

Company Registration No. 01811296 (England and Wales)

PROFINE UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



PROFINE UK LIMITED

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PROFINE UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Fair review of the business

We aim to present a balanced review of the performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

We specialise in the sales and marketing of window and door profiles. Due to the Profine Group being a market leader of window PVC profiles we pride ourselves in the sale of reputable goods of the highest quality.

Principal risks and uncertainties

Due to the unfavourable development of the exchange rate against the Euro and its effect on margins the company has made a loss before tax this year. In addition, we have seen volatility in activities in our industry sector resulting in reduced overall volumes compared to the previous year.

The main financial risks arising from the company's activities are credit risk, interest rate risk, liquidity risk and currency risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date other than aforementioned currency fluctuations.

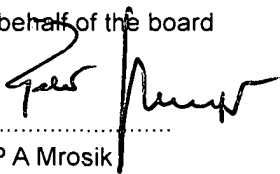
The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made and to have appropriate credit insurance and trading terms reflecting our customers' purchase volumes. The company did not incur any significant bad debts in 2018 despite challenging market conditions.

Key performance indicators

Turnover for the current year decreased 9.5% to £23.8m due to re-adjustments in our supply chain and difficult market conditions which we were trying to counteract by increased efforts in product innovations. General cost of sales increased proportionately mainly due to FX rate effects on material costs and European transport.

With the risks of future material costs, market demand and exchange rate uncertainties we are aware that any plans for future development of the business may be subject to unforeseen events outside our control. Brexit is likely to impact companies such as ours that have a substantial level of trade within Europe, for now the level of impact is uncertain.

On behalf of the board



.....
Dr P A Mrosik
Director
.....

PROFINE UK LIMITED

COMPANY INFORMATION

Directors	Ms U F Kretzschmar Dr P A Mrosik
Company number	01811296
Registered office	Lancaster Road Fradley Park Lichfield Staffordshire WS13 8RY
Auditor	Baldwins Audit Services International House 20 Hatherton Street Walsall WS4 2LA
Business address	Lancaster Road Fradley Park Lichfield Staffordshire WS13 8RY

PROFINE UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activities

The company continues to market PVC profiles and other components for the production of windows, which are sold to third party customers.

The current economic environment in the construction sector has slightly deteriorated from the previous year in terms of volumes. This and unprecedented increases of raw material prices and increased European transport costs, combined with unfavourable FX rates has resulted in the company reporting an operating loss of £1.36m.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Ms U F Kretzschmar
Dr P A Mrosik

Results and dividends

The results for the year are set out on page 7.

The company's loss for the year amounted to £1,362,945 (2017 - £144,079 (profit)). The Directors recommend that no dividend be paid.

No preference dividends were paid.

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 13 day's purchases, based on the average daily amount invoiced by suppliers during the year.

Future developments

The directors aim to maintain the management policies, to achieve growth in what is expected to be an increasingly competitive and challenging market, by introducing innovative and future-proof products.

Auditor

In accordance with the company's articles, a resolution proposing that Baldwins Audit Services be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

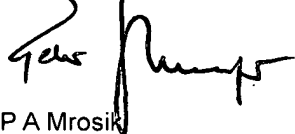
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken in order to become aware of all relevant audit information and to establish that the company's auditor is aware of that information.

PROFINE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

On behalf of the board



Dr P A Mrosik

Director

29 March 2019

PROFINE UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROFINE UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROFINE UK LIMITED

Opinion

We have audited the financial statements of Profine UK Limited (the 'company') for the year ended 31 December 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

PROFINE UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PROFINE UK LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Mr David Baldwin FCCA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services

29 March 2019

Accountants
Statutory Auditor

International House
20 Hatherton Street
Walsall
WS4 2LA

PROFINE UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	23,845,634	26,350,129
Cost of sales		(22,679,186)	(23,769,441)
Gross profit		1,166,448	2,580,688
Distribution costs		(498,059)	(514,996)
Administrative expenses		(2,033,754)	(1,938,220)
Other operating (expenses)/income		(170)	14,787
Operating (loss)/profit	4	(1,365,535)	142,259
Interest receivable and similar income	6	2,590	1,820
(Loss)/profit before taxation		(1,362,945)	144,079
Tax on (loss)/profit	7	243,179	(88,872)
(Loss)/profit for the financial year		(1,119,766)	55,207

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

PROFINE UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
(Loss)/profit for the year	(1,119,766)	55,207
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(1,119,766)</u>	<u>55,207</u>

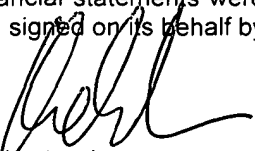
PROFINE UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	8		736,017		92,384
Current assets					
Stocks	10	2,998,586		2,946,814	
Debtors	11	4,875,024		6,750,600	
Cash at bank and in hand		774,791		399,664	
		<u>8,648,401</u>		<u>10,097,078</u>	
Creditors: amounts falling due within one year	12	<u>(2,075,637)</u>		<u>(1,760,915)</u>	
Net current assets			<u>6,572,764</u>		<u>8,336,163</u>
Total assets less current liabilities			<u>7,308,781</u>		<u>8,428,547</u>
Capital and reserves					
Called up share capital	15	17,920,002		17,920,002	
Profit and loss reserves		<u>(10,611,221)</u>		<u>(9,491,455)</u>	
Total equity			<u>7,308,781</u>		<u>8,428,547</u>

The financial statements were approved by the board of directors and authorised for issue on 29 March 2019 and are signed on its behalf by:



Ms U F Kretzschmar
Director

Company Registration No. 01811296

PROFINE UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2017	17,920,002	(9,546,662)	8,373,340
Year ended 31 December 2017:			
Profit and total comprehensive income for the year	-	55,207	55,207
Balance at 31 December 2017	17,920,002	(9,491,455)	8,428,547
Year ended 31 December 2018:			
Loss and total comprehensive income for the year	-	(1,119,766)	(1,119,766)
Balance at 31 December 2018	17,920,002	(10,611,221)	7,308,781

PROFINE UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	19		1,049,865		(1,149,534)
Income taxes (paid)/refunded			-		14
Net cash inflow/(outflow) from operating activities			1,049,865		(1,149,520)
Investing activities					
Purchase of tangible fixed assets		(678,228)		(39,213)	
Proceeds on disposal of tangible fixed assets		900		291,545	
Interest received		2,590		1,820	
Net cash (used in)/generated from investing activities			(674,738)		254,152
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			375,127		(895,368)
Cash and cash equivalents at beginning of year			399,664		1,295,032
Cash and cash equivalents at end of year			774,791		399,664

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Profine UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Lancaster Road, Fradley Park, Lichfield, Staffordshire, WS13 8RY.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have prepared the financial statements on a going concern basis. The related group undertaking, Profine GmbH., has provided a letter of support confirming that it will continue to support the operations of the company in the United Kingdom for a minimum period of 12 months from date of the approval of the financial statements, at which time the letter of support will expire.

The directors of Profine GmbH. have indicated that the letter of support will be renewed 12 months after the signing of the financial statements for a further period of 12 months. Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	equal instalments over the period of the lease
Plant and machinery	20 - 33% straight line
Fixtures, Fittings and	20% per annum straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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 the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

If there is a 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 profit or loss.

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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 profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover analysed by class of business		
United Kingdom	23,845,634	26,350,129
	<u> </u>	<u> </u>
	2018 £	2017 £
Other significant revenue		
Interest income	2,590	1,820
	<u> </u>	<u> </u>
	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	23,845,634	26,350,129
	<u> </u>	<u> </u>

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4	Operating (loss)/profit	2018 £	2017 £
	Operating (loss)/profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	209	(14,383)
	Fees payable to the company's auditors for the audit of the company's annual accounts	18,250	18,250
	Depreciation of owned tangible fixed assets	34,595	121,225
	Profit on disposal of tangible fixed assets	(900)	(271,106)
	Cost of stocks recognised as an expense	20,505,509	21,815,872
	Operating lease charges	819,426	764,353
		<u> </u>	<u> </u>

5 Employees

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

	2018 Number	2017 Number
Selling and distribution	4	3
Administration	11	10
Warehouse	7	8
Management	5	3
Technical	3	-
	<u> </u>	<u> </u>
	30	24
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	962,103	998,120
Social security costs	119,298	116,322
Pension costs	36,996	70,892
	<u> </u>	<u> </u>
	1,118,397	1,185,334
	<u> </u>	<u> </u>

6 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	457	157
Other interest income	2,133	1,663
	<u> </u>	<u> </u>
Total income	2,590	1,820
	<u> </u>	<u> </u>

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued)

6 Interest receivable and similar income

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	457	157
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7 Taxation

	2018 £	2017 £
Deferred tax		
Previously unrecognised tax loss, tax credit or timing difference	(243,179)	88,872

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
(Loss)/profit before taxation	(1,362,945)	144,079
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	(258,960)	27,375
Tax effect of expenses that are not deductible in determining taxable profit	4,303	5,153
Unutilised tax losses carried forward	276,041	8,054
Permanent capital allowances in excess of depreciation	(23,484)	(7,802)
Depreciation on assets not qualifying for tax allowances	2,271	18,730
Deferred tax adjustments in respect of prior years	(243,179)	88,872
Profit on sale of fixed assets	(171)	(51,510)
Taxation (credit)/charge for the year	(243,179)	88,872

The company has taxable losses of £11,189,263 (2017 - £9,736,414) available to carry forward against future trading profits.

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Tangible fixed assets

	Land and buildings Leasehold	Assets under construction	Plant and machinery	Fixtures, Fittings and	Total
	£	£	£	£	£
Cost					
At 1 January 2018	340,186	-	236,338	156,605	733,129
Additions	-	611,007	67,221	-	678,228
Disposals	-	-	(129,720)	-	(129,720)
At 31 December 2018	340,186	611,007	173,839	156,605	1,281,637
Depreciation and impairment					
At 1 January 2018	257,150	-	226,990	156,605	640,745
Depreciation charged in the year	22,646	-	11,949	-	34,595
Eliminated in respect of disposals	-	-	(129,720)	-	(129,720)
At 31 December 2018	279,796	-	109,219	156,605	545,620
Carrying amount					
At 31 December 2018	60,390	611,007	64,620	-	736,017
At 31 December 2017	83,036	-	9,348	-	92,384

9 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,592,825	4,751,880
Carrying amount of financial liabilities		
Measured at amortised cost	1,508,955	1,172,318

10 Stocks

	2018 £	2017 £
Finished goods and goods for resale	2,998,586	2,946,814

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	2,542,825	3,121,027
Amounts owed by group undertakings	-	1,627,504
Other debtors	50,000	3,349
Prepayments and accrued income	189,101	148,801
	<u>2,781,926</u>	<u>4,900,681</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 13)	2,093,098	1,849,919
	<u>2,093,098</u>	<u>1,849,919</u>
Total debtors	<u>4,875,024</u>	<u>6,750,600</u>

12 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	686,719	699,090
Amount due to parent undertaking	498,270	-
Other taxation and social security	566,682	588,597
Other creditors	-	284
Accruals and deferred income	323,966	472,944
	<u>2,075,637</u>	<u>1,760,915</u>

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2018 £	Assets 2017 £
Balances:		
Tax losses	<u>2,093,098</u>	<u>1,849,919</u>

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13	Deferred taxation	(Continued)
		2018 £
	Movements in the year:	
	Liability/(Asset) at 1 January 2018	(1,849,919)
	Credit to profit or loss	(243,179)
	Liability/(Asset) at 31 December 2018	<u>(2,093,098)</u>

14	Retirement benefit schemes	2018 £	2017 £
	Defined contribution schemes		
	Charge to profit or loss in respect of defined contribution schemes	<u>36,996</u>	<u>70,892</u>

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

15	Share capital	2018 £	2017 £
	Ordinary share capital		
	Issued and fully paid		
	9,600,002 Ordinary of £1 each	<u>9,600,002</u>	<u>9,600,002</u>
		<u>9,600,002</u>	<u>9,600,002</u>
	Preference share capital		
	Issued and fully paid		
	8,320,000 Preference of £1 each	<u>8,320,000</u>	<u>8,320,000</u>
		<u>8,320,000</u>	<u>8,320,000</u>

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	446,057	366,262
Between two and five years	723,646	837,017
	<u>1,169,703</u>	<u>1,203,279</u>

17 Related party transactions

The company has taken advantage of the FRS102 exemption to disclose related party transactions with and between wholly-owned subsidiaries

18 Controlling party

The immediate parent company is Profine GmbH, a company registered in Germany, which owns 100% of the company's ordinary share capital. The ultimate parent company is HTT Holding GmbH, a company registered in Germany.

19 Cash generated from operations

	2018 £	2017 £
(Loss)/profit for the year after tax	(1,119,766)	55,207
Adjustments for:		
Taxation (credited)/charged	(243,179)	88,872
Investment income	(2,590)	(1,820)
Gain on disposal of tangible fixed assets	(900)	(271,106)
Depreciation and impairment of tangible fixed assets	34,595	121,225
Movements in working capital:		
(Increase) in stocks	(51,772)	(33,701)
Decrease/(increase) in debtors	2,118,755	(348,438)
Increase/(decrease) in creditors	314,722	(759,773)
Cash generated from/(absorbed by) operations	<u>1,049,865</u>	<u>(1,149,534)</u>

PROFINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Auditors' Ethical Standards

In common with many businesses of our size and nature we use our auditor to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

In common with many other businesses of our size and nature we use our auditors to provide tax advice and to represent us, as necessary, at tax tribunals.

21 Auditor's liability limitation agreement

In accordance with Companies Act 2006 (s538), we are required to disclose any auditor liability limitation agreements in effect

There is an existing agreement in place which limits the liability of the auditor to £5m for any loss or damage suffered by Profine UK Limited arising out of or in connection with the provision of the services provided by the auditor including negligence but not willful default.