

**Rolf C. Hagen (U.K.) Limited**

**Annual report and financial statements  
for the year ended 31 December 2018**



# **Rolf C. Hagen (U.K.) Limited**

## **Company information**

<b>Directors</b>	A N Burgess R H Hagen T Hagen P J Parkinson
<b>Company secretary</b>	T Hagen
<b>Registered number</b>	01670484
<b>Registered office</b>	Rolf C. Hagen (U.K.) Limited California Drive Castleford West Yorkshire WF10 5QH
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Central Square 29 Wellington St Leeds LS1 4DL

# **Rolf C. Hagen (U.K.) Limited**

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# Rolf C. Hagen (U.K.) Limited

## Strategic report for the year ended 31 December 2018

The directors present their strategic report on the company for the year ended 31 December 2018.

### Business review, principal activities and future developments

The principal activity of the company continued to be that of the import, national distribution and export of pet products. The company's turnover increased in 2018 despite difficult economic conditions arising as a result of uncertainty over Brexit. This performance was driven in a large part by following through on our two year trading strategy with the benefits of a strong pipeline of new product development.

The company maintained its core sales and marketing programmes which continued to deliver year on year sales growth in some of our product categories and customer segments.

We maintain an optimistic view of our strength within our chosen market, particularly following the very successful launch of exciting new products to support some of our strongest brands, and the continued strength of our trading strategy.

### Principal risks and uncertainties

The main risks and uncertainties facing the company relate to volatile currency fluctuations following the referendum of the UK membership of the European Union. While we continue to operate a prudent hedging policy using forward contracts, we remain exposed to severe fluctuations in the value of the US dollar, and secondary movements from the Chinese Yuan.

While we continue to work with our suppliers to control costs in the extraordinary trading conditions following the Brexit referendum, we will have to pass on a small amount of currency cost inflation to the market during 2019 to maintain a net profitable position.

### Key performance indicators ("KPIs")

The directors monitor the business closely, especially in relation to our turnover, trading margin, net profit and net assets. During 2018 sales totalled £19,998,094 (3.5% higher than 2017) with a trading margin of 33.6% (2017: 33.8%) and a net profit after tax of £560,167 (2017: £596,429). Net assets at 31 December 2018 totalled £6,681,750 (2017: £6,121,583).

Key operational areas: warehousing and transport, inventory management and receivables are all monitored with individual KPIs which are reviewed on a monthly basis by the directors. The sales department works towards a detailed sales plan as agreed and monitored by the directors. The monthly heads of department meeting is chaired by the directors and used to discuss and review all KPIs.

Alongside the company and departmental KPIs the company follows a detailed strategic plan which is reviewed on a quarterly basis by the management team under supervision of the directors.

	2018 £'000	2017 £'000	Change %
Turnover	19,998	19,327	3
Operating profit	711	903	(21)
Profit for the financial year	560	596	(6)
Total equity	6,682	6,122	9

## **Rolf C. Hagen (U.K.) Limited**

### **Strategic report (continued) for the year ended 31 December 2018**

#### **Financial risk management**

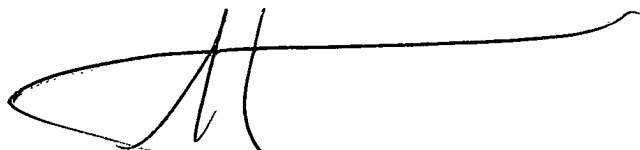
The company's principal financial instruments, other than forward exchange contracts, comprise bank balances, trade debtors, trade creditors and accruals. The main purpose of the instruments is to raise funds to finance the company's continuing operations. From time to time the company enters into forward exchange contracts for the purpose of managing the currency risks arising from operations.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors and accruals liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

In respect of the bank balances there is a low liquidity risk due to the level of the balances. The interest rate is 1.5% above LIBOR further reducing liquidity and interest rate risk. The company makes use of deposit accounts where applicable.

This report was approved by the board of directors on 11 July 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A N Burgess', written over a horizontal line.

**A N Burgess**  
**Director**

# **Rolf C. Hagen (U.K.) Limited**

## **Directors' report for the year ended 31 December 2018**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

### **Results and dividends**

The profit for the financial year, after taxation, amounted to £560,167 (2017: £596,429).

The directors do not recommend the payment of a dividend (2017: £Nil).

### **Financial risk management and future developments**

The financial risk management and future developments disclosures can be found in the strategic report on pages 1 and 2.

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

A N Burgess  
R H Hagen  
T Hagen  
P J Parkinson

### **Qualifying third party indemnity provisions**

A qualifying third party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained throughout the year and also at the date of approval of the financial statements.

# **Rolf C. Hagen (U.K.) Limited**

## **Directors' report for the year ended 31 December 2018**

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

In the case of each director in office at the date the directors' report is approved:

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

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 11 July 2019 and signed on its behalf by:



**A N Burgess**  
Director

# **Independent auditors' report to the members of Rolf C. Hagen (U.K.) Limited**

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

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### **Opinion**

In our opinion, Rolf C. Hagen (U.K.) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

#### *Independence*

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

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

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.



# **Independent auditors' report to the members of Rolf C. Hagen (U.K) Limited**

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## **Reporting on other information**

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

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

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

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

### *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

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

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

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

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

## **Independent auditors' report to the members of Rolf C. Hagen (U.K) Limited**

### **Responsibilities for the financial statements and the audit (continued)**

#### *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.

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### **Other required reporting**

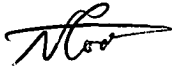
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#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Nicholas Cook (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
11 July 2019

## Rolf C. Hagen (U.K.) Limited

### Profit and loss account for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	5	19,998,094	19,327,358
Cost of sales		(13,284,620)	(12,791,321)
<b>Gross profit</b>		<b>6,713,474</b>	<b>6,536,037</b>
Distribution costs		(2,220,390)	(1,987,653)
Administrative expenses		(3,782,452)	(3,645,492)
<b>Operating profit</b>	6	<b>710,632</b>	<b>902,892</b>
Interest receivable and similar income	9	39,901	-
Interest payable and similar expenses	10	(44,637)	(149,972)
<b>Profit before taxation</b>		<b>705,896</b>	<b>752,920</b>
Tax on profit	11	(145,729)	(156,491)
<b>Profit for the financial year</b>		<b>560,167</b>	<b>596,429</b>

All amounts relate to continuing operations.

There was no other comprehensive income for 2018 or 2017 and therefore no separate statement of comprehensive income has been prepared.

The notes on pages 11 to 27 form part of these financial statements.

# Rolf C. Hagen (U.K.) Limited

Registered number: 01670484

## Balance sheet as at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
<b>Fixed assets</b>					
Tangible assets	12		1,967,637		2,012,649
<b>Current assets</b>					
Stocks	13	5,481,114		5,215,533	
Debtors: amounts falling due within one year	14	4,111,887		3,720,955	
Cash at bank and in hand		553,416		479,985	
		<u>10,146,417</u>		<u>9,416,473</u>	
Creditors: amounts falling due within one year	15	(4,713,473)		(4,421,928)	
<b>Net current assets</b>			<u>5,432,944</u>		<u>4,994,545</u>
<b>Total assets less current liabilities</b>			<u>7,400,581</u>		<u>7,007,194</u>
Creditors: amounts falling due after more than one year	16		(652,031)		(824,227)
Deferred tax	18		(66,800)		(61,384)
<b>Net assets</b>			<u><u>6,681,750</u></u>		<u><u>6,121,583</u></u>
<b>Capital and reserves</b>					
Called up share capital	19		100,000		100,000
Retained earnings			6,581,750		6,021,583
<b>Total equity</b>			<u><u>6,681,750</u></u>		<u><u>6,121,583</u></u>

The financial statements on pages 8 to 27 were approved and authorised for issue by the board of directors on 11 July 2019 and were signed on its behalf by:

  
A N Burgess  
Director

The notes on pages 11 to 27 form part of these financial statements.

## **Rolf C. Hagen (U.K.) Limited**

### **Statement of changes in equity for the year ended 31 December 2018**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2017</b>	<b>100,000</b>	<b>5,425,154</b>	<b>5,525,154</b>
Profit for the financial year and total comprehensive income	-	<b>596,429</b>	<b>596,429</b>
<b>At 31 December 2017 and 1 January 2018</b>	<b>100,000</b>	<b>6,021,583</b>	<b>6,121,583</b>
Profit for the financial year and total comprehensive income	-	<b>560,167</b>	<b>560,167</b>
<b>At 31 December 2018</b>	<b>100,000</b>	<b>6,581,750</b>	<b>6,681,750</b>

# **Rolf C. Hagen (U.K.) Limited**

## **Notes to the financial statements for the year ended 31 December 2018**

### **1. General information**

Rolf C. Hagen (U.K.) Limited ("the company") imports, distributes and exports pet supply products.

The company is a private company limited by shares and it is incorporated and domiciled in the United Kingdom. The address of its registered office is Rolf C. Hagen (UK) Ltd California Drive, Whitwood Industrial Estate, Castleford, West Yorkshire, WF10 5QH.

### **2. Statement of compliance**

The individual financial statements of Rolf C. Hagen (U.K.) 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. Summary of significant accounting policies**

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

#### **3.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of these financial statements is in conformity with FRS 102 and requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed in note 4.

#### **3.2 Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions. These exemptions are:

- the requirement to prepare a statement of cash flow;
- certain financial instrument disclosures; and
- the non-disclosure of key management personnel compensation.

The company has taken advantage of these exemptions on the basis that it is a qualifying entity and its ultimate parent company, Rolf C Hagen Inc., includes the company's results in the equivalent disclosures in its own consolidated financial statements.

## **Rolf C. Hagen (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 December 2018**

#### **3. Summary of significant accounting policies (continued)**

##### **3.3 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method, unless otherwise noted below.

Depreciation is provided on the following basis:

Freehold buildings	- 25 years reducing balance
Plant and machinery	- 5 years
Motor vehicles	- 2 - 5 years
Fixtures, fittings and equipment	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

##### **3.4 Stocks**

Stocks are valued at the lower of average cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

Cost includes all direct costs and an appropriate proportion of freight and duty costs. Net realisable value is based on the estimated selling price less the estimated cost of disposal.

# **Rolf C. Hagen (U.K.) Limited**

## **Notes to the financial statements for the year ended 31 December 2018**

### **3. Summary of significant accounting policies (continued)**

#### **3.5 Financial instruments**

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

##### **(i) Financial assets**

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash at bank and in hand, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

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 bank loans and overdrafts, trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### **(iii) Offsetting**

Financial assets and liabilities are offset, the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.



## **Rolf C. Hagen (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 December 2018**

#### **3. Summary of significant accounting policies (continued)**

##### **3.6 Pensions**

###### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

##### **3.7 Share capital**

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

##### **3.8 Turnover**

Turnover comprises the invoiced value of goods supplied by the company, exclusive of Value Added Tax and trade discounts. Turnover is recognised on sale to the customer, which is considered the point of delivery.

## **Rolf C. Hagen (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 December 2018**

#### **3. Summary of significant accounting policies (continued)**

##### **3.9 Leased assets**

At inception the company 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.

##### **(i) Finance leased assets**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

##### **(ii) Operating leased assets**

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 profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2013) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

## **Rolf C. Hagen (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 December 2018**

#### **3. Summary of significant accounting policies (continued)**

##### **3.10 Foreign currency**

###### **(i) Functional and presentational currency**

The company's functional and presentational currency is the pound sterling.

###### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using one exchange rate per month which is provided by the bank on the first day of each month.

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 profit and loss account.

##### **3.11 Interest receivable and similar income**

Interest income is recognised in the profit and loss account using the effective interest method.

##### **3.12 Interest payable and similar expenses**

Interest payable is charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## **Rolf C. Hagen (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 December 2018**

#### **3. Summary of significant accounting policies (continued)**

##### **3.13 Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, 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 year end.

##### **(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. 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 year end and that are expected to apply to the reversal of the timing difference.

##### **3.14 Dividends**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

##### **3.15 Related party transactions**

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

# Rolf C. Hagen (U.K.) Limited

## Notes to the financial statements for the year ended 31 December 2018

### 4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors are conscious that in preparation of these financial statements their judgement has been used in certain areas, namely:

#### (i) Bad debt provision

No general provisions are recognised, specific bad debt provisions are established based on management judgement which is driven by historic knowledge of debtors and experience of collectability of debt.

#### (ii) Stock provision

No general provisions are recognised; specific obsolete stock provisions are established at a product level based on management judgement which is driven by knowledge of market trends, demand planning and any relevant excess stock holdings.

#### (iii) Useful life of fixed assets

Depreciation of the main material asset, the building, which is depreciated using a 4% reducing balance with a residual value which is estimated based on the lowest amount recoverable in the event of selling the building at the end of its useful economic life.

Every care has however been taken to ensure that that these judgements have been used conservatively and carefully backed up by their knowledge of the debtors, stock and assets.

### 5. Turnover

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	19,246,691	18,591,500
Rest of Europe	751,311	735,858
Rest of the World	92	-
	<u>19,998,094</u>	<u>19,327,358</u>

## Rolf C. Hagen (U.K.) Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets		
- owned by the company	145,737	159,277
Auditors' remuneration - audit of the financial statements	28,150	23,300
Auditors' remuneration - tax and accounting compliance services	10,500	10,155
Operating lease rentals	96,146	115,931
	<u>          </u>	<u>          </u>

#### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	2,269,438	2,340,886
Social security costs	235,698	229,361
Other pension costs	185,913	189,463
	<u>2,691,049</u>	<u>2,759,710</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Selling and distribution	42	39
Administration	30	33
	<u>72</u>	<u>72</u>

# Rolf C. Hagen (U.K.) Limited

## Notes to the financial statements for the year ended 31 December 2018

### 8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	269,922	259,052
Company distributions to defined contribution pension schemes	13,802	13,159
	<u>283,724</u>	<u>272,211</u>

During the year retirement benefits were accruing to 2 directors (2017:2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £154,797 (2017: £150,963).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,670 (2017: £7,440).

### 9. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	2,154	-
Derivative gain - forward contract	37,747	-
	<u>39,901</u>	<u>-</u>

### 10. Interest payable and similar expenses

	2018 £	2017 £
Bank loans and overdrafts	44,637	106,645
Derivative loss - forward contract	-	43,327
	<u>44,637</u>	<u>149,972</u>

# Rolf C. Hagen (U.K.) Limited

## Notes to the financial statements for the year ended 31 December 2018

### 11. Tax on profit

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	140,104	144,040
Adjustments in respect of previous periods	209	-
Foreign tax relief	-	(1,332)
	<u>140,313</u>	<u>142,708</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	-	1,332
<b>Total current tax</b>	<u>140,313</u>	<u>144,040</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	6,053	14,096
Changes to tax rates	(637)	(1,645)
<b>Total deferred tax</b>	<u>5,416</u>	<u>12,451</u>
<b>Tax on profit</b>	<u>145,729</u>	<u>156,491</u>



## Rolf C. Hagen (U.K.) Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 11. Tax on profit (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: higher than) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	705,896	752,920
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	134,120	144,911
Effects of:		
Expenses not deductible for tax purposes	12,037	13,225
Adjustment to tax charge in respect of prior periods	209	-
Changes to tax rates	(637)	(1,645)
<b>Total tax charge for the year</b>	<b>145,729</b>	<b>156,491</b>

##### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred rates at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# Rolf C. Hagen (U.K.) Limited

## Notes to the financial statements for the year ended 31 December 2018

### 12. Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>					
At 1 January 2018	2,415,177	5,679	112,850	415,716	2,949,422
Additions	-	-	-	100,725	100,725
Disposals	-	-	-	(99,212)	(99,212)
At 31 December 2018	<u>2,415,177</u>	<u>5,679</u>	<u>112,850</u>	<u>417,229</u>	<u>2,950,935</u>
<b>Accumulated depreciation</b>					
At 1 January 2018	728,115	2,310	47,936	158,412	936,773
Charge for the year	53,084	1,128	19,281	72,244	145,737
Disposals	-	-	-	(99,212)	(99,212)
At 31 December 2018	<u>781,199</u>	<u>3,438</u>	<u>67,217</u>	<u>131,444</u>	<u>983,298</u>
<b>Net book value</b>					
At 31 December 2018	<u>1,633,978</u>	<u>2,241</u>	<u>45,633</u>	<u>285,785</u>	<u>1,967,637</u>
At 31 December 2017	<u>1,687,062</u>	<u>3,369</u>	<u>64,914</u>	<u>257,304</u>	<u>2,012,649</u>

The net carrying amount of assets held under finance leases included in motor vehicles is £Nil (2017: £13,225).

## Rolf C. Hagen (U.K.) Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 13. Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>5,481,114</u>	<u>5,215,533</u>

There is no significant difference between the replacement cost of stocks and their carrying value.

Stocks are stated after provisions for impairment of £15,895 (2017: £20,412).

The cost of inventories recognised as an expense amounted to £12,925,518 (2017: £12,481,984).

#### 14. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	3,802,198	3,434,041
Amounts owed by group undertakings	38,963	14,816
Other debtors	207,768	138,335
Prepayments and accrued income	57,378	133,763
Derivative financial instruments	5,580	-
	<u>4,111,887</u>	<u>3,720,955</u>

Trade debtors are stated after provision for impairment of £Nil (2017: £Nil).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

The derivative financial instruments are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the forward currency contracts are the forward exchange rates for GBP:EUR (2017: GBP:EUR).

## Rolf C. Hagen (U.K.) Limited

### Notes to the financial statements for the year ended 31 December 2018

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

	2018 £	2017 £
Bank loans and overdrafts	1,698,424	1,661,975
Trade creditors	873,674	1,025,556
Amounts owed to group undertakings	253,164	56,559
Corporation tax	82,386	101,978
Other taxation and social security	189,291	215,236
Finance leases	-	1,234
Other creditors	119,040	22,272
Accruals and deferred income	1,497,494	1,293,791
Derivative financial instruments	-	43,327
	<b>4,713,473</b>	<b>4,421,928</b>

Bank loans and overdrafts comprise of:

- A bank loan of £205,582 (2017: £825,567) which is unsecured, bears interest at 1.5% over Bank of England Base Rate and is repayable monthly by instalments with a full maturity date of April 2019.

- A bank loan of £652,031 (\$832,050) (2017: £801,260 (\$1,083,303)) which bears interest at 1.5% above US LIBOR, is secured against freehold property and a fixed floating debenture, with a full maturity date of April 2022.

- Interest on bank overdrafts is charged at Bank of England base rate plus 1.5%, plus an additional 1% annual facility fee. The overdraft limit is £1.75m.

- Bank overdrafts are secured by debenture including a fixed charge over all present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertaking both present and future.

The derivative financial instruments are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the forward currency contracts are the forward exchange rates for GBP:EUR (2017: GBP:EUR).

#### 16. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Bank loans and overdrafts	<b>652,031</b>	<b>824,227</b>

## Rolf C. Hagen (U.K.) Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 17. Loans and other borrowings

Analysis of the maturity of loans is given below:

	2018 £	2017 £
<b>Amounts falling due within 1 year</b>		
Bank loans and overdrafts	<u>1,698,424</u>	<u>1,661,975</u>
<b>Amounts falling due 1-2 years</b>		
Bank loans	<u>195,624</u>	<u>384,917</u>
<b>Amounts falling due 2-5 years</b>		
Bank loans	<u>456,407</u>	<u>439,310</u>

#### 18. Deferred tax

	2018 £	2017 £
At 1 January	(61,384)	(48,933)
Charged to the profit and loss account	<u>(5,416)</u>	<u>(12,451)</u>
<b>At 31 December</b>	<u><b>(66,800)</b></u>	<u><b>(61,384)</b></u>

The provision for deferred tax is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	(66,660)	(61,221)
Short term timing differences	<u>(140)</u>	<u>(163)</u>
	<u><b>(66,800)</b></u>	<u><b>(61,384)</b></u>

# Rolf C. Hagen (U.K.) Limited

## Notes to the financial statements for the year ended 31 December 2018

### 19. Called up share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
100,000 (2017: 100,000) Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

### 20. Pension commitments

The pension cost charge for the year in respect of the defined contribution pension scheme represents contributions payable to the scheme by the company of £185,913 (2017: £189,463).

### 21. Commitments under operating leases

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	84,036	74,491
Later than 1 year and not later than 5 years	<u>127,477</u>	<u>64,417</u>
<b>Total</b>	<u>211,513</u>	<u>138,908</u>

### 22. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is Rolf C Hagen Inc., a company incorporated in Canada.

Rolf C Hagen Inc. is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Rolf C Hagen Inc. are available from 20500 Trans Canada Highway, Baie d'Urfé QC, H9X 0A2, Canada.

The company's ultimate controlling party is Mr R H Hagen, by virtue of his shareholding in the ultimate parent undertaking.