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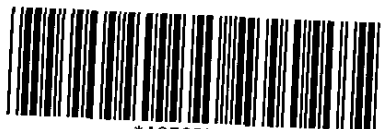
Group Registration No. 03983133

KOHLER SHOWERS HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2019

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KOHLER SHOWERS HOLDINGS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2019

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**KOHLER SHOWERS HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS**

DIRECTORS:

H V Kohler
T G Adler
N Begwani (appointed 3 July 2019)

SECRETARY:

N Maciolek

REGISTERED OFFICE:

Whaddon Works
Cromwell Road
Cheltenham
Gloucestershire
United Kingdom
GL52 5EP

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol
United Kingdom
BS2 0FR

KOHLER SHOWERS HOLDINGS LIMITED STRATEGIC REPORT

The directors present their Strategic Report on the Kohler Showers Holdings Limited group ("the group") for the year ended 31 December 2019. These financial statements are prepared under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

BUSINESS REVIEW

As shown in the group's consolidated income statement on page 8, the group's sales have decreased by 0.5% compared to the prior year (2018 – 0.9% decrease). The overall UK shower market value decreased by 2.3% compared with 2018 and the group remains the market leader for UK showers with a share of 40%. Therefore, despite challenging market conditions, the directors remain satisfied with the group's share of the market and its future growth potential.

Total pre-tax costs stayed in line with 2018, resulting in profit before tax of £8,820,000 compared to £9,361,000 in 2018. This has mitigated the reduction in revenue to deliver a profit before tax margin of 6.4%, which was a small reduction compared to 6.7% in 2018.

The group's net asset position has increased by £6,778,000 to £154,697,000 as at 31 December 2019, reflecting an increase in working capital of £1,841,000, an increase in fixed assets of £6,039,000 and an increase in provisions of £1,102,000.

The company takes its commitment to health and safety extremely seriously and has been building on the "Kohler Safety Management System Tier IV" award, achieved in 2015. The company's safety performance continues to improve in 2019 with the number of injuries continuing to reduce across the business with Days Away, Restricted and Transfers (DART) Rates reducing.

The company continues to focus on sustainability initiatives and is proud to have achieved Breeam compliancy within its new distribution centre with a 'very good' rating.

Following the emergence of COVID-19 in early 2020, the operations of the company began to be negatively impacted in March 2020. However, the company was able to continue manufacturing operations, having put appropriate safety measures in place to protect employees, and continues to supply customers. The group has supported the UK response to the pandemic both as a government partner to assemble and test critical care ventilators, and through designing and manufacturing prototype for high quality face shields, delivering 13,000 units to NHS Gloucestershire. Results for the year to date have been negatively impacted and given the uncertainties about the evolution of the epidemic and the responses of governments it is hard to predict the impact on the results of the business for the rest of the year. However, as discussed below this does not impact the ability of the company to continue to operate as a going concern.

KEY PERFORMANCE INDICATORS

The Kohler group is managed on a divisional basis rather than by legal entity, based on financial information prepared under US GAAP. Hence the KPIs used internally to manage the business are not relevant to an understanding of these financial statements, which are prepared under FRS 102. The directors believe that the key measures relevant to these financial statements are turnover and profit before tax, as discussed above.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's activities expose it to a number of risks. The key business risks and uncertainties affecting the group are considered to relate to intense competition from both national and international competitors, and the general economic climate including the lasting impact of Covid-19. Financial risks, and management thereof, are discussed in the directors' report.

GOING CONCERN

The financial statements of Kohler Showers Holdings Limited have been prepared on a going concern basis. Following the emergence of COVID-19 in early 2020, the operations of the group began to be negatively impacted in March 2020 and a negative impact on the 2020 financial performance is expected. However, at the current date, the quantified impact for the 2020 financial statements cannot be measured, given the uncertainties about the evolution of the epidemic and the measures announced by the Government to support businesses. Despite this uncertainty, the company continues to benefit from any support needed from the wider Kohler Co. group, the financial position of which remains strong. Accordingly, the directors are not aware of any significant uncertainties that could impact the ability of the group to continue its activities, and hence believe that it is appropriate to prepare the financial statements on a going concern basis.

KOHLER SHOWERS HOLDINGS LIMITED
STRATEGIC REPORT (CONTINUED)

SECTION 172 STATEMENT

Each director of the company has taken steps to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of members as a whole, and in doing so have regard (amongst other matters) to the below factors:

a. The likely consequences of any decision in the long term. The board has made principal decisions impacting the future of the company in line with the long term strategic objectives of the ultimate parent company, Kohler Co. The key strategic decisions made in the year were to invest in a new distribution centre, upgrade of our systems, take full ownership of the Kohler Experience Centre in Clerkenwell and to continue to invest in our people through our learning & development and apprenticeship programmes.

b. The interests of the company's employees. Directors have considered employee interests when making principal decisions, for example regular employee surveys are conducted throughout the year to understand employee engagement and gain feedback. Monthly business communications are made by the Directors to the whole organisation where associates are encouraged to ask questions. There is a workplace forum in Hull and a union in Cheltenham who are actively engaged with all major workforce decisions. Employees are consulted over proposals to change pension scheme management and changes to funding of the scheme. For further details refer to the "Employee engagement" section of the directors' report.

c. The need to foster the company's business relationships with suppliers, customers and others. We have established strategic relationships with our key customers and suppliers, with regular business meetings held with Senior Management. The business response to important economic uncertainties, such as BREXIT, has been communicated to our stakeholders to build trust and bolster relationships. The business has also established close relationships with community groups as part of the transition to the new distribution centre in Worcester, including the LEP and the local councils. The Directors are actively engaged with the BMA and CBI, including representation on key Government lobbying groups.

d. The impact of the company's operations on the community and the environment. For further details refer to the "Community Outreach" section of the Directors report.

e. The desirability of the company maintaining a reputation for high standards of business conduct. For further details refer to the "Business relationships" section of the directors' report.

f. The need to act fairly between members of the company.

Approved by the Board of Directors
and signed on behalf of the Board



T G Adler
Director

25 September 2020

KOHLER SHOWERS HOLDINGS LIMITED DIRECTORS' REPORT

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

FUTURE DEVELOPMENTS

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report.

DIVIDENDS

No dividend (2018 - £nil) was paid during the year.

RESEARCH AND DEVELOPMENT

The group aims to commit sufficient resources to research and development to ensure that it maintains a competitive position in the market. During the year, the group invested £7,216,000 (2018 - £8,044,000) in research and development.

DIRECTORS

The directors of the group, who served throughout the reporting period unless otherwise stated, are shown on page 2.

DIRECTORS LIABILITY INSURANCE

Qualifying third party indemnity insurance was in place for all directors during the year and continues to be in place at the date of this report.

FINANCIAL RISK MANAGEMENT

The group has specific policies and guidelines to manage financial risks and these policies are implemented by the group's finance department.

The group's activities expose it to a number of financial risks including foreign currency risk and credit risk.

Foreign Currency risk

The group's activities expose it to the financial risks of changes in foreign currency exchange rates as many of its purchases are denominated in foreign currencies. The group does not actively hedge this exposure.

Credit risk

The group's principal financial assets are bank balances and cash, trade receivables and investments. The group's credit risk is primarily attributable to its trade receivables. The group has no significant concentration of credit risk, with exposure spread over a large number of customers.

RESPONSIBILITY

Ethics

Acting with integrity and ethical responsibility is at the heart of the group and is expected of all of internal and external stakeholders. The group takes into account the laws, regulations and customs in all of the countries in which it operates and every the group associate is expected to comply with Kohler group ethical conduct rules from the moment they join the business. The completion of refresher training on the ethics policies is compulsory for every exempt and non-exempt associate, annually.

Community Outreach

Corporate Social Responsibility is a fundamental part of Kohler Mira Limited and our Stewardship initiatives ensures that we play our part in making the world a better place, both globally and locally. These social impact initiatives include Community, Environment, Innovation and Arts.

Each year, Kohler Mira Limited associates support a charity which is elected through an associate vote each year. Fundraising activities take place across the business – from individuals and teams to business-wide events. In 2019, the business chose to support the Alzheimer's Research UK raising over £58,000 in total. In addition, each associate is allocated one paid volunteering day per year, to allow them to volunteer within the local community.

KOHLER SHOWERS HOLDINGS LIMITED DIRECTORS' REPORT (CONTINUED)

Workplace

Kohler Mira Limited aims to create an environment where associates can thrive, connect and enjoy a long, safe and fulfilling career.

A workplace forum exists within the business, made up of representatives from across the different functional areas. The forum encourages associates to share feedback on a focused topic and be part of the group to help problem solve and improve this, with the aim of enhancing associate's experiences at Kohler Mira.

Employees

Kohler Mira is an equal opportunities employer, seeking to attract, retain and develop the very best people, whilst ensuring a reflection of the diversity of the community in which the business operates. We have a commitment to our associates to foster a fair and respectful workplace, and are committed to supporting equality through fair pay, with men and women are paid equally for doing the same job. All of our associates are provided with the same opportunities through our company benefits programme, including our bonus and peer to peer recognition programmes.

Creating a supportive and inclusive environment is of primary importance, therefore initiatives such as Respectful Workplace training, focusing on 'Acts of Kindness', and a team of wellbeing and mental health first aiders have been introduced to highlight and focus on the wellbeing of associates. Continuing this focus, the business has also partnered with an external mental health counsellor and guest speaker to talk to associates and managers about supporting positive wellbeing and mental health, with a focus on building this into the organisational culture.

Kohler Mira is passionate about supporting early careers for existing and future associates. To do this, we continue to expand and strengthen our long-established apprenticeship scheme, provide work experience and work with schools across Gloucestershire to engage students. Initiatives including our STEAM (Science, Technology, Engineering, Arts, Maths) Project Team put associates at the forefront of building initiatives that inspire the next generation into careers at Kohler Mira.

The company is fully committed to meeting our responsibilities of the Equality Act, specifically ensuring that all associates are free from disadvantage and discrimination. Kohler Mira is committed to ensuring the development of its employees including disabled employees.

Kohler Mira values the differences between employees that define them as unique individuals and that diversity within the workplace is an integral part of achieving success. This includes giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities, and the continuing employment of employees of the company who have become disabled person during the period when they were employed by arranging appropriate training and arranging reasonable adjustments in the workplace.

Kohler Mira has an important focus on communications for current, and potentially future, associates, communicating an Employee Value Proposition (EVP) which mirrors the values and beliefs of the Business and places "purpose" at the heart of all we do to attract and retain the very best talent. Internal communications are tailored across all sites, as well as taking into consideration those who are field based, with the aim of connecting associates to the businesses vision and goals, and their important part to play in this. Monthly business updates are shared by members of the Executive team and an annual all-associate event is held with the objective of reflecting and reporting on the previous year and sharing the business focuses for the following year.

Learning and Development

Our culture focuses on supporting every employee to become the best version of themselves, with a holistic approach driven across the business, using 70/20/10. We offer a modular, blended approach to learning and development programmes which are built collaboratively and focus on priority business needs this has included a programme with essential, transferable skills for all employees, and a manager development programme. Our approach to Learning & Development has been highlighted externally as best in class, we have been awarded for the second time, accreditation as one of the top 15 learning departments by the Learning and Performance Institute.

Business Relationships

When determining the principal decisions to be taken by the company during the financial year the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others. This includes considerations regarding sustainability, responsible sourcing, payment terms and anti-bribery and corruption.

KOHLER SHOWERS HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each reporting period. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

DISCLOSURE OF INFORMATION TO AUDITORS

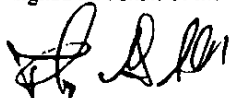
In the case of each of the persons who are directors of the group at the date when this report is approved:

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to remain in office going forward.

Approved by the Board of Directors
and signed on behalf of the Board



T G Adler
Director

25 September 2020

Independent auditors' report to the members of Kohler Showers Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kohler Showers Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2019; the Consolidated income statement and consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements 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 group 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 group's and 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 group's and 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.

KOHLER SHOWERS HOLDINGS LIMITED

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 group and company and their 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, 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 group's and 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 group or 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.

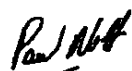
Other required reporting

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
25 September 2019

KOHLER SHOWERS HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
TURNOVER			
Turnover	5	137,230	137,913
Change in inventories of finished goods and work in progress		(342)	75
Other operating income		-	16
Raw materials and consumables		(56,358)	(57,372)
Other external expenses		(25,538)	(24,259)
Staff costs	7	(34,426)	(34,868)
Amortisation	11	(7,641)	(7,640)
Depreciation	12	(4,725)	(5,076)
Finance income	8	780	709
Finance costs	9	(160)	(137)
PROFIT BEFORE TAXATION	6	8,820	9,361
Tax on profit	10	(797)	(377)
PROFIT FOR THE FINANCIAL YEAR		<u>8,023</u>	<u>8,984</u>

All results arose from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
PROFIT FOR THE FINANCIAL YEAR		8,023	8,984
Other comprehensive income/(expense):			
Currency translation differences		-	(90)
Actuarial (loss)/gain relating to the pension scheme	19	(1,500)	1,543
UK deferred tax attributable to the actuarial gain		255	(262)
Other comprehensive income for the year, net of tax		<u>(1,245)</u>	<u>1,191</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>6,778</u>	<u>10,175</u>

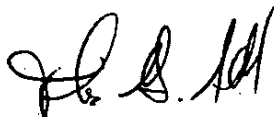
KOHLER SHOWERS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2019

	Note	2019		2018	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	11	7,005		14,646	
Property, plant and equipment	12	43,914		30,234	
			50,919		44,880
CURRENT ASSETS					
Inventories	14	24,199		24,382	
Trade and other receivables					
- amounts falling due within one year	15	38,802		41,996	
- amounts falling due after more than one year	15	63,775		64,336	
Cash		14,967		15,945	
		141,743		146,659	
TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(33,027)		(39,784)	
NET CURRENT ASSETS			108,716		106,875
TOTAL ASSETS LESS CURRENT LIABILITIES			159,635		151,755
PROVISIONS FOR LIABILITIES	17		(3,529)		(3,836)
DEFINED BENEFIT PENSION LIABILITY	19		(1,409)		-
NET ASSETS			154,697		147,919
EQUITY					
Called up share capital	21		74,419		74,419
Retained earnings			80,278		73,500
TOTAL EQUITY			154,697		147,919

The notes on pages 15 to 33 are an integral part of these financial statements.

The financial statements on pages 9 to 33 were authorised for issue by the board of directors on 25 September 2020, and were signed on its behalf.



T G Adler
Director

Kohler Showers Holdings Limited
Registered No. 03983133

KOHLER SHOWERS HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
As At 31 December 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Investments	13	<u>71,012</u>	<u>71,012</u>
CURRENT ASSETS			
Trade and other receivables			
- amounts falling due within one year	15	3,227	3,230
Cash		<u>100</u>	<u>100</u>
		3,327	3,330
TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(41)</u>	<u>(31)</u>
NET ASSETS		<u>74,298</u>	<u>74,311</u>
EQUITY			
Called up share capital	21	74,419	74,419
Accumulated losses		<u>(121)</u>	<u>(108)</u>
TOTAL EQUITY		<u>74,298</u>	<u>74,311</u>

No income statement is presented for Kohler Showers Holdings Limited, as permitted by s408 of the Companies Act 2006. The result for the year is a loss of £13,000 (2018 - loss of £26,000).

The notes on pages 15 to 33 are an integral part of these financial statements.

The financial statements on pages 9 to 33 were authorised for issue by the board of directors on 25 September 2020 and were signed on its behalf.



T C Adler
Director

Kohler Showers Holdings Limited
Register No. 03983133

KOHLER SHOWERS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	<i>Called up share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
	£'000	£'000	£'000
Balance as at 1 January 2018	74,419	63,325	137,744
Profit for the financial year	-	8,984	8,984
Other comprehensive income for the year	-	1,191	1,191
Total comprehensive income for the year	-	10,175	10,175
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 December 2018	74,419	73,500	147,919
Balance as at 1 January 2019	74,419	73,500	147,919
Profit for the financial year	-	8,023	8,023
Other comprehensive expense for the year	-	(1,245)	(1,245)
Total comprehensive income for the year	-	6,778	6,778
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 December 2019	74,419	80,278	154,697

KOHLER SHOWERS HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Called up share capital	Accumulated losses	Total equity
	£'000	£'000	£'000
Balance as at 1 January 2018	74,419	(82)	74,337
Loss for the financial year	-	(26)	(26)
Other comprehensive income for the year	-	-	-
Total comprehensive expense for the year	-	(26)	(26)
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 December 2018	74,419	(108)	74,311
Balance as at 1 January 2019	74,419	(108)	74,311
Loss for the financial year	-	(13)	(13)
Other comprehensive income for the year	-	-	-
Total comprehensive expense for the year	-	(13)	(13)
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 December 2019	74,419	(121)	74,298

KOHLER SHOWERS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash from operating activities	18	22,360	22,158
Taxation refunded/(paid)		(194)	(2,570)
Net cash generated from operating activities		22,166	19,588
Cash flow from investing activities			
Loans repaid by group undertakings		19	3,501
<i>Purchase of tangible assets</i>		(18,423)	(9,783)
Proceeds from disposals of tangible assets		16	111
Interest received		591	498
Net cash used in investing activities		(17,797)	(5,673)
Cash flow from financing activities			
Loans repaid to group undertakings		(5,187)	(10,800)
Interest paid		(160)	(102)
Net cash used in financing activities		(5,347)	(10,902)
Net (decrease)/increase in cash and cash equivalents		(978)	3,013
Cash and cash equivalents at the beginning of the year			
Net Cash at 1 January		15,945	12,932
Net (decrease)/increase in cash and cash equivalents		(978)	3,013
Cash and cash equivalents at the end of the year		14,967	15,945

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. GENERAL INFORMATION

Kohler Showers Holdings Limited and its subsidiaries (together "the group") design, manufacture, import and sell kitchen and bathroom products. The group has manufacturing plants in the UK and sells primarily to the UK and the rest of Europe.

The company acts as an intermediate holding group within the Kohler Co. group.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Whaddon Works, Cromwell Road, Cheltenham, Gloucestershire GL52 5EP.

2. STATEMENT OF COMPLIANCE

The group and individual financial statements of Kohler Showers Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and the Companies Act 2006.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the group and the company.

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior reporting period, are described below.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

Going concern

These financial statements are prepared on the going concern basis. The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review section of the Strategic Report. The directors, after careful consideration, have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain exemptions.

The group has taken advantage of the exemption, under FRS 102 paragraph 35.10(a), not to apply Section 19 *Business Combinations and Goodwill* to business combinations that were effected before the date of transition to this FRS.

The company has taken advantage of the exemption, under FRS 102 1.12 (b), from preparing a statement of cash flows, on the basis that it is a qualifying entity because the company's cash flow will be included in the consolidated cash flow for Kohler Showers Holdings Ltd.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

Basis of consolidation

The group financial statements consolidate the financial statements of Kohler Showers Holdings Limited and all of its subsidiaries made up to 31 December. A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply The group's accounting policies when preparing the consolidated financial statements. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Audit of subsidiaries

Through the issue by Kohler Showers Holdings Limited of an irrevocable and unconditional guarantee relating to their liabilities, the following subsidiary is exempt from the requirement relating to audit of financial statements under S479A of the Companies Act 2006:

<u>Group</u>	<u>Group Registration number</u>
Kohler Showers Bideo Limited	03983112
Kohler Daryl Limited	00907700
Kohler (UK) Limited	00075110
Kohler Mira UK Trustees Limited	04204471

Foreign currency

The group financial statements are presented in pound sterling. The group's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance (expense)/ income'. All other foreign exchange gains and losses are presented in the income statement within 'Other external costs'.

The trading results of group entities are translated into pound sterling at the average exchange rates for the year. The assets and liabilities of overseas entities, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

Patents are amortised over a period of five years. Other intangible assets are amortised over a period consisting of the expected useful economic life of each intangible asset, as assessed by external advisers. The amortisation period varies from one year to nineteen years.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line or reducing balance basis over its expected useful life, as follows:

Freehold land and buildings	4% declining balance
Long/short leasehold land and buildings	Higher of 2.5% per annum/term of lease
Plant and machinery	10 - 50% per annum
Fixtures, fittings, tools and equipment	10 - 33.3% per annum

Residual value is calculated on prices prevailing at the date of acquisition. Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Property, plant and equipment assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other external costs'.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leased assets

At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

Investments - Group

Investment in the subsidiary group is held at cost less accumulated impairment losses.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Provisions and contingencies

(i) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular, provision is made for the costs estimated to arise over the warranty period of repairs to or replacement of goods sold under warranty up to the year-end and for deferred taxes.

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

The group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Revenue recognition

Turnover represents the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. The group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) The group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when specific despatch or service provision criteria have been met.

Turnover on the sale of goods is recognised at the point of despatch to the customer, when the customer has full discretion over the channel and price to sell the product and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery occurs when the goods have been despatched, the risks of obsolescence or loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied. Goods sold to customers are often sold with volume rebates and also with the provision for the customer to return faulty goods. Sales are measured at the prices specified in the sale contract, net of estimated volume rebates and returns. Volume rebates are assessed based on anticipated annual purchases. Accumulated experience is used to estimate and provide for the discounts and returns. Turnover relating to associated services is recognised on provision of the service.

Sales are made with standard commercial credit terms. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. 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.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The group operates country defined contribution plans for its employees in certain countries. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

(iii) Defined benefit pension plans

The group operates defined benefit plans for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

The defined benefit obligation is calculated using the projected unit credit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

(iv) Bonus plans

The group operates several bonus plans for employees. An expense is recognised in the income statement when the group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Related party transactions

The group discloses transactions with related parties which are not wholly owned with the same group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The following accounting judgement is viewed as significant in the context of these financial statements:

(i) Warranty provision

In calculating the warranty provision, the directors have taken the view that it is appropriate to recognise the full cost of meeting expected warranty obligations rather than only recognising the incremental cost of this obligation. Further details are given in note 17.

The following key estimates could result in a material change to the carrying values of assets or liabilities in the next 12 months:

(ii) Pension liabilities

The calculation of the net pension asset/liability requires an actuarial calculation of future pension payments under the scheme. The company uses a third party actuary to prepare these calculations and the assumptions used are given in note 19.

(iii) Useful economic lives of assets

Property plant and equipment and intangible assets are depreciated or amortised over their useful economic lives. These lives, which are given in notes 3 and 12 are based on the directors' best estimate of the periods over which the assets will generate cash flows, but may be subject to future change.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. TURNOVER

Analysis of turnover by geography:

	2019	2018
	£'000	£'000
United Kingdom	115,566	115,259
Continental Europe	15,227	16,270
North America	3,965	4,232
Rest of the world	2,472	2,152
	<u>137,230</u>	<u>137,913</u>

Turnover relates to a single class of business, being the sale of kitchen and bathroom products.

6. PROFIT BEFORE TAXATION

	2019	2018
	£'000	£'000
Profit before taxation is stated after charging/(crediting):		
Amortisation of goodwill	7,641	7,640
Depreciation of property, plant and equipment	4,725	5,076
Research and development costs	7,216	8,044
Operating lease charges	1,643	1,812
Restructuring expense	1,241	(30)
Inventory recognised as an expense	74,766	57,372
Loss on disposal of property, plant and equipment	2	189
(Gain)/loss on foreign exchange	(3)	87
	<u></u>	<u></u>

The analysis of auditors' remuneration is as follows:

	2019	2018
	£'000	£'000
Fees payable to the group's auditors and their associates for the audit of the parent company and the group's consolidated financial statements	21	20
Fees payable to the group's auditors and their associates for other services:		
- The audit of the group's subsidiaries	110	108
Total audit fees	<u>131</u>	<u>128</u>

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

7. STAFF COSTS

The monthly average number of persons employed (including directors) during the year was:

Group	2019 No.	2018 No.
By activity		
Manufacturing	265	278
Selling and distribution	143	146
Administration	358	343
	<u>766</u>	<u>767</u>

The aggregate payroll costs of these persons were:

	2019 £'000	2018 £'000
Wages and salaries	29,027	28,633
Social security costs	3,247	3,204
Other pension costs	2,152	3,031
	<u>34,426</u>	<u>34,868</u>

Included within other pension costs above is £1,141,000 (2018 - £2,229,000) in respect of the defined benefit pension scheme that is operated by the group (see note 19).

The directors receive their emoluments from Kohler Co. Their emoluments are deemed to relate primarily to the services provided to Kohler Co.

8. FINANCE INCOME

	2019 £'000	2018 £'000
Interest received from group entities	710	657
Interest income on post employment benefits (note 19)	27	9
Bank interest receivable	41	40
Other interest	2	3
	<u>780</u>	<u>709</u>

9. FINANCE COSTS

	2019 £'000	2018 £'000
Interest payable to group entities	160	129
Other interest	-	8
	<u>160</u>	<u>137</u>

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10. TAX ON PROFIT

	2019 £'000	2018 £'000
The tax charge comprises:		
Current tax		
UK corporation tax	2,211	3,205
Adjustments in respect of prior years	(1,928)	(2,350)
	<u>283</u>	<u>855</u>
Deferred tax		
Origination and reversal of timing differences	163	(566)
Adjustments in respect of prior years	351	(13)
Effects of changes in tax rate	-	101
Total deferred tax	<u>514</u>	<u>(478)</u>
Total tax on profit	<u>797</u>	<u>377</u>

The difference between total tax shown above and the amount calculated by multiplying profit before tax by the standard rate of the UK is as follows:

	2019 £'000	2018 £'000
Profit before taxation	<u>8,820</u>	<u>9,361</u>
Tax on profit at UK Corporation tax rate for the year ended 31 December 2018 at 19% (2018 – 19%)	1,676	1,778
Effects of:		
Expenses not deductible for tax purposes	84	226
Fixed assets ineligible for depreciation	78	-
Adjustments in respect of prior years (current and deferred tax)	(1,577)	(2,363)
Effect of changes in tax rates (deferred tax)	-	101
Group relief received for no consideration	(40)	(37)
Current year Patent Box relief	(797)	(853)
Goodwill amortisation not deductible for tax purposes	1,452	1,452
Adjustment in respect of foreign tax rates	(42)	110
Other permanent differences	(37)	(37)
Total Tax charge for the year	<u>797</u>	<u>377</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred tax at the balance sheet date have been measured using these enacted tax rates and are reflected in these financial statements. On 17 March 2020, Finance Bill 2020 was substantially enacted and reversed the rate reduction referred to above, leaving the main rate at 19%. No adjustment has been made in these financial statements to reflect this change, and the impact is not expected to be material.

The net deferred tax asset expected to reverse in 2020 is £154,000 (2019: £35,000). This primarily relates to movements in provisions provided for offset by timing differences on capital allowances.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

11. INTANGIBLE ASSETS

Group	Patents, Trademarks & other intangibles £'000	Goodwill £'000	Total £'000
At 1 January 2019			
Cost	11,233	152,816	164,049
Accumulated amortisation and impairment	(11,233)	(138,170)	(149,403)
Net book value	-	14,646	14,646
Year ended 31 December 2019			
Opening net book value	-	14,646	14,646
Amortisation	-	(7,641)	(7,641)
Closing net book value	-	7,005	7,005
At 31 December 2019			
Cost	11,233	152,816	164,049
Accumulated amortisation and impairment	(11,233)	(145,811)	(157,044)
Net book value	-	7,005	7,005

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'000	Long/short leasehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost or valuation					
At 1 January 2019	15,833	40	23,871	39,592	79,336
Additions	10,247	3	7,307	866	18,423
Disposals	-	-	(422)	(388)	(810)
Transfer between asset classes	-	-	(1,377)	1,377	-
At 31 December 2019	26,080	43	29,379	41,447	96,949
Accumulated depreciation					
At 1 January 2019	2,451	34	13,670	32,947	49,102
Charge for the year	409	4	1,485	2,827	4,725
Eliminated on disposals	-	-	(404)	(388)	(792)
At 31 December 2019	2,860	38	14,751	35,386	53,035
Net book value					
At 31 December 2019	23,220	5	14,628	6,061	43,914
At 31 December 2018	13,382	6	10,201	6,645	30,234

Included within freehold land and buildings is land of £6,676,000 (2018 - £6,472,000) which has not been depreciated.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

13. INVESTMENTS

Company

Subsidiary entities

£'000

Cost and net book value

At 31 December 2018 and at 31 December 2019

71,012

Subsidiary entities Name of group	Country of incorporation and registration	Class of Share/quota held	%	Nature of business
Kohler Showers Bideo Ltd	United Kingdom	Ordinary	100	Holding group
Kohler Mira Limited*	United Kingdom	Ordinary	100	Showers
Kohler (UK) Limited*	United Kingdom	Ordinary	100	Dormant
Rada Armaturen GmbH*	Germany	Ordinary	100	Precision Controls
Kohler Mira UK Trustees Limited*	United Kingdom	Ordinary	100	Non-trading
Kohler Mira UK Executive Trustees Limited*	United Kingdom	Ordinary	100	Non-trading
Kohler Daryl Ltd*	United Kingdom	Ordinary	100	Dormant

*Shareholdings held by subsidiaries

The registered address for all subsidiaries except Rada Armaturen GmbH is Whaddon Works, Cromwell Road, Cheltenham, Gloucestershire, GL52 5EP. The registered address for Rada Armaturen GmbH is Daimlerstraße 6, D-63303 Dreieich, Germany.

14. INVENTORIES

Group	2019 £'000	2018 £'000
Raw materials and consumables	10,903	10,356
Work in progress	508	870
Finished goods and goods for resale	12,788	13,156
	<u>24,199</u>	<u>24,382</u>

There is no significant difference between the value of inventories in the statement of financial position and their replacement cost.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

15. TRADE AND OTHER RECEIVABLES

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Trade receivables	31,510	-	35,436	-
Amounts owed by group undertakings	3,980	3,227	2,879	3,230
Corporation tax	2,190	-	2,793	-
Other receivables	-	-	34	-
Prepayments and accrued income	1,122	-	819	-
Deferred tax	-	-	35	-
	<u>38,802</u>	<u>3,227</u>	<u>41,996</u>	<u>3,230</u>

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due after more than one year:				
Post employment benefit asset	-	-	270	-
Amounts owed by group undertakings	63,048	-	63,115	-
Deferred tax assets (see below)	727	-	951	-
	<u>63,775</u>	<u>-</u>	<u>64,336</u>	<u>-</u>

Amounts owed by group entities falling due within one year are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Amounts owed by group entities falling due after more than one year are unsecured, attract interest of 0.3% above the 3 month GBP LIBOR index and are repayable upon no less than 12 months' notice.

Deferred tax asset

Group	2019 £'000	2018 £'000
At 1 January	986	770
Movement in the year	92	216
Prior year adjustment	(351)	-
At 31 December	<u>727</u>	<u>986</u>

The deferred tax asset consists of the following amounts:

	2019 £'000	2018 £'000
Capital allowances in excess of depreciation	313	388
Pension	240	(18)
Other timing differences	174	616
Total asset	<u>727</u>	<u>986</u>

Of the £92,000 (2018: £216,000) movement in the year, £163,000 (2018: £478,000) is recognised in the income statement and £255,000 (2018: £262,000) is recognised in other comprehensive income.

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

16. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade payables	9,500	-	7,865	-
Amounts owed to group undertakings	8,103	16	15,331	-
Other taxation and social security	359	-	691	-
Other creditors	4,202	-	3,823	-
Accruals and deferred income	10,863	25	12,074	31
	<u>33,027</u>	<u>41</u>	<u>39,784</u>	<u>31</u>

Within amounts owed to group undertakings, £685,000 (2018: £2,742,000) is unsecured, interest free, has no fixed date of repayment and is repayable on demand. £7,418,000 (2018: £12,589,000) is unsecured, attracts interest of 0.3% above the 3 month GBP LIBOR index and is repayable upon no less than 10 days notice.

17. PROVISIONS FOR LIABILITIES

	Warranty £'000	Total £'000
At 1 January 2019	3,836	3,836
Charged to income statement	612	612
Amounts utilised	(919)	(919)
At 31 December 2019	<u>3,529</u>	<u>3,529</u>

Warranty provision

The warranty provision relates to the expected costs of providing repairs and spares under warranty agreements given to customers. Warranty terms on average are two years for Mira branded products and five years for Kohler branded products.

KOHLER SHOWERS HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2019**18. NOTES TO THE STATEMENT OF CASH FLOWS****Cash flow from operating activities**

	2019	2018
	£'000	£'000
Profit for the financial year	8,023	8,984
Adjustments for:		
Tax on profit	797	377
Net interest expense	(620)	(572)
Operating profit	<u>8,200</u>	<u>8,789</u>
Depreciation of tangible assets	4,725	5,076
Impairment of tangible fixed assets	-	624
Amortisation of goodwill & intangible assets	7,641	7,640
Decrease/(increase) in inventories	183	(169)
Decrease in trade and other receivables	2,793	1,356
Decrease in payables	(1,570)	(3,036)
Profit on disposals of tangible assets	2	192
(Decrease)/Increase in provisions	(48)	250
Increase in pension liability	434	1,436
Cash flow from operating activities	<u>22,360</u>	<u>22,158</u>

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

19. POST-EMPLOYMENT BENEFITS

Defined benefit schemes

Kohler Mira Limited is the sponsoring employer of a funded defined benefit pension scheme in the UK which provides retirement benefits based on members' salary when leaving employment, with contributions based on the average salary. The assets of the scheme are held in separately administered funds and the scheme is administered by a trustee body (independent of Kohler Mira Limited) who is responsible for ensuring that the scheme is sufficiently funded to meet current and future obligations.

The liabilities set out in this note have been calculated based on the results of the full Scheme Funding Assessments as of 31 August 2017, updated to 31 December 2019. The present value of the defined benefit obligation was measured using the projected unit credit method.

Kohler Mira Limited has agreed a funding plan with the trustee body, whereby ordinary contributions are paid to the scheme based on a percentage of pensionable salaries. Additional contributions are agreed with the trustees to address any funding deficits as necessary. Kohler Mira Limited expects to contribute £1,100,000 to the scheme over the year commencing 1 January 2019.

The disclosures set out below are based on calculations carried out as at 31 December 2019 by an independent qualified actuary.

The results of the calculations and the assumptions adopted are shown below.

Principal assumptions

Principal assumptions	2019	2018
Discount rate	2.00%	2.90%
Retail Prices Index (RPI) Inflation	3.20%	3.45%
Consumer Prices Index (CPI) Inflation	2.20%	2.45%
Future increases in deferred pensions	2.20%	2.45%
Rate of increase in salaries	2.20%	2.45%
Rate of increase to pensions in payment:		
RPI max 5% pa	3.15%	3.35%
RPI max 2.5% pa	2.20%	2.30%
CPI max 3% pa	2.00%	2.10%
CPI max 2.5% pa	1.80%	1.90%
Life expectancies from age 65 for main plan members:		
Male aged 65 now	22.3	22.2
Male aged 65 in 20 years	23.6	23.6
Female aged 65 now	24.2	24.1
Female aged 65 in 20 years	25.7	25.6

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19. POST-EMPLOYMENT BENEFITS (continued)

Asset breakdown

The major categories of scheme assets as a percentage of total scheme assets are:

	2019	2018
Equities and other growth assets	71.10%	67.2%
Bonds and LDI (Liability driven investments)	27.70%	31.5%
Other - Insured annuities	1.00%	1.0%
Cash	0.20%	0.3%
	<u>100%</u>	<u>100%</u>

The pension scheme has not invested in any of Kohler Mira Limited's own financial instruments, nor in properties or other assets used by Kohler Mira Limited. The assets are all quoted in an active market with the exception of the insured pensions.

The assets are all quoted with the exception of the annuity policies.

Net defined benefit (liability)/asset

	2019 £'000	2018 £'000
Fair value of Scheme assets	111,029	95,885
Present value of defined benefit obligation	<u>(112,438)</u>	<u>(95,615)</u>
Defined benefit asset	<u>(1,409)</u>	<u>270</u>

Total expense recognised in Income Statement

	2019 £'000	2018 £'000
Current service cost	1,141	1,279
Past service costs including curtailments	-	950
Net interest income	<u>(27)</u>	<u>(9)</u>
	<u>1,114</u>	<u>2,220</u>

Total amounts taken to Other Comprehensive Income

	2019 £'000	2018 £'000
Actual return on scheme assets – (losses) and gains	16,816	(7,153)
less: amounts included in net interest on the net defined benefit liability	<u>(2,757)</u>	<u>(2,591)</u>
Remeasurement gains and (losses)		
- Return on scheme assets excluding interest income	14,059	(9,744)
Actuarial (losses)/gains	<u>(15,559)</u>	<u>11,287</u>
Remeasurement (loss)/gain recognised in Other Comprehensive Income	<u>(1,500)</u>	<u>1,543</u>

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

19. POST-EMPLOYMENT BENEFITS (continued)

Changes to the present value of the defined benefit obligation

	2019 £'000	2018 £'000
Present value of defined benefit obligation at beginning of year	95,615	104,815
Benefits paid	(2,964)	(3,098)
Current service cost	1,141	1,279
Interest cost	2,730	2,582
Actuarial losses/(gains)	15,559	(11,287)
Employee contributions	357	374
Past service costs including curtailments	-	950
Present value of defined benefit obligation at end of year	<u>112,438</u>	<u>95,615</u>

Changes in the fair value of assets

	2019 £'000	2018 £'000
Fair value of scheme assets at beginning of year	95,885	104,978
Interest income	2,757	2,591
Remeasurement (losses) and gains		
- Return on scheme assets excluding interest income	14,059	(9,744)
Contributions by employer	935	784
Employee contributions	357	374
Benefits paid including expenses	(2,964)	(3,098)
Fair value of assets at end of year	<u>111,029</u>	<u>95,885</u>

Defined contribution schemes

Kohler Mira Limited also pays contributions to the defined contribution sections of the plans in line with the rules of the respective plans. The defined contribution pension cost for the year amounted to £1,078,000 (2018 - £924,000).

20. FINANCIAL INSTRUMENTS

The group has the following financial instruments:

	2019 £'000	2018 £'000
Financial assets measured at undiscounted amount receivable	35,468	38,350
Financial assets that are debt instruments measured at amortised cost	<u>63,046</u>	<u>63,385</u>
Financial assets	<u>98,514</u>	<u>101,735</u>
Financial liabilities measured at undiscounted amount payable	9,477	14,429
Financial liabilities that are debt instruments measured at amortised cost	<u>12,326</u>	<u>12,589</u>
Financial liabilities	<u>21,803</u>	<u>27,018</u>

KOHLER SHOWERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

21. CALLED UP SHARE CAPITAL

Group and Company

	2019 £'000	2018 £'000
Allotted and fully paid		
74,419,174 (2018: 74,419,174) ordinary shares of £1 each	<u>74,419</u>	<u>74,419</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22. COMMITMENTS

Capital commitments at 31 December 2018 and 2019 for which no provision has been made in these financial statements were as follows:

	2019 £'000	2018 £'000
Contractual commitments for the acquisition of property, plant and equipment	<u>5,062</u>	<u>1,048</u>

The group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £'000	2018 £'000
Payments due:		
- within one year	960	937
- between one and five years	<u>927</u>	<u>1,230</u>
	<u>1,887</u>	<u>2,167</u>

23. RELATED PARTY TRANSACTIONS

The group is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Kohler Co. group.

24. IMMEDIATE AND ULTIMATE PARENT GROUP AND CONTROLLING PARTY

The group's immediate parent group is Kohler Euro Confluence Ltd, a group incorporated in the Isle of Man. The group's ultimate parent group and ultimate controlling party is Kohler Co., which is also the parent of the largest group for which consolidated financial statements are prepared, although these financial statements are not publicly available. Kohler Co. is registered in Wisconsin, USA.