

COMPANY REGISTRATION NUMBER: 07048715

Schueco UK Limited
Annual Report and Financial Statements
31 December 2020



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Schueco UK Limited

Strategic Report

Year ended 31 December 2020

Principal activity

The principal activity of Schueco UK Limited ("the company") is the sale and distribution of aluminium and steel architectural systems and related services.

Business review and future outlook

The profit before tax is £8.8m for the year (2019: £10.0m) from turnover of £53.9m (2020: £59.0m).

The business has weathered the disruption caused by the COVID-19 pandemic and the numerous 'lock-down periods' which have caused significant decline in the UK economy and a slowing of construction output.

The initial decline in output, from March 2020 through to June 2020, was driven by the first national lockdown. However, the Schueco UK business managed to continue to safely operate and by doing so, avoided the need to utilise the job retention scheme. The periods of lockdown created a significant decline in UK construction output; initially through the closure of construction sites and the inability of tradespeople being unable to visit homes, to carry out installations. Laterally, output was adversely impacted by reduced productivity on construction sites, as employees needed to maintain social distancing and follow stringent site safety protocols.

Despite this disruption, the business only experienced a relatively small decline in overall top line sales, 8.6% reduction on the previous year. This decline was seen in the commercial aluminium, trade and residential sectors of the business, with our steel category delivering growth on the previous year.

The decline in top line sales was mitigated to an extent by a program of cost savings which resulted in delivering an overall operating profit return on sales of 16.1%, 70 basis points below the previous year. The profit before tax included the full year effect of changes in the supply route from our main supplier Schüco KG International, as a result the closure of Meinerzhagen hub in Germany part way through 2019, and the impact of the reduced sales caused by COVID.

Looking forward to 2021, the expectation is that the world will still be dealing with the effects of the global pandemic and as such the outlook for the UK construction industry is for modest growth; with the total UK construction output not set to return to pre-pandemic levels until the end of 2022. Despite this, Schueco UK has an expectation of top line growth supported by a healthy project pipeline, a stable customer base and new product portfolio launches this year.

Principal risks and uncertainties

The directors consider the following to be the key business risks:

Credit risk

The credit position of our fabricator customer base is continually monitored closely. Customer insolvency is a key risk to Schueco UK Ltd and as such we have strong internal credit control procedures and policies in place to mitigate risk, as well as customer credit insurance. The insurance levels are advised by our external credit insurance provider and we continue to support our customers appropriately.

Foreign exchange risk

Exchange rate movements remain a key risk area for the business with a large proportion of raw materials imported from the Eurozone. Internal foreign currency hedging arrangements are in place in conjunction with Group policy to minimise any impact of exchange rate fluctuations. Group is also a key factor in sourcing aluminium, a key raw material, utilising their purchasing power which in turns allows the UK business to maintain competitive prices.

Schueco UK Limited

Strategic Report (continued)

Year ended 31 December 2020

Economic risk

As the company conducts its business throughout the UK and Republic of Ireland, the key economic risks remain within these countries. Post the UK's exit from the European Union on the 31st December 2020 and the change to an independent trade policy, it has been necessary for all businesses to complete a substantial amount of new customs documentation to allow both the import and export of supplies and services between the UK and Europe. This has resulted in an increase in costs for all associated businesses across the supply chain with additional export/import duties based on the preferential country of origin, commodity codes and customs agent fees. Schueco UK was prepared for the change through upgrades to the ERP system and securing the services of a third party customs agent. The business remains committed to work closely with our customers, specifically Ireland based, to support them through this transition period and adherence to customs declarations.

COVID 19

The impact of the Coronavirus outbreak continues to impact the economy and our daily lives. In order to continue to meet the needs of our customers Schueco UK has maintained the health and safety measures implemented in early 2020 to protect our employees, customers, guests, suppliers and partners to our business. All events, social gatherings and meetings remain cancelled, together with the cessation of all non-essential travel and most employees continue to work from home.

In response to COVID 19, the business continuity plans actioned by the Company to date have resulted in operations continuing. The business continues to monitor the external market, order book and future projects to enable a robust set of forecast P&L and cash flow models, complete with sensitivity analysis. The company has sufficient retained earnings and a high cash contingency to meet any liabilities as they fall due during this period and for the next 12 months.

Business relationships with customers and vendors

The business continues to work closely with all its customers and is a vital part of our strategic objectives, by continually striving to improve our service and quality to ensure sustained growth in 2021. The business has launched many digital platforms to ensure that it is able to continually and effectively interact with our partners during these difficult times with the reduced ability to visit customers. Customer training is provided on an on-going basis from our Learning and Development department through a digital platform and credit terms are aligned with our third party insurer.

We maintain our longstanding relationships with our key vendors and the business ensures that payment terms are aligned to the HMRC payment practice guidelines. Our major raw material, aluminium, is sourced from our parent Company Schüco International KG and the company benefits from their purchasing power.

Going concern

Considering going concern and the impact of COVID-19, as explained more fully in the statement set out on page 15, the Company has a resilient balance sheet position, with net assets of £35.4m as at 31 December 2020, having made a profit after tax for the year of £7.4m and delivered net cash flows from operating activities of £10.9m for the year then ended. Cash flow forecast scenarios for the period to 31 December 2022 have been prepared which support the position that the Company has adequate financial resources and will remain overall cash generative, to fund its activities out of cash balances.

Schueco UK Limited

Strategic Report (continued)

Year ended 31 December 2020

Directors' section 172 statement

The directors continue to promote the success of the company for the benefit of its shareholders through the initiatives below:

- Ensuring continuation of close relationships with both our customers and vendors with action plans to mitigate against risk of price changes and supply chain disruption;
- Long-term planning is continually reviewed through the Strategy program and key business risks are monitored on a regular basis. The business continues with its program of investment in the key strategic areas based on investment return policies;
- Maintaining an effective culture within the organisation through employee engagement, enhancing new ways of working and instilling a health and safety policy to ensure the safety of all staff and guests within the Schueco premises;
- New product launches are a key factor in driving new business opportunities with new products being brought to the market through the Innovation Now program;
- The Company also maintains its focus on Legal and Compliance, supported by a regular online training program and specific team presentations to ensure that our employees understand and adhere to the Company's Code of Conduct to maintain a reputation for high standards of business conduct; and
- The Health, safety and environment committee meet on a monthly basis to ensure that all risk assessment programs are monitored, with inspections and audit actions resolved to ensure the safety of all employees and site guests.

This report was approved by the board of directors on 28 April 2021 and signed on behalf of the board by:



Mr P. Temprell
Director

Registered office:
Whitehall Avenue
Kingston
Milton Keynes
UK
MK10 0AL

Schueco UK Limited

Director's Report

Year ended 31 December 2020

The directors present their report and the financial statements of the company for the year ended 31 December 2020.

Directors

The directors who served the company during the year were as follows:

Mr A. Engelhardt

Mr T. Humpf

Mr P. Neuhaus

Mr P. Temprell

(Appointed 14 January 2020)

Except as noted above, all directors have served throughout the year and are still directors at the date of this report.

Research and development

The company does not independently engage in research and development activities but significantly contributes to and is able to share in the benefits of such activities undertaken by the parent company.

Dividends

Dividends paid during the year comprise a final dividend of £1.00 per share in respect of the profits for the year ended 31 December 2020.

Political donations

The company has made no political donations or incurred any political expense during all periods presented in these financial statements.

Employees

Schueco UK Limited and all management staff are committed to a policy and practice under which they recognise their obligations under the Disability Discrimination Act 1995 not to discriminate unlawfully against people with disabilities at any stage of employment.

Schueco UK is committed to achieving and maintaining the highest standards of health and safety to all our employees, contractors, temporary workers and site visitors. Regular safety reviews are undertaken throughout the year to ensure that lost time accidents are minimised.

Corporate Responsibility

The company is committed to maintaining the highest of business standards as described in our company Code of Conduct. We are committed to the observance in particular of the principles of fair competition and open markets and will, therefore, not tolerate any corrupt acts or infringements of antitrust laws. All employees are reminded of their responsibilities and through an online portal of compliance information documents supported by training programs.

Financial instruments

Schueco UK Limited purchases a large proportion of its trading materials from Eurozone territories outside the United Kingdom and is therefore exposed to movements in exchange rates. Internal foreign currency hedging agreements with our parent company are used to mitigate this exposure. In addition, monetary assets held in foreign currencies are held against booked liabilities and managed to minimise volatility in the Statement of Income and Retained Earnings due to retranslation.

Schueco UK Limited

Director's Report (continued)

Year ended 31 December 2020

Schueco UK Limited operates in a market where customers regularly work under conditions of tight liquidity and financial stress. Customer insolvency is a principal risk which is managed and mitigated by a strong internal credit management environment and external credit insurance. The company works closely with credit insurers and other external credit professionals to manage the attendant risks, whilst balancing the need to support our customers in the exploitation of commercial opportunities.

Disclosure of information in the strategic report

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR)

Management recognise the importance of environmental protection and the responsibility of the company to operate its business in compliance with all legal requirements, existing organizational policies and the needs and expectations of interested parties, where it can control or influence, relating to the safe design, warehousing and distribution of all its systems and products. The latter comprises of a wide range of metal systems for the construction of facades, windows and doors, and large louvre shading systems. The directors are committed to the continual improvement of the company's environmental performance, including prevention of pollution and the long-term reduction of waste, including waste to landfill, energy and water consumption.

It is Schueco UK Limited's policy to co-operate and maintain good relations with all interested parties and continually enhance overall environmental performance, by constantly monitoring significant aspects of the company's operational activities and in response to significant changes to the business, environment and the requirements of interested parties. The company will ensure that the environmental impacts of its activities, products and services are managed, at all times.

Management present the company's statement of carbon emissions, in compliance with Streamlined Energy and Carbon Reporting (SECR), covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport below:

Total energy use covering electricity, gas and transport	6,250,901	kWh
Total emissions generated through combustion of gas	344.44	tCO ₂ e
Total emissions generated through use of purchased electricity	138.72	tCO ₂ e
Total emissions generated through use of other fuels	967.25	tCO ₂ e
Total emissions generated through business travel	14.41	tCO ₂ e
Total gross emissions	1,464.82	tCO ₂ e
Intensity ratio (total gross emissions per square foot)	10.481	kgCO ₂ e

Year on year comparison data will be included in future reports.

Intensity Ratio

The intensity ratio is total gross emissions in metric kilograms of CO₂e (mandatory emissions) per total square feet of floor space. This metric is considered the most relevant to the company's energy consuming activities and provides a good comparison of performance over time and across different organisations and sectors.

Schueco UK Limited

Director's Report (continued)

Year ended 31 December 2020

Energy efficiency actions taken

The Company has implemented the policies below for the purpose of increasing the businesses energy efficiency in the current financial year:

- upgraded lighting to LED as part of office refurbishment programme;
- used sustainable carpet yarns from fishing nets as part of office refurbishment programme;
- replaced end of lease PCs with more energy efficient iPads and laptops, and continue to control power save modes centrally;
- added a hybrid option into our fleet of leased vehicles;
- increased availability and encouraged use of video conferencing;
- reduced emissions caused by business travel, reducing number of face to face meetings with clients and suppliers; and
- reduced carbon emissions from employee commuting as a result of home working.

Where appropriate, energy efficiency measures to address the ESOS phase 2 findings will be implemented during 2021.

Methodology used

The Company has used the GHG Reporting Protocol in conjunction with Government GHG reporting conversion factors, to ensure effective emissions management and transparency in reporting.

Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006 and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 28 April 2021 and signed on behalf of the board by:



Mr P. Temprell
Director

Registered office:
Whitehall Avenue
Kingston

Schueco UK Limited

Director's Report (continued)

Year ended 31 December 2020

Milton Keynes

UK

MK10 0AL

Schueco UK Limited

Statement of directors' responsibilities in respect of strategic report, the directors' report and financial statements

Year ended 31 December 2020

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Schueco UK Limited

Independent Auditor's Report to the Members of Schueco UK Limited

Year ended 31 December 2020

Opinion

We have audited the financial statements of Schueco UK Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.

Schueco UK Limited

Independent Auditor's Report to the Members of Schueco UK Limited (continued)

Year ended 31 December 2020

- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue transactions around the year end and post year end is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual revenue combinations, unusual cash combinations and journal postings to unrelated accounts with specific description.
- Testing a sample of revenue transactions to supporting documentation to assess whether revenue had been recorded in the correct period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Schueco UK Limited

Independent Auditor's Report to the Members of Schueco UK Limited (continued)

Year ended 31 December 2020

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Schueco UK Limited

Independent Auditor's Report to the Members of Schueco UK Limited (continued)

Year ended 31 December 2020


Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Burridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
United Kingdom
MK9 1BP
Date: 30 April 2021

Schueco UK Limited

Statement of Income and Retained Earnings

Year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	4	53,948	59,030
Cost of sales		(33,861)	(36,712)
Gross profit		20,087	22,318
Distribution costs		(9,054)	(10,093)
Administrative expenses		(2,774)	(2,899)
Other operating income		447	583
Operating profit	5	8,706	9,909
Other interest receivable and similar income	9	67	86
Interest payable and similar expenses	10	(2)	–
Profit before taxation		8,771	9,995
Tax on profit from ordinary activities	11	(1,389)	(1,266)
Profit for the financial year and total comprehensive income		<u>7,382</u>	<u>8,729</u>
Dividends paid and payable	12	(10,000)	(10,000)
Retained earnings at the start of the year		22,529	23,800
Retained earnings at the end of the year		<u>19,911</u>	<u>22,529</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 16 to 26 form part of these financial statements.

Schueco UK Limited

Statement of Financial Position

31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	13	5,486	5,346
Current assets			
Stocks	14	4,979	6,744
Debtors	15	36,432	37,727
Cash at bank		333	8
		<u>41,744</u>	<u>44,479</u>
Creditors: amounts falling due within one year	16	(11,350)	(11,185)
Net current assets		30,394	33,294
Total assets less current liabilities		35,880	38,640
Provisions			
Taxation including deferred tax	17	(119)	(48)
Other provisions	17	(411)	(624)
		<u>(530)</u>	<u>(672)</u>
Net assets		<u>35,350</u>	<u>37,968</u>
Capital and reserves			
Called up share capital	21	10,000	10,000
Share premium account	22	5,439	5,439
Profit and loss account	22	19,911	22,529
Total Shareholders' funds		<u>35,350</u>	<u>37,968</u>

These financial statements were approved by the board of directors and authorised for issue on 28 April 2021, and are signed on behalf of the board by:



Mr P. Temprell
Director

Company registration number: 07048715

The notes on pages 16 to 26 form part of these financial statements.

Schueco UK Limited

Statement of Cash Flows

Year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Profit for the financial year	7,382	8,729
<i>Adjustments for:</i>		
Depreciation of tangible assets	469	463
Other interest receivable and similar income	(67)	(86)
Interest payable and similar expenses	2	–
Loss/(gains) on disposal of tangible assets	25	(12)
Tax on profit from ordinary activities	1,389	1,266
<i>Changes in:</i>		
Stocks	1,765	(1,435)
Trade and other debtors	1,295	(482)
Trade and other creditors	91	3,739
Provisions and employee benefits	(213)	126
Cash generated from operations	12,138	12,308
Interest paid	(2)	–
Interest received	67	86
Tax paid	(1,243)	(2,015)
Net cash from operating activities	<u>10,960</u>	<u>10,379</u>
Cash flows from investing activities		
Purchase of tangible assets	(635)	(426)
Proceeds from sale of tangible assets	–	13
Net cash used in investing activities	<u>(635)</u>	<u>(413)</u>
Cash flows from financing activities		
Dividends paid	(10,000)	(10,000)
Net cash used in financing activities	<u>(10,000)</u>	<u>(10,000)</u>
Net increase/(decrease) in cash and cash equivalents	325	(34)
Cash and cash equivalents at beginning of year	8	42
Cash and cash equivalents at end of year	<u>333</u>	<u>8</u>

The notes on pages 16 to 26 form part of these financial statements.

Schueco UK Limited

Notes to the Financial Statements

Year ended 31 December 2020

1. General information

Schueco UK Limited is a company limited by shares and incorporated and domiciled in the United Kingdom. The address of the registered office is Whitehall Avenue, Kingston, Milton Keynes, MK10 0AL, UK.

2. Statement of compliance

These financial statements are prepared in accordance with the Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102').

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

The presentation currency of the financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Company has a resilient balance sheet position, with net assets of £35.4m as at 31 December 2020, having made a profit after tax for the year of £7.4m and delivered net cash flows from operating activities of £10.9m for the year then ended.

The Company participates in a contracted group cash pool arrangement where cash funds that are generated by the business are swept in and out of its bank account on a daily basis to be available to the group. This is presented in the balance sheet as at 31 December 2020 as an amount owed by group undertakings of £29.5m as set out within note 15.

The Directors have prepared cash flow forecast scenarios for the period to 31 December 2022 to support their assessment of a 12 months look forward period, including a severe but plausible scenario that could arise if revenues were to reduce compared to management's expectations set at the year-end due to the economic impact of COVID-19. This scenario includes a revenue decline of 16% for the forecast period. All revenue reduction modelling is accompanied by corresponding inventory purchases cost reduction which are considered realistic if volumes of customer orders reduced. The cash flow forecasts fully incorporate the same level of prior year monthly personnel and other operating cost despite the reduction in revenue.

Under this severe but plausible downside scenario, the Company will remain overall cash generative and hence could fund its activities out of cash balances. Cash controls and obtaining the agreement from the Company's immediate parent company that there will not be a call for a dividend payment if this would result in the company needing the cash within the business, have also been put in place. In this severe but plausible downside scenario, the Company will remain overall cash generative and hence could fund its activities out of cash balances rather than having to draw from the cash pool.

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

3. Accounting policies (continued)

Going concern (continued)

Accordingly, the directors are confident that the Company will have sufficient funds to continue in operational existence and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Classification of financial instruments issued by the company

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

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

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

Financial instruments

Trade and other debtors/creditors

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

Cash and cash equivalents

Cash and cash equivalents comprise solely of cash balances. Included within amounts owed by group undertakings is an amount relating to a receivable arising in respect of the company's participation in the group's cash pooling arrangement.

Turnover

Turnover is measured at the fair value of the consideration received or receivable by the company and represents amounts receivable for goods supplied and services rendered in the ordinary course of its business, stated net of discounts and of Value Added Tax.

Turnover is recognised upon the despatch of goods and completion of services.

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

3. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Operating leases

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease unless the payments are structured to increase in line with expected general inflation; in which case the payments related to the structured increase are recognised as incurred. Lease incentives are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

Dividends

Dividend distributions to the company's members are recognised as liabilities in the financial statements, and directly in equity, in the period in which the dividend is declared.

Defined contribution pension

The company operates a defined contribution pension scheme. A defined contribution scheme 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. The assets of the scheme are held separately from those of the company in an independently administered fund.

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

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss in 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 recognised on timing differences which arise from the inclusion of income and expenses in the tax assessments in periods different to those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

3. Accounting policies (continued)

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and location for its intended use.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land	-	Not depreciated
Plant and machinery	-	Over 8 to 20 years
Fixtures, fittings, computer and office equipment	-	Over 3 to 13 years

Assets in the course of construction are not depreciated. When such assets come into use, they are transferred to the appropriate fixed asset category and depreciated accordingly.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stock, production, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Provisions are made against obsolete and slow moving stock where appropriate.

Provisions

Provisions are recognised in the balance sheet when the company has a present obligation, legal or constructive as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Related party disclosures

As a wholly owned subsidiary of Otto Fuchs Kommanditgesellschaft which prepares consolidated financial statements, the company has taken advantage of the exemption in FRS 102 Section 33 'Related Party Disclosures', not to disclose transactions with other wholly owned members in that group. Transactions with key management personnel are disclosed in note 7.

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

3. Accounting policies (*continued*)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes.

4. Turnover

Turnover arises from:

	2020 £000	2019 £000
Sale of goods	<u>53,948</u>	<u>59,030</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2020 £000	2019 £000
United Kingdom	50,805	55,246
Europe	<u>3,143</u>	<u>3,784</u>
	<u>53,948</u>	<u>59,030</u>

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020 £000	2019 £000
Depreciation of tangible assets	469	463
Loss/(gains) on disposal of tangible assets	25	(12)
Operating lease rentals	722	759
Defined contribution plans expense	<u>223</u>	<u>225</u>

6. Auditor's remuneration

	2020 £000	2019 £000
Fees payable for the audit of the financial statements	<u>46</u>	<u>37</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>88</u>	<u>55</u>

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020	2019
	No.	No.
Distribution staff	25	25
Administrative staff	107	117
	<u>132</u>	<u>142</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020	2019
	£000	£000
Wages and salaries	6,357	6,756
Social security costs	663	690
Other pension costs	223	225
	<u>7,243</u>	<u>7,671</u>

8. Directors remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020	2019
	£000	£000
Remuneration	282	189
Company contributions to defined contribution pension plans	—	7
Compensation for loss of office	—	279
	<u>282</u>	<u>475</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2020	2019
	No.	No.
Defined contribution plans	<u>0</u>	<u>1</u>

Remuneration of the highest paid director in respect of qualifying services:

	2020	2019
	£000	£000
Aggregate remuneration	282	468
Company contributions to defined contribution pension plans	—	7
	<u>282</u>	<u>475</u>

In both 2020 and 2019, all other directors were remunerated through fellow group companies

9. Other interest receivable and similar income

	2020	2019
	£000	£000
Interest from group undertakings	<u>67</u>	<u>86</u>

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

10. Interest payable and similar expenses

	2020	2019
	£000	£000
Other interest payable and similar charges	<u>2</u>	<u>–</u>

11. Major components of tax expense

	2020	2019
	£000	£000
Current tax:		
UK current tax expense	1,318	1,307
Deferred tax:		
Origination and reversal of timing differences	71	(41)
Tax on profit from ordinary activities	<u>1,389</u>	<u>1,266</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020	2019
	£000	£000
Profit on ordinary activities before taxation	8,771	9,995
Profit on ordinary activities multiplied by rate of tax	1,666	1,899
Income not subject to tax	(501)	(682)
Effect of expenses not deductible for tax purposes	20	46
Adjustment to tax charge in respect of prior periods	196	2
Effect of different UK tax rates on some earnings	8	1
Tax on profit	<u>1,389</u>	<u>1,266</u>

Factors that may affect future tax expense

Factors affecting future tax charges are given in note 18.

12. Dividends

	2020	2019
	£000	£000
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>10,000</u>	<u>10,000</u>

Dividends paid during the year comprise a final dividend of £1.00 per share in respect of the year ended 31 December 2020.

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

13. Tangible assets

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2020	12,657	635	3,530	16,822
Additions	205	–	430	635
Disposals	–	(18)	(184)	(202)
Transfers	21	–	(21)	–
At 31 December 2020	<u>12,883</u>	<u>617</u>	<u>3,755</u>	<u>17,255</u>
Depreciation				
At 1 January 2020	8,709	286	2,481	11,476
Charge for the year	155	57	257	469
Disposals	–	(9)	(167)	(176)
At 31 December 2020	<u>8,864</u>	<u>334</u>	<u>2,571</u>	<u>11,769</u>
Carrying amount				
At 31 December 2020	<u>4,019</u>	<u>283</u>	<u>1,184</u>	<u>5,486</u>
At 31 December 2019	<u>3,948</u>	<u>349</u>	<u>1,049</u>	<u>5,346</u>

Freehold property includes £2,562,000 in respect of land which is not depreciated.

14. Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	<u>4,979</u>	<u>6,744</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

15. Debtors

	2020 £000	2019 £000
Trade debtors	6,685	8,976
Amounts owed by group undertakings	29,564	28,531
Prepayments and accrued income	160	196
Other debtors	23	24
	<u>36,432</u>	<u>37,727</u>

Amounts owed by group undertakings are unsecured, have no fixed repayment date and are repayable on demand. Included within amounts owed by group undertakings is an amount of £29,509,000 (2019: £28,399,000) relating to a receivable arising in respect of the company's participation in the group's pooling arrangement.

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

16. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	1,125	1,369
Amounts owed to group undertakings	5,151	6,268
Accruals and deferred income	994	1,292
Corporation tax	657	584
Other creditors	3,423	1,672
	<u>11,350</u>	<u>11,185</u>

Amounts owed to group undertakings are unsecured, have no fixed repayment date and are repayable on demand.

17. Provisions

	Warranty provision	Deferred tax (note 19)	Claims Provision	Total
	£000	£000	£000	£000
At 1 January 2020	584	48	40	672
Additions	212	—	—	212
Charge against provision	(335)	—	(40)	(375)
Unused amounts reversed	(50)	71	—	21
At 31 December 2020	<u>411</u>	<u>119</u>	<u>—</u>	<u>530</u>

The warranty provision relates to estimated liabilities for customer claims arising out of product warranties and is expected to be utilised within 2 years.

The claims provision relates to disputed contractual claims by customers. The outcome of these claims is subject to uncertainty as to value and timing and the amounts shown are best estimates of the outcomes, including associated legal costs.

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020	2019
	£000	£000
Included in provisions (note 17)	<u>119</u>	<u>48</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020	2019
	£000	£000
Accelerated capital allowances	200	139
Other timing differences	(81)	(91)
	<u>119</u>	<u>48</u>

In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. Subsequently, in the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £223,000 (2019: £218,000).

20. Financial instruments

All financial instrument are recognised at fair value. The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2020 £000	2019 £000
Cash	333	8
Trade and other receivables	36,432	37,727
Financial assets	36,765	37,735
Trade and other payables	10,693	10,601

21. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£000	No.	£000
Ordinary shares of £1 each	10,000,000	10,000	10,000,000	10,000

22. Reserves

Called-up share capital represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account includes all current and prior period retained profits and losses.

23. Operating lease commitments

Non-cancellable operating lease payments are payable as follows:

	Land and Buildings - 2020 £000	Land and Buildings - 2019 £000	Other - 2020 £000	Other - 2019 £000
Less than one year	200	200	330	360
Two to five years	156	356	391	290
More than five years	—	—	9	6
	356	556	730	656

Schueco UK Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

24. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Otto Fuchs Kommanditgesellschaft, a company incorporated in Germany, which is the parent undertaking of the largest group to prepare consolidated financial statements. Schueco UK Limited is included in the consolidated financial statements of Schüco International KG, a company incorporated in Germany, which is the smallest group to prepare consolidated financial statements. The consolidated financial statements of Schüco International KG are not publicly available.

Copies of the group financial statements can be obtained from:

OTTO FUCHS Kommanditgesellschaft
Meinerzhagen
Derschlager Straße
58540 Meinerzhagen