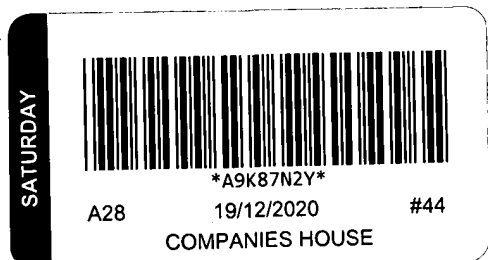


REGISTERED NUMBER: 00546129 (England and Wales)

GEBERIT SERVICE
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

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FOR THE YEAR ENDED 31 DECEMBER 2019

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GEBERIT SERVICE

COMPANY INFORMATION

DIRECTORS:

G K Hailfinger
S Hopps
M D Larden

SECRETARY:

Mrs C S Morris

REGISTERED OFFICE:

Lawton Road
Alsager
Stoke on Trent
ST7 2DF

REGISTERED NUMBER:

00546129 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

PRINCIPAL ACTIVITIES

The principal activity of Geberit Service ("the Company") is the provision of services to members of the Geberit Group.

REVIEW OF THE BUSINESS

Geberit Service has the function to provide logistics and product development services to the Group from its address in Alsager, UK. The company achieved an operating profit margin of 3.4% (2018: 4.9%) during the year and it is expected to continue at this level. The pension asset has been reclassified from liabilities to current assets. The prior year comparative has been restated onto a consistent basis (note 2).

The position of the company is shown on the Statement of Financial Position on page 8.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are reviewed by the Directors and appropriate processes are put in place to monitor and mitigate them.

The UK's decision to leave the EU at the 2016 Referendum ('BREXIT') continues to create uncertainty surrounding the UK economy. The Directors continue to assess the risks and plans have been put in place to monitor and respond to BREXIT developments.

Financial risk management is discussed in the Report of the Directors.


FUTURE DEVELOPMENTS

The COVID-19 pandemic has undoubtedly had a significant impact on the UK economy and the Company sales for the 2020 year. See Note 27 – Post Balance Sheet Events. The company considers itself well placed to assess and manage the risks, and has recovered well from June 2020 as the UK construction industry reopened and the economy began to recover. The company continues to provide logistics and product development to the Geberit Group from its UK location.

KEY PERFORMANCE INDICATORS

	2019	2018 restated
	£'000	£'000
Revenue	32,697	30,262
Operating profit	1,096	1,487
Operating profit %	3.4%	4.9%
Net current assets	6,458	8,715

ON BEHALF OF THE BOARD:



M D Larden - Director

Date: 22 December 2020

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

DIVIDENDS

An interim dividend of £1.0m was paid on 23 July 2019 (2018: £1.5m). The directors recommend that no final dividend be paid. The total distribution of dividends for the year ended 31 December 2019 was £1.0m (2018: £1.5m).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

G K Hailfinger

Other changes in directors holding office are as follows:

D Gallimore - resigned 12 September 2019

S Hopps - appointed 12 September 2019

E Renfordt-Sasse – resigned 24 March 2020

M D Larden – appointed 24 March 2020

DIRECTORS' INDEMNITY INSURANCE

Indemnity insurance for the benefit of the directors was in place during the year and as at the date of approval of the financial statements.

GOING CONCERN

The Company is dependent on the Group's supply chain. The directors believe that the supply chain will continue to be available and that it is therefore appropriate to prepare the financial statements on a going concern basis. The directors have reviewed the most recent business forecasts and performed sensitivity analysis, including a plausible worst case scenario and have concluded that the cash flow forecasts demonstrate the Company has adequate resources to meet its liabilities as they fall due and continue to operate as a going concern.

FINANCIAL RISK MANAGEMENT

Credit risk

Geberit Group Treasury evaluates and monitors financial counterparty risk. The Geberit Group minimises this risk by limiting its counterparties to a limited number of major banks and financial institutions, by monitoring their performance, and by working within agreed counterparty limits. Non-financial counterparty risk i.e. counterparty risk relating to customers, is reduced by Geberit Group companies, including Geberit Service, by applying a credit policy, constant monitoring of receivables aging and by credit insurance.

Currency risk

Foreign exchange risk is regarded as uncertainty of cash flows and earning that arises from fluctuations in currency rates. The Geberit Group look at foreign exchange risks from three angles: transaction risk relating to cash flows in other than functional currencies, translation risk related foreign exchange risk associated with consolidation of the Geberit Group, and the economic risk related to changes in competitive environment as a result of changes in foreign exchange rates. The Geberit Group hedges itself against transaction risk by matching the foreign currency cash flows provided to Group companies, including Geberit Service, to the extent possible and hedging the remaining part with currency derivatives in accordance with Treasury Policy. Geberit Service deals mainly in the Euro currency.

Interest risk

Interest rate risks arise due to interest rate fluctuations, which may increase the borrowing costs of the Geberit Group. Geberit may enter into derivative contracts to reduce these risks. As of the end of the year, the Company held no interest rate derivative contracts.

Capital management

The Geberit Group's objectives, when managing capital, are to safeguard the ability to continue as a going concern, safeguard the capacity to fund its operations and to take care of its obligations under different business conditions, have optimal capital structure to reduce the cost of capital, and to maintain possibilities to act on potential investment opportunities.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

Liquidity risk

Management aims to maintain an optimal amount of liquidity to fund business operations of the Geberit Group at all times while minimising interest costs. Liquidity of the Group is considered to be the sum of cash and cash equivalents and available credit facilities.

FUTURE DEVELOPMENTS

The Company's future developments are discussed in the Strategic Report.

DISCLOSURE IN THE STRATEGIC REPORT

As permitted by Paragraph 1A of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on page 2. These matters relate to review of business, principal risks and uncertainties and future developments.

POST BALANCE SHEET EVENTS

See Note 27 – Post Balance Sheet Events – for the Company's response to the COVID pandemic.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) COMPANIES ACT 2006

The Board of Directors (the "Board") confirm it has performed its duties in respect of Section 172 of the Companies Act 2006. Specifically, the Board has considered the long-term factors affecting the Company and its strategic direction. The Board has engaged with the Company's stakeholders which assists the Board in its decision-making process and in fulfilling its duty to promote the success of the Company as set out in Section 172.

The Board has fulfilled its duties as follows:

On an ongoing basis the Board assesses the major risks affecting the Company and develops appropriate responses to address those risks in an efficient and effective manner. This is taken into consideration when setting goals, budgets and forecasting financial performance. This ensures that the Company understands the financial impact of such risks and can respond to these given situations on a timely basis.

Employees

Employees are key to our success. The Company engages with employees on a regular basis. Regular supervisor meetings are held to cover a range of topics such as health and safety, financial performance, outlook and training opportunities. The Company monitors staff turnover to understand the reasons why staff have opted to pursue alternative career opportunities.

Business relationships

We aim to exceed our customers' expectations. The Company seeks to achieve this through regular communication and delivering high quality products and services to our customers. We continually try to enhance our products and services to maintain our strong business relationships with our existing and potential customers.

Suppliers

All of our suppliers are integral to the success of the Company and we have regular ongoing dialogue with our supply chain. We are committed to the UK Prompt Payment Code.

Communities

The Company is committed to make a positive contribution to the local community and the environment. A key priority is the health and well-being of our employees through training and development programs. We also aim to reduce the Company's impact on the environment, for example, through energy-saving initiatives and waste reduction.

Shareholders

The Company is a member of the Geberit AG global group. The Board maintains regular ongoing dialogue with our parent and fellow group undertakings.

Regulators

The Board ensures the company is in compliance with all regulatory requirements. In particular in compliance with health and safety regulations and the Modern Slavery Act. The Company also holds ISO:9001 accreditation and ensures that this measure of quality is embedded throughout the organisation.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

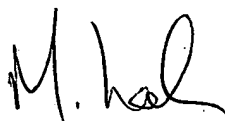
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



M D Larden - Director

Date: 22 December 2020

Independent auditors' report to the members of Geberit Service

Report on the audit of the financial statements

Opinion

In our opinion, Geberit Service'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 statement of financial position as at 31 December 2019; the statement of comprehensive income and 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.

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 Report of the Directors, 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 Report of the Directors

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

Independent auditors' report to the members of Geberit Service (continued)

Strategic Report and Report of the Directors (continued)

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 Report of the Directors.

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 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.

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. 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.

David Martin

David Martin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
23 December 2020

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
REVENUE	3	32,697	30,262
Cost of sales		<u>(26,946)</u>	<u>(23,736)</u>
GROSS PROFIT		5,751	6,526
Distribution costs		(1,905)	(1,852)
Administrative expenses		<u>(2,750)</u>	<u>(3,187)</u>
		<u>(4,655)</u>	<u>(5,039)</u>
OPERATING PROFIT		1,096	1,487
Interest receivable and similar income	5	<u>57</u>	<u>51</u>
		1,153	1,538
Interest payable and similar expenses	6	<u>(65)</u>	<u>(21)</u>
PROFIT BEFORE TAXATION	7	1,088	1,517
Tax on profit	8	<u>(231)</u>	<u>(288)</u>
PROFIT FOR THE FINANCIAL YEAR		857	1,229
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit asset		(1,015)	365
Income tax relating to remeasurement of defined benefit asset		<u>193</u>	<u>(62)</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(822)</u>	<u>303</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>35</u></u>	<u><u>1,532</u></u>

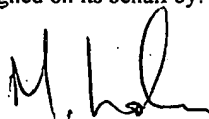
The current and prior year results have been derived wholly from continuing activities.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	restated 2018 (note 2) £'000	restated 2018 (note 2) £'000
FIXED ASSETS					
Property, plant and equipment	10		82		56
Right-of-use assets	17		1,428		-
Investments	11		<u>2,847</u>		<u>2,847</u>
			4,357		2,903
CURRENT ASSETS					
Inventories	12	5,971		5,523	
Debtors	13	6,002		7,906	
Pension asset	22	480		1,180	
Cash and cash equivalents		<u>1,444</u>		<u>1,105</u>	
		13,897		15,714	
CREDITORS;					
Amounts falling due within one year	14	<u>(7,439)</u>		<u>(6,999)</u>	
NET CURRENT ASSETS			<u>6,458</u>		<u>8,715</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,815		11,618
CREDITORS;					
Amounts falling due after more than one year	15		(162)		-
PROVISIONS FOR LIABILITIES	19		(894)		(894)
NET ASSETS			<u>9,759</u>		<u>10,724</u>
CAPITAL AND RESERVES					
Called up share capital	20		-		-
Retained earnings	21		<u>9,759</u>		<u>10,724</u>
SHAREHOLDERS' FUNDS			<u>9,759</u>		<u>10,724</u>

The financial statements on pages 8 to 31 were approved by the Board of Directors on 22 December 2020 and were signed on its behalf by:



.....
M D Larden - Director

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	-	10,692	10,692
Changes in equity			
Dividends	-	(1,500)	(1,500)
Profit for the financial year	-	1,229	1,229
Other comprehensive income	-	303	303
Balance at 31 December 2018	-	10,724	10,724
Changes in equity			
Dividends	-	(1,000)	(1,000)
Profit for the financial year	-	857	857
Other comprehensive expense	-	(822)	(822)
Balance at 31 December 2019	-	9,759	9,759

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. STATUTORY INFORMATION

Geberit Service is a private company, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Description of business

Geberit Service is a company incorporated and domiciled in the United Kingdom. It is a subsidiary undertaking of Geberit AG, a company incorporated in Switzerland. The company provides logistics and product development services to the Geberit Group from its address in Alsager, UK.

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework". The financial statements have been prepared under the historical cost convention on a going concern basis and in accordance with the Companies Act 2006.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraphs 10(d), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

Correction of prior period error

The pension asset has been amended on the balance sheet to reflect the correct accounting classification of such a balance. The impact on 31 December 2018 was to move the balance of £1,180,000 recognised under liabilities to current assets.

The following principal accounting policies have been applied consistently in both years unless otherwise stated.

Going concern

The Company is dependent on the Group's supply chain. The directors believe that the supply chain will continue to be available and that it is therefore appropriate to prepare the financial statements on a going concern basis. The directors have reviewed the most recent business forecasts and performed sensitivity analysis, including a plausible worst case scenario and have concluded that the cash flow forecasts demonstrate the Company has adequate resources to meet its liabilities as they fall due and continue to operate as a going concern.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective and has been adopted by the company for the year ended 31 December 2019. This standard has a material impact on the company's financial statements – see note 25.

There are no other new standards, amendments or interpretations to existing standards that are not yet effective that have been early adopted by the company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the company this is when the goods have transferred to the customer and the customer has control of these. Invoices are settled on 30 day payments terms.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 3% - 20% per annum
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Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, allowances for impairment.

Financial instruments

The Company adopted IFRS 9 on 1 January 2018. The nature of the main changes resulting from the new standard is as follows:

i) Classification and measurement of financial instruments:

Financial assets are classified and subsequently measured at amortised cost or fair value through the statement of comprehensive income based on both the entity's business model for managing the financial assets and the contractual cashflow characteristics of the financial assets. The classification of financial liabilities does not follow the approach used for the financial assets and remains unchanged.

ii) Impairment of financial assets:

The new impairment model is an expected credit loss ("ECL") model which implies both an earlier recognition of impairment losses and a disclosure of more timely and forward-looking information. A simplified approach must be applied for trade receivables or contract assets that result from transactions within the scope of IFRS 15 and that do not contain a significant financing component. With this approach no changes in credit risk are tracked but instead a loss allowance is recognised based on lifetime ECLs at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Financial instruments (continued)

Subsequent measurement of interest bearing loans and borrowings:

Obligations for loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities:

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Offsetting of financial instruments:

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

The Company's financial instruments, other than short term debtors and creditors, comprise loans to and from related parties and cash. The main purpose of these financial instruments is to raise and manage finance for the company's trading operations.

The Company participates in a cash pooling scheme along with selected European based fellow subsidiaries of Geberit International BV in order to maximise net interest earned on cash reserves. It is the Company's policy not to engage in trading in financial instruments. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board considers these risks, and agrees policies for managing each of them, in order to ensure the long-term stability of the Company's operations.

Further details of the Company's financial risks are detailed in the Strategic Report on page 2.

Trade and other debtors

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance to all trade debtors and contract assets.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and after short term highly liquid investments with original maturities of three months or less, bank overdrafts are shown within borrowings in current liabilities.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined using the First-in, First-out (FIFO) method and includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provision is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that future taxable profits will be available against which the temporary differences can be utilised.

Research and development

Expenditure on research and development is written off to the income statement in the year in which it is incurred.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Dilapidations provision

A dilapidations provision is recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Company's unavoidable cost of meeting its obligations under the lease contracts.

Foreign currencies

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. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. 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 dates 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.

Lease arrangements

The Company leases its premises, some equipment and vehicles. Rental contracts are typically between 2 and 5 years.

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 a major lease, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Lease arrangements - continued

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 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 right-of-use assets 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 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.

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 underlying asset's useful life. Right-of-use land and buildings held by the Company will not be revalued.

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 expenses 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. Information about critical accounting estimates and judgements in the application of lease accounting is disclosed within this note.

As explained in note 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 in which a significant proportion 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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Capital management

The Company's objectives, when managing capital, are to safeguard the ability of the Company to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust its capital structure, the Company can adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Post retirement benefits

The Company operates two pension schemes, a defined contribution plan open to new entrants and a defined benefit plan which is closed to new entrants.

The defined benefit scheme closed to all active members with no future salary link as of 31 December 2013.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which service is rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to the benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Critical accounting estimates and judgements

There are no critical accounting judgements.

The following accounting estimates and assumptions have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Leasing

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, eg term, currency and security.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Critical accounting estimates and judgements - continued

(a) Leasing - continued

The Company used incremental borrowing rates specific to each lease and the rates range between 2.2% and 2.5% translating to an average of 2.3%. A 100-basis point increase/(decrease) in the rate would cause the lease liabilities to (reduce)/increase by £20,000 and a corresponding (decrease)/increase in the right-of-use assets by the same amount.

(b) Inventory provisioning

Inventory is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated usage.

(c) Dilapidations provision

The provision is based on management's best estimate of the obligation which forms part of the Company's unavoidable cost of meeting its property maintenance obligations under the lease contract.

(d) Defined Benefit pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year through the use of an external expert. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension obligation will be settled.

3. REVENUE

The revenue and profit before taxation are attributable to the one principal activity of the Company.

An analysis of revenue by class of business is given below:

	2019 £'000	2018 £'000
Sale of goods to related parties	<u>32,697</u>	<u>30,262</u>

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

3. REVENUE - continued

An analysis of revenue by geographical market is given below:

	2019 £'000	2018 £'000
Europe	<u>32,697</u>	<u>30,262</u>
	<u>32,697</u>	<u>30,262</u>

4. EMPLOYEES AND DIRECTORS

	2019 £'000	2018 £'000
Wages and salaries	1,502	1,574
Social security costs	148	152
Other pension costs	<u>486</u>	<u>549</u>
	<u>2,136</u>	<u>2,275</u>

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

	2019 No	2018 No
Distribution	26	26
Administration	4	4
Product Development	<u>10</u>	<u>12</u>
	<u>40</u>	<u>42</u>

	2019 £'000	2018 £'000
Directors' remuneration	108	110
Directors' pension contributions to money purchase schemes	<u>7</u>	<u>8</u>

No directors received shares under long term incentive schemes or exercised share options (2018: None).

The number of directors to whom retirement benefits were accruing was as follows:

	2019 No	2018 No
Money purchase schemes	<u>1</u>	<u>1</u>

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Interest received on bank account	17	21
Interest on defined benefit pension	40	20
Interest received on corporation tax payment	-	10
	<u>57</u>	<u>51</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Bank charges on all other bank accounts	13	12
Interest charges on operating leases	44	-
Bank charges on bank loans and overdrafts	8	9
	<u>65</u>	<u>21</u>

7. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	2019 £'000	2018 £'000
Cost of inventories recognised as expense	25,660	22,692
Depreciation - owned assets	13	17
Depreciation - leased assets	1,277	-
Auditors' remuneration	21	26
Foreign exchange gains	(64)	(63)
Impairment of investments	-	142
Impairment of inventories	613	23
Operating lease - property	-	1,253
Operating lease - other	-	81
Operating lease - short term and low value	<u>18</u>	<u>-</u>

There are no impaired receivables during the year (2018: £nil).

Auditors' remuneration is analysed as follows:

	2019 £'000	2018 £'000
Statutory audit fee	<u>21</u>	<u>26</u>

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

8. TAX ON PROFIT

Analysis of tax expense

	2019 £'000	2018 £'000
Current tax:		
Tax	23	120
Prior year	<u>69</u>	<u>(14)</u>
Total current tax	92	106
Origination and reversal of timing differences	<u>139</u>	<u>182</u>
Total tax expense in the statement of comprehensive income	<u><u>231</u></u>	<u><u>288</u></u>

Factors affecting the tax expense

The tax assessed for the year is higher (2018 – the same as) than the standard rate of corporation tax in the UK.
The difference is explained below:

	2019 £'000	2018 £'000
Profit before income tax	<u>1,088</u>	<u>1,517</u>
Profit before income tax multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19.250%)	207	288
Effects of:		
Expenses not deductible for tax purposes	4	14
Prior year	<u>20</u>	<u>(14)</u>
Tax expense	<u><u>231</u></u>	<u><u>288</u></u>

Tax effects relating to effects of other comprehensive income

	2019 Gross £'000	Tax £'000	Net £'000
Remeasurement of defined benefit asset	<u>(1,015)</u>	<u>193</u>	<u>(822)</u>
	<u><u>(1,015)</u></u>	<u><u>193</u></u>	<u><u>(822)</u></u>

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

8. TAX ON PROFIT - continued

	Gross £'000	2018 Tax £'000	Net £'000
Remeasurement of defined benefit asset	365	(62)	303
	<u>365</u>	<u>(62)</u>	<u>303</u>

The tax rate for the current year is lower than the prior due to changes in the corporation tax rate, which decreased from 19.25% to 19% from 1 April 2018.

Changes to the UK corporation taxes were substantively enacted as part of Finance Act 2017 (on 6 September 2017). These include reductions in the main rate, to reduce the rate to 17% effective from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates in 2018 but have been reverted to 19% in 2019 now that the decision to delay the change in the rate of corporation tax has been made.

Had the company used the rate of 19% then the impact on the financial statements would be immaterial.

Deferred tax

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

	2019 £'000	2018 £'000
Accelerated capital allowances	561	615
Short term timing differences	-	1
Pension asset	(92)	(201)
	<u>469</u>	<u>415</u>

Deferred tax in the statement of comprehensive income is as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	55	132
Pension asset	84	50
	<u>139</u>	<u>182</u>

9. DIVIDENDS

	2019 £'000	2018 £'000
Ordinary shares of £0.36 each		
Interim dividends £1,000 per share (2018: £1,500)	1,000	1,500
	<u>1,000</u>	<u>1,500</u>

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

10. TANGIBLE FIXED ASSETS

	Plant and machinery £'000
COST	
At 1 January 2019	531
Additions	39
Disposals	(78)
At 31 December 2019	<u>492</u>
DEPRECIATION	
At 1 January 2019	475
Charge for year	13
Disposals	(78)
At 31 December 2019	<u>410</u>
NET BOOK AMOUNT	
At 31 December 2019	<u>82</u>
At 31 December 2018	<u>56</u>

11. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2019 and 31 December 2019	<u>3,527</u>
PROVISIONS	
At 1 January 2019 and 31 December 2019	<u>680</u>
NET BOOK AMOUNT	
At 31 December 2019	<u>2,847</u>
At 31 December 2018	<u>2,847</u>

The Company's investments at the balance sheet date in the share capital of companies include the following:

Twyford Limited

Registered office: 4 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1EE

Nature of business: Non trading

Aggregate amount of capital and reserves at end of its relevant financial year: £1,986,825 (2018: £1,986,825)

Profit or loss for the year: £0 (2018: £0)

Class of shares:

% holding

Ordinary

100.00

Twyford Limited

Registered office: 4 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1EE

Nature of business: Non trading

Aggregate amount of capital and reserves at end of its relevant financial year: £862,579 (2018: £862,579)

Profit or loss for the year: £0 (2018: £0)

Class of shares:

% holding

Ordinary

100.00

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

12. INVENTORIES

	2019	2018
	£'000	£'000
Raw materials and consumables	108	106
Work-in-progress	8	8
Finished goods	<u>5,855</u>	<u>5,409</u>
	<u>5,971</u>	<u>5,523</u>

Inventories are stated after provisions for impairment of £2,364,000 (2018: £1,336,000).

13. DEBTORS

	2019	2018
	£'000	£'000
Trade and other receivables	64	54
Amounts owed by group undertakings	5,214	6,970
Deferred tax asset	469	415
Prepayments and accrued income	<u>255</u>	<u>467</u>
	<u>6,002</u>	<u>7,906</u>

Deferred tax asset

	2019	2018
	£'000	£'000
At 1 January	415	659
Recognised in the statement of comprehensive income	(139)	(182)
Recognised in other comprehensive income	<u>193</u>	<u>(62)</u>
	<u>469</u>	<u>415</u>

Trade and other receivables are stated after an allowance of £Nil (2018: £Nil) for bad debt provision. No interest is charged on overdue trade receivables. Allowances for doubtful debts is computed in line with group policy.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are payable on demand.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Lease liabilities (see note 17)	1,283	-
Trade creditors	444	1,409
Amounts owed to group undertakings	3,951	3,765
Taxation	37	2
Social security and other taxes	999	681
Accruals and deferred income	<u>725</u>	<u>1,142</u>
	<u>7,439</u>	<u>6,999</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are payable on demand.

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Lease liabilities (see note 17)	<u>162</u>	<u>-</u>

16. FINANCIAL LIABILITIES - BORROWINGS

	2019 £'000	2018 £'000
Current:		
Leases (see note 17)	<u>1,283</u>	<u>-</u>
Non-current:		
Leases (see note 17)	<u>162</u>	<u>-</u>

Terms and debt repayment schedule

	1 year or less £'000	1-5 years £'000	Totals £'000
Leases	<u>1,283</u>	<u>162</u>	<u>1,445</u>

17. LEASES

The Company has lease contracts for the premises, some equipment and cars. The amounts recognised in the financial statements in relation to the leases are as follows:

a) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	31 Dec 2019 £'000	1 Jan 2019* £'000
Right-of-use assets		
Long leasehold buildings	1,219	2,445
Motor vehicles and material handling equipment	<u>209</u>	<u>225</u>
	<u>1,428</u>	<u>2,670</u>
Lease liabilities		
Current	1,283	1,258
Non-current	<u>162</u>	<u>1,429</u>
	<u>1,445</u>	<u>2,687</u>

* In the previous year, the Company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS17 Leases.

Additions to the right-of-use assets during the 2019 financial year were £18,000.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

17. LEASES – continued

b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation charge of right-of-use assets		
Long leasehold buildings	(1,226)	-
Motor vehicles and material handling equipment	(51)	-
	<u>(1,277)</u>	<u>-</u>
Interest expense (included in finance cost) (Note 6)	(44)	-
Expense relating to short term leases (included in administrative expenses)	(14)	-
Expense relating to low value assets (included in administrative expenses)	(4)	-
	<u>-</u>	<u>-</u>
Future minimum lease payments as at 31 December 2019 are as follows:		
	2019 £'000	2018 £'000
Not later than one year	1,298	1,304
Later than one year and not later than 5 years	169	1,439
Later than 5 years	-	27
	<u>1,467</u>	<u>2,770</u>
Total gross payments	<u>1,467</u>	<u>2,770</u>
Impact of finance expenses	(22)	(83)
	<u>-</u>	<u>-</u>
Total gross payments	<u>1,445</u>	<u>2,687</u>

The Company initially applied IFRS16 at 1 January 2019, using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying IFRS16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS17 while the current year is based on IFRS16.

The total cash outflow for leases in 2019 was £1,304,000 (2018: £1,334,000).

18. FINANCIAL INSTRUMENTS

An explanation of the Company's financial instrument risk management objectives, policies and strategies are set out in the strategic report on page 2.

The Company's financial risks such as liquidity risk, interest rate risk and foreign currency rate risk are all managed centrally by the Geberit Group Treasury function.

The Company has no financial instruments measured at fair value through profit and loss.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

19. PROVISIONS FOR LIABILITIES

	2019	2018
	£'000	£'000
Balance at 1 January	894	894
Charged/(credited) to statement of comprehensive income	-	-
	<u>894</u>	<u>894</u>

Property provision

The property provision above relates to provisions for dilapidations for the premises at Alsager. The provision is expected to be utilised within one year of the expiry of the lease.

20. CALLED UP SHARE CAPITAL

	Number (2018 and 2019)	Nominal value	2019 £	2018 £
Allotted, issued and fully paid:				
Ordinary shares	1,000	£0.36	<u>361</u>	<u>361</u>
Authorised:				
Ordinary shares	1,000	£0.36	<u>361</u>	<u>361</u>

Rights of shares

The ordinary shares have a right to vote, a right to participate in dividends and the right to participate in a distribution on a wind up.

21. RETAINED EARNINGS

	2019	2018
	£'000	£'000
Balance at 1 January	10,724	10,692
Profits for the year	857	1,229
Dividends	(1,000)	(1,500)
Remeasurement of defined benefit assets/liability	(1,015)	365
Tax relating to remeasurement of defined benefit pension scheme	<u>193</u>	<u>(62)</u>
	<u>9,759</u>	<u>10,724</u>

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

22. EMPLOYEE BENEFIT OBLIGATIONS

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer.

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Current service cost	-	-
Financial income	(40)	(20)
Past service cost	-	-
	<u>(40)</u>	<u>(20)</u>
Actual return on plan assets	<u>3,616</u>	<u>(1,470)</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Opening defined benefit obligation	27,500	30,800
Interest cost	800	800
Actuarial losses/(gains)	3,791	(2,655)
Benefits paid	<u>(1,191)</u>	<u>(1,445)</u>
	<u>30,900</u>	<u>27,500</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Opening fair value of scheme assets	28,680	31,320
Employer contribution	275	275
Expected return	840	820
Actuarial gains/(losses)	2,776	(2,290)
Benefits paid	<u>(1,191)</u>	<u>(1,445)</u>
	<u>31,380</u>	<u>28,680</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Remeasurement of defined benefit asset/liability	<u>(1,015)</u>	<u>365</u>
	<u>(1,015)</u>	<u>365</u>

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

The major categories of scheme assets are as follows:

	Defined benefit pension plans	
	2019 £'000	2018 £'000
Equities	11,281	11,050
Corporate bonds	16,577	14,610
Other	3,522	3,020
	<u>31,380</u>	<u>28,680</u>

The cumulative amount of actuarial gains/(losses) recognised in other comprehensive income is £2,908,000 (2018: £3,923,000).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019	2018
Discount rate	2.05%	2.95%
Inflation (RPI)	2.95%	3.40%
Inflation (CPI)	2.35%	2.60%
Pension revaluation deferment	2.35%	2.60%

Statutory increases are now based on CPI following a change to the rules announced by the government in 2010. Following a review of Geberit Service pension scheme rules by legal advisors the change from RPI to CPI was confirmed in 2013.

The assumptions relating to longevity underlying the pension liabilities at the pension date are based on standard actual mortality tables and include an allowance for future improvements to longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

- Current pensioner aged 65: 24 years (male), 27 years (female).
- Future retiree upon reaching 65: 26 years (male), 29 years (female).

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NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

Historical information

The history of the plans for the current and prior years is as follows:

Balance sheet

	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of obligation	(30,900)	(27,500)	(30,800)	(30,300)
Fair value of scheme assets	<u>31,380</u>	<u>28,680</u>	<u>31,320</u>	<u>30,440</u>
Surplus	<u>480</u>	<u>1,180</u>	<u>520</u>	<u>140</u>

Experience adjustments

	2019	2018	2017	2016
Difference between actual and expected return on scheme assets (£'000)	2,776	(2,290)	1,072	5,196
Percentage of scheme assets (%)	9%	(8%)	3%	17%
Experience gains and (losses) on scheme liabilities amount (£'000)	3,791	(2,655)	987	6,171
Percentage of scheme liabilities (%)	12%	(10%)	3%	20%

The Company expects to contribute approximately £0.28m to its defined benefit plans in the next financial year (2018: £0.28m).

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(10.2)%	+11.9%
Salary growth rate	0.50%	-	-
Pension growth rate	0.50%	+9.0%	(10.2)%
Life expectancy	+/- 1 year	+4.0%	(4.0)%

Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, the Company provides a defined contributions scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was £211,000 (2018: £274,000). Contributions outstanding as at the balance sheet date are £13,000 (2018: £13,000).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

23. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2019 (2018: none).

24. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Geberit Sales Limited, a company incorporated in the United Kingdom - company number 06142557. The Company's ultimate parent company and controlling party is Geberit AG, a company incorporated in Switzerland. Group financial statements can be obtained from Geberit AG, Schachenstrasse 77, CH-8645 Jona, Switzerland.

25. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

No other related party transactions that require disclosure have taken place during the year (2018: none).

26. EFFECT OF ADOPTION OF IFRS16 - LEASES

As indicated in notes 2 and 17, 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.

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 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 2.2%.

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.

GEBERIT SERVICE (REGISTERED NUMBER: 00546129)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

26. EFFECT OF ADOPTION OF IFRS16 - LEASES - continued

ii. Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 31 December 2018	2,774
(LESS): non-lease items such as maintenance	<u>(10)</u>
	2,764
Discounted using the lessee's incremental borrowing rate of 8% at the date of initial application	<u>2,699</u>
ADD: finance lease liabilities recognised at 31 December 2018	-
(LESS): short-term leases not recognised as a liability	(12)
(LESS): low-value leases not recognised as a liability	<u>-</u>
Lease liability recognised as at 1 January 2019	<u>2,687</u>
Of which are:	
Current lease liabilities	1,258
Non-current lease liabilities	<u>1,429</u>
	<u>2,687</u>

27. POST BALANCE SHEET EVENTS

The COVID-19 pandemic is expected to have a material impact on the revenue of Geberit Service in 2020. The Company has continued to trade throughout the pandemic but was particularly hard hit in April when the construction industry closed and sales for that month were considerably below April 2019. The business is recovering as the UK Construction industry starts to recover and get back to working again under a new normal, given the social distancing regulations in place. The company has reduced cost and while it expects a reduction in overall profit in terms of £ value, it expects to maintain the current margin % it achieves.