2019</b>		4,250,000	76,682,934	80,932,934
Profit for the financial year		-	21,339,557	21,339,557
Other comprehensive expense		-	(2,143,253)	(2,143,253)
<b>Total comprehensive income for the year</b>		-	19,196,304	19,196,304
Dividends declared and paid during the year		-	-	-
<b>At 31 December 2019</b>		4,250,000	95,879,238	100,129,238

## Notes to the Financial Statements

### 1. Authorisation of financial statements

The financial statements of BSH Home Appliances Limited ("the Company") for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 7 August 2020 and the balance sheet was signed on the Board's behalf by Mrs T Mensing.

BSH Home Appliances Limited is a private limited company, limited by shares, and is incorporated and domiciled in the United Kingdom. The company also operates a branch in the Republic of Ireland. The principal activity of the Company is the sale of gas and electrical appliances and related spares and servicing in the United Kingdom and the Republic of Ireland. Information on its ultimate parent is presented in Note 24.

### 2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

##### 2.1.1 Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty, particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

##### 2.1.2 New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see note 26. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

### 2.2 Foreign currency translation

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

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

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

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



## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### 2.3 Turnover recognition

Turnover is recognised in accordance with IFRS 15 'Revenue from Contracts with Customers' and comprises amounts received and receivable in respect of the invoiced values.

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

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

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

##### *Sale of goods*

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

##### *Rental income*

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

#### 2.4 Tangible assets

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

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

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

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

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

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

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### 2.5 Leasing

The company leases various offices, warehouses, retail space, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### 2.5 Leasing (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

As explained in notes 2.1.2 and 26, the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 26. Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year.

Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

#### 2.6 Financial assets

The company classifies its financial assets at amortised cost. The company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

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

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### 2.7 Stocks

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

#### 2.8 Trade and other debtors

Trade and other debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

#### 2.9 Cash and cash equivalents

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

#### 2.10 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.11 Pensions

The company operates two pension schemes both of which required contributions to be made to separately administered funds. One was a Stakeholder Scheme and contributions were

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### 2.11 Pensions (continued)

charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

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

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

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

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

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

#### 3.1 Impairment of non-financial assets

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

#### 3.2 Warranty and guarantee provisions

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

#### 3.3 Pension assumptions

The company operates a scheme with separate final salary and money purchase sections in the UK. The full actuarial valuation and major assumptions used by the actuary are shown in Note 21.

## Notes to the Financial Statements

### 3.4 Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

- To determine the incremental borrowing rate, the company:
- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

The company used incremental borrowing rates specific to each lease and the rates range between 2%-2.4% translating to an average rate of 2.1%. The interest rate applied to each contract is determined by the length of the contract and the currency so the carrying value of the liability or right-of-use asset will not be affected by changes in interest rates but only a contractual change to the term of the lease.

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

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

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

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

## Notes to the Financial Statements

### 5. Turnover

Analysis of turnover by geography

	<b>2019</b>	<b>Restated 2018</b>
	<b>£</b>	<b>£</b>
United Kingdom	690,169,155	680,118,845
Ireland	42,489,396	41,213,256
	<u>732,658,551</u>	<u>721,332,101</u>

Analysis of turnover by category

	<b>2019</b>	<b>Restated 2018</b>
	<b>£</b>	<b>£</b>
Sales of goods	697,193,162	687,951,718
Sales of service	35,465,389	33,380,383
	<u>732,658,551</u>	<u>721,332,101</u>

It has been identified that there were errors in the 2018 financial statements in respect of the allocation of turnover by geography and category and have been restated. There has been no impact on the overall result of the company.

### 6. Operating profit

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Depreciation of owned fixed assets	2,173,365	2,036,592
Depreciation of right-of-use assets	4,483,288	-
Loss/(Profit) on the disposal of fixed assets	172,928	(23,338)
Inventory recognised as an expense	531,198,919	538,293,715
Impairment of inventory (included in distribution costs)	401,246	430,174
Impairment of right-of-use asset (included in administration costs)	1,276,371	-
Operating lease payments - minimum lease payments		
Plant and machinery	365,233	359,068
Other	3,412,707	5,401,728
Cost of defined contribution pension scheme	1,802,523	1,612,274
Net foreign currency exchange differences	333,947	(321,361)
Audit fees payable to the company's auditors	44,249	44,249

## Notes to the Financial Statements

### 7. Employees and directors

#### Employees

Employee costs for the year (including amounts paid to directors).

	2019 £	2018 £
Wages and salaries	43,924,949	42,207,077
Social security costs	4,780,320	4,666,912
Other pension costs	1,802,523	2,065,754
	<u>50,507,792</u>	<u>48,939,743</u>

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

	2019 No.	2018 No.
Service and spares	680	678
Sales and distribution	401	387
Administration	88	86
	<u>1,169</u>	<u>1,151</u>

#### Directors

The directors' emoluments were as follows:

	2019 £	2018 £
Aggregate emoluments	<u>728,807</u>	<u>932,892</u>

#### Highest paid director

	2019 £	2018 £
Aggregate emoluments	<u>477,294</u>	<u>579,114</u>

The directors are not members of the defined benefit pension scheme nor are any contributions made in respect of defined contribution pensions.

### 8. Interest receivable and similar income

	2019 £	2018 £
Intercompany interest receivable	14,113	12,042
Net pension finance income (note 21)	238,390	169,133
Other interest and similar income	-	1,141
	<u>252,503</u>	<u>182,316</u>

### 9. Interest payable and similar expenses

	2019 £	2018 £
Intercompany interest payable	310,176	141,074
Lease liabilities	353,908	-
	<u>664,084</u>	<u>141,074</u>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.



## Notes to the Financial Statements

### 10. Tax on profit

Tax expense included in the profit and loss account:

	2019 £	2018 £
<i>Current tax:</i>		
Corporation tax on profits for the year	5,779,242	4,858,173
Adjustments in respect of prior years	101,168	62,403
Total current tax	<u>5,880,410</u>	<u>4,920,576</u>
<i>Deferred tax:</i>		
Relating to origination and reversal of temporary differences	(261,956)	216,118
Impact of changes in tax laws and rates	-	-
Adjustments in respect of prior years	(6,703)	(32,750)
Total deferred tax	<u>(268,659)</u>	<u>183,368</u>
<b>Income tax expense in the profit and loss account</b>	<u>5,611,751</u>	<u>5,103,944</u>
Tax (income)/expense included in other comprehensive income:		
	2019 £	2018 £
Deferred tax on actuarial (loss)/gain relating to the pension scheme	(438,979)	262,294
<b>Total tax (income)/expense included in other comprehensive income</b>	<u>(438,979)</u>	<u>262,294</u>

Tax expense for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit before taxation	26,951,308	25,450,410
Profit before taxation multiplied by the UK standard rate of tax of 19% (2018: 19%)	5,120,749	4,835,578
Expenses not deductible for tax purposes	365,719	264,139
Adjustments in respect of prior years	94,465	(29,653)
Rate change adjustment	30,818	(25,426)
Total tax expense reported in the profit and loss account at effective rate of 21% (2018: 20%)	<u>5,611,751</u>	<u>5,103,944</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in the corporation tax rate from 19% to 17% and this change has been included in the Finance Act 2020. However, as this legislation had not been substantively enacted at the balance sheet date, deferred taxes continue to be measured at the rate of 17%.

## Notes to the Financial Statements

### 11. Tangible assets

	<i>Land and Buildings £</i>	<i>Fixtures and Fittings £</i>	<i>Motor Vehicles £</i>	<i>Total £</i>
<b>Cost</b>				
At 1 January 2019	12,516,140	7,371,144	5,459,952	25,347,236
Additions	2,235,840	1,047,584	1,100,870	4,384,294
Disposals	(24,944)	(1,514,658)	(136,233)	(1,675,835)
At 31 December 2019	14,727,036	6,904,070	6,424,589	28,055,695
<b>Accumulated Depreciation</b>				
At 1 January 2019	6,327,078	3,714,888	2,701,697	12,743,663
Charge for the year	316,224	1,060,569	796,572	2,173,365
Disposals	(12,814)	(1,338,880)	(135,914)	(1,487,608)
At 31 December 2019	6,630,488	3,436,577	3,362,355	13,429,420
<b>Net book value</b>				
At 31 December 2019	8,096,548	3,467,493	3,062,234	14,626,275
At 31 December 2018	6,189,062	3,656,256	2,758,255	12,603,573

From 2019 leased assets are presented as a separate line item in the balance sheet (right-of-use assets), see note 26 for details about the effect of adoption of IFRS 16.

### 12. Leases

The company has lease contracts for various offices, warehouses, equipment and tools used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

#### (i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	<b>31 Dec 2019 £</b>	<b>1 Jan 2019 £</b>
<b>Right-of-use assets</b>		
Buildings	43,822,897	5,842,530
Vehicles	625,790	973,692
	<u>44,448,687</u>	<u>6,816,222</u>
<b>Lease liabilities</b>		
Current	5,000,343	3,373,355
Non-current	39,478,786	3,442,867
	<u>44,479,129</u>	<u>6,816,222</u>

Included within the buildings right-of-use asset is an impairment adjustment of £1,276,371 in relation to an onerous lease.

Additions to the right-of-use assets during the 2019 financial year were 43,392,125.

## Notes to the Financial Statements

### 12. Leases (continued)

#### (ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Note	2019 £	2018 £
<b>Depreciation charge of right-of-use assets</b>			
Buildings		(3,963,662)	-
Vehicles		(519,626)	-
		<u>(4,483,288)</u>	<u>-</u>
Interest expense (included in finance cost)	9	(353,908)	-
Expense relating to short-term leases (included in administrative expenses)		(224,211)	-
Expense relating to leases of low value assets that are not shown above as short-term leases (included in administrative expenses)		(563,939)	-
Future minimum lease payments as at 31 December 2019 are as follows:			
Not later than one year		6,273,073	-
Later than one year and not later than five years		21,182,809	-
Later than five years		<u>22,587,372</u>	<u>-</u>
Total gross payments		<u>50,043,254</u>	<u>-</u>
Impact of finance expenses		<u>(5,564,125)</u>	<u>-</u>
Carrying amount of liability		<u>44,479,129</u>	<u>-</u>

The total cash outflow for leases in 2019 was £6,085,639 (2018: £4,036,628).

### 13. Stocks

	2019 £	2018 £
Spare parts for resale	1,793,092	1,511,625
Appliances for resale	<u>85,136,343</u>	<u>87,914,426</u>
	<u>86,929,435</u>	<u>89,426,051</u>

All stocks are carried at cost less a provision of £10,007,416 (2018: £8,930,048) to take account of slow moving and obsolete items. There was no material write down of inventories during the current or prior years.

## Notes to the Financial Statements

### 14. Debtors

	2019 £	2018 £
Trade debtors	89,468,060	96,051,903
Amounts owed by group undertakings	2,080,998	663,400
Other debtors	13,134,321	10,370,259
	<u>104,683,379</u>	<u>107,085,562</u>

Trade debtors are non-interest bearing and are generally on net 30 days credit terms and are shown net of a provision of £481,522 (2018: £1,239,749) for impairment. Amounts owed by group undertakings represents an interest bearing in-house bank balance at Libor +0.464% of £1,220,654 (2018: £Nil) and non-interest bearing group trade debtors of £860,344 (2018: £663,400) with payment terms before the 25th of the next month due net.

### 15. Cash at bank and in hand

	2019 £	2018 £
Cash at bank and in hand	<u>3,490,400</u>	<u>16,277,170</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. At 31 December 2019, the Company did not have any undrawn committed borrowing facilities.

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

	2019 £	2018 £
Trade creditors	10,169,232	7,586,884
Amounts owed to group undertakings	41,960,651	87,787,947
Corporation tax	1,714,577	2,071,248
Lease liabilities	5,000,343	-
Other taxes and social security costs	644,815	2,585,036
Accruals and deferred income	34,783,993	29,652,474
Current provisions (Note 19)	<u>10,362,704</u>	<u>9,073,412</u>
	<u>104,636,315</u>	<u>138,757,001</u>

Amounts owed to group undertakings represents an interest bearing in-house bank overdraft at Libor +0.813% of £8,172,151 (2018: £24,997,063) and non-interest bearing group trade creditors £33,788,500 (2018: £62,790,884) with payment terms before the 25th of the next month due net.

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

	2019 £	2018 £
Deferred income	5,018,596	3,621,452
Lease liabilities	<u>39,478,786</u>	<u>-</u>
	<u>44,497,382</u>	<u>3,621,452</u>

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

### 18. Dividends paid and proposed

	2019 £	2018 £
Declared and paid during the year:		
No interim dividend paid in the year (2018: £Nil) per share	<u>-</u>	<u>-</u>

## Notes to the Financial Statements

### 19. Provisions for liabilities

<b>Warranties and guarantees</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
At 1 January	17,768,739	22,112,036
Arising during the year	14,977,149	8,654,056
Utilised	(12,480,271)	(12,997,353)
At 31 December	<u>20,265,617</u>	<u>17,768,739</u>
Current (Note 16)	10,362,704	9,073,412
Non current	<u>9,902,913</u>	<u>8,695,327</u>
	<u>20,265,617</u>	<u>17,768,739</u>

Provision is made for the estimated future costs of providing free service of goods sold under warranty or guarantee of up to 5 years. The estimate is based upon the expected claim rate, the historical average cost of claims and discounted using a rate of 2% (2018: 2%). The estimated provision costs and the pre-tax discount rate applied take into account the effects of inflation and risks and uncertainties concerning amounts to be settled in the future.

### 20. Deferred tax liability

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	(138,733)	(232,394)
Other short-term timing differences	209,838	33,381
Pension	(959,939)	(1,397,459)
<b>Deferred tax liabilities</b>	<u>(888,834)</u>	<u>(1,596,472)</u>

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	(93,661)	(58,183)
Other short-term timing differences	(176,457)	181,025
Pension movement	1,459	60,526
<b>Net deferred tax (expense)/income</b>	<u>(268,659)</u>	<u>183,368</u>

#### Reconciliation of deferred tax liabilities net

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Opening balance as at 1 January</b>	(1,596,472)	(1,164,738)
Tax charge during the year recognised in profit and loss account	261,956	(216,118)
Tax credit/(charge) during the year recognised in other comprehensive income	438,979	(262,294)
Tax credit/(charge) resulting from adoption of IFRS 9 recognised in reserves	-	13,928
Adjustment in respect of prior years	6,703	32,750
<b>Closing balance as at 31 December</b>	<u>(888,834)</u>	<u>(1,596,472)</u>

## Notes to the Financial Statements

### 21. Pension asset

#### Defined contribution scheme

The pension cost charged in the profit and loss account of £1,802,523 (2018: £1,612,274) represents contributions payable by the Company to the scheme during the year, there were no prepayments. There were outstanding contributions at 31 December 2019 of £260,123 (2018: £241,547).

#### Defined benefit scheme

For certain employees, the company operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary.

On 31 March 2006, the defined benefit pension scheme was closed to new entrants. At the same time, the company established a defined contribution scheme to provide benefits to new employees.

The scheme pensions are updated in line with the retail price index.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan including investment decisions and contribution schedules lies jointly with the company and the board of trustees of the fund.

The Company operates a scheme with separate final salary and money purchase sections in the UK. No further contributions in 2019 (2018: £Nil) have been agreed with the actuary.

A full actuarial valuation of the final salary section of the scheme was carried out at 31 December 2009 and updated to 31 December 2019 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2019	2018	2017
	%	%	%
Rate of increase in salaries	2.7	2.9	2.9
Rate of increase of pensions in payment (post 5 April 1997 pensions only)	3.0	3.0	3.0
Discount rate	2.0	2.9	2.5
Inflation assumption (RPI)	3.2	3.5	3.5
Inflation assumption (CPI)	2.2	2.4	2.4

#### Amounts recognised in the balance sheet were:

	2019	2018
	£	£
Present value of wholly or partly funded obligations	(59,362,165)	(51,618,648)
Fair value of plan assets	65,238,671	59,838,996
Surplus for funded plans	5,876,506	8,220,348

#### Analysis of the amount charged to operating profit:

	2019	2018
	£	£
Current service cost	-	257,000
Total operating charge	-	257,000

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

	2019	2018
	£	£
Expected return on pension scheme assets	1,707,416	1,571,969
Interest on pension liabilities	(1,469,026)	(1,402,836)
Other finance income	238,390	169,133

## Notes to the Financial Statements

### 21. Pension asset (continued)

#### Analysis of the amount recognised in Statement of Comprehensive Income:

	2019 £	2018 £
Actual return less expected return on assets	5,631,294	(3,291,538)
Actuarial (loss)/gains on liabilities	(8,213,526)	4,834,446
<b>Actuarial (loss)/gain recognised in Statement of Comprehensive Income</b>	<b>(2,582,232)</b>	<b>1,542,908</b>

The cumulative amount of actuarial gains recognised is £1,402,656 (2018: £3,984,888).

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

	2019 £	2018 £
<b>Change in benefit obligation:</b>		
Benefit obligation at beginning of year	51,618,648	57,276,061
Past service cost	-	257,000
Interest cost	1,469,026	1,402,836
Actuarial loss/(gains)	8,213,526	(4,834,446)
Benefits paid from plan/company	(1,939,035)	(2,482,803)
<b>Benefit obligation at end of year</b>	<b>59,362,165</b>	<b>51,618,648</b>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	59,838,996	64,041,368
Expected return on plan assets	1,707,416	1,571,969
Actuarial gain/(loss) on plan assets	5,631,294	(3,291,538)
Employer contributions (incl. employer direct benefit payments)	-	-
Benefits paid from plan/company	(1,939,035)	(2,482,803)
<b>Fair value of plan assets at end of year</b>	<b>65,238,671</b>	<b>59,838,996</b>

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

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

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

## Notes to the Financial Statements

### 21. Pension asset (continued)

Breakdown of Scheme assets:	Value 31 Dec 2019 £	Value 31 Dec 2018 £
Equity	20,737,916	19,546,591
Cash	84,224	31,703
Bonds	44,416,531	40,260,702
Other	-	-
<b>Total market value of assets</b>	<b>65,238,671</b>	<b>59,838,996</b>

#### Risks of the scheme

The risks of the scheme are as follows:

#### *Changes in bond yields*

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

#### *Life expectancy*

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

#### *Inflation risk*

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (in the case of fixed interest bonds) or loosely correlated with (in the case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

#### Sensitivities of key assumptions

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase / decrease by 0.5%	Decrease by 8.2% / increase by 9.5%
Rate of inflation	Increase / decrease by 0.5%	Increase by 1.1% / decrease by 0.9%
Rate of mortality	Increase / decrease by 1 year	Increase by 4.2% / decrease by 4.2%

Independent actuary: Matthew Richardson, Fellow of the Institute and Faculty of Actuaries



## Notes to the Financial Statements

### 22. Commitments and contingencies

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

Commitments for minimum lease payments in relation to non-cancellable operating leases (under IAS 17) are as follows:

	2019 £	2018 £
<b>Plant and Machinery</b>		
Within one year	260,655	293,641
After one year, but not more than five years	59,781	253,264
After five years	-	-
	<u>320,436</u>	<u>546,905</u>
<b>Other leases</b>		
Within one year	9,280	3,672,921
After one year, but not more than five years	10,812	3,117,196
After five years	-	204,875
	<u>20,092</u>	<u>6,994,992</u>

### 23. Called up share capital

	2019 £	2018 £
<b>Called up, allotted and fully paid</b>		
4,250,000 (2018: 4,250,000) shares of £1 each	<u>4,250,000</u>	<u>4,250,000</u>

### 24. Ultimate parent company

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

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

### 25. Events after the end of the reporting period

The spread of Covid-19 and subsequent lockdown in the UK and Ireland has had a significant impact on the business in the second quarter of 2020 as discussed in the Directors' Report and the Strategic Report on pages 3 to 7. However, the effects are already easing and are not expected to be long term. As the Covid-19 crisis did not exist at 31 December 2019, it is therefore considered to be a non-adjusting event.

### 26. Changes in accounting policies

As indicated in notes 2.1.2 and 12, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.5.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's

## Notes to the Financial Statements

### 26. Changes in accounting policies (continued)

incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.2%.

#### i. Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

#### ii. Measurement of lease liabilities

	£
Operating lease commitments disclosed as at 31 December 2018	7,541,897
Discounted using the lessee's incremental borrowing rate of 3.2% at the date of initial application	7,306,468
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): short-term leases not recognised as a liability	(224,211)
(Less): low-value leases not recognised as a liability	(563,939)
Add/(less): adjustments as a result of a different treatment of extension and termination options	297,904
Lease liability recognised as at 1 January 2019	<u>6,816,222</u>
Of which are:	
Current lease liabilities	3,373,355
Non-current lease liabilities	<u>3,442,867</u>
	<u>6,816,222</u>

#### iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

#### iv. Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £6,816,222
- Lease liabilities – increase by £6,816,222

The net impact on retained earnings on 1 January 2019 was a decrease of £9,518.

#### v. Lessor accounting

The company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.