

Welbilt (Halesowen) Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 01271570

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Welbilt (Halesowen) Limited

Company Information

Directors	A D Gray M A Smith J A J Rourke
Company secretary	Prima Secretary Limited
Registered number	01271570
Registered office	St Ann's Wharf 112 Quayside Newcastle Upon Tyne United Kingdom NE1 3DX
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Welbilt (Halesowen) Limited

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Welbilt (Halesowen) Limited

Strategic Report For the Year Ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Business review, principal activity and future developments

On 4 March 2016 the former ultimate parent company, The Manitowoc Company Inc., was separated into two public traded companies – The Manitowoc Company Inc, and Manitowoc Food Service Inc.

On 3 March 2017 Manitowoc Food Service Inc. changed name to Welbilt Inc. On 22 March 2017 Manitowoc Beverage Systems Limited changed its name to Welbilt (Halesowen) Limited.

The principal activity of the business continues to be the manufacturing and factoring of drink dispensing equipment to major soft drinks companies and brewers, including equipment brought in from other members of the worldwide Welbilt Group.

The statement of comprehensive income is set out in page 8 and shows a profit before tax of £1.4m (2017 - £1.3m).

Turnover was in line with expectations (2018 - £27,006k; 2017 - £28,068k).

The business continues to focus on its core customers and products whilst still investing in R&D to expand its current portfolio. With new and current product's, we see a potential for expansion into new markets in the foreseeable future.

Principal risks and uncertainties

Throughout the year, the company identifies and reviews potential risk and uncertainties that could have a material impact on performance and has put in place internal processes and controls designed to mitigate these risks. Detailed planning processes and contingency plans are in place for adverse change to macro-economic conditions. Appropriate review and development processes are followed for all employees including for succession.

The principal risks the company is exposed to are as follows:

Brexit risk

The company has put in place a team of senior leaders from the business in the major areas that would be impacted by Brexit and we continue to monitor the situation. We have addressed the areas significantly impacted by Brexit to mitigate identified risks where possible. As an example we increasing holding of both finished good stock and component stock.

Liquidity risk

The company is a participant in the group treasury function which has the objective of maintaining a balance between continuity of funding and appropriately investing in the money markets. All cash management is performed centrally and the company's cash position is monitored weekly.

Credit risk

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements.

Welbilt (Halesowen) Limited

Strategic Report (continued) For the Year Ended 31 December 2018

Principal risks and uncertainties (continued)

Price risk/competitive market risk

The company is exposed to commodity price risk. The company does not manage locally its exposure to commodity price risk due to cost benefit considerations but benefits from such hedges as may from time to time be taken out at group level.

Foreign exchange risk

Foreign exchange risk is mitigated by taking forward cover through the corporate treasury function based in USA for any potential exposures.

Group risks are dealt with in the annual report of Welbilt Inc., the ultimate parent organisation.

Financial key performance indicators

Financial key performance indicators are employed and the directors are satisfied that the following KPI's reflect the progress of the business:

	2018	2017
Growth of sales	3.78%	15.65%
Gross margin	21.63%	22.90%
Operating margin	9.39%	7.66%
Inventory turns	9.61%	7.80%

This report was approved by the board on 27 September 2019 and signed on its behalf.



A D Gray
Director

Welbilt (Halesowen) Limited

Directors' Report For the Year Ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the business continues to be the manufacturing and factoring of drink dispensing equipment to major soft drinks companies and brewers, including equipment brought in from other members of the worldwide Welbilt Group.

Results and dividends

The profit for the year, after taxation, amounted to £1,224k (2017 - £1,140k).

The directors do not propose the payment of a final dividend (2017 - £Nil).

Business review

A review of the business and its principal risks and uncertainties and future developments are set out in the strategic report on page 1 - 2 of these financial statements.

Directors

The directors who served during the year were:

A D Gray
M A Smith
J A J Rourke

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

This report was approved by the board on 27 September 2019 and signed on its behalf.



A D Gray
Director

Welbilt (Halesowen) Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2018

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and 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.

Welbilt (Halesowen) Limited

Independent Auditor's Report to the Members of Welbilt (Halesowen) Limited

Opinion

We have audited the financial statements of Welbilt (Halesowen) Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 Financial Reporting Standard 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 profit 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.

Welbilt (Halesowen) Limited

Independent Auditor's Report to the Members of Welbilt (Halesowen) Limited (continued)

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 the audit:

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

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 directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Welbilt (Halesowen) Limited

Independent Auditor's Report to the Members of Welbilt (Halesowen) Limited (continued)

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

Use of our 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.



Marc Reinecke (Senior statutory auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

27/9/2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Welbilt (Halesowen) Limited

Statement of Comprehensive Income For the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	4	27,006	28,068
Cost of sales		(21,165)	(21,641)
Gross profit		5,841	6,427
Administrative expenses		(3,631)	(4,276)
Operating profit	5	2,210	2,151
Interest receivable and similar income	8	176	-
Interest payable and similar charges	9	(1,016)	(806)
Profit before tax		1,370	1,345
Tax on profit	10	(146)	(205)
Profit for the financial year		1,224	1,140
Other comprehensive income		-	-
Total comprehensive income for the year		1,224	1,140

The notes on pages 11 to 26 form part of these financial statements.

Welbilt (Halesowen) Limited
Registered number: 01271570

Statement of Financial Position
As at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	11		324		649
Tangible assets	12		1,314		1,281
Investments	13		20,079		20,079
			<u>21,717</u>		<u>22,009</u>
Current assets					
Stocks	14	2,595		2,195	
Debtors: amounts falling due within one year	15	6,647		16,275	
Cash at bank and in hand		177		133	
		<u>9,419</u>		<u>18,603</u>	
Creditors: amounts falling due within one year	16	(22,187)		(32,927)	
Net current liabilities			<u>(12,768)</u>		<u>(14,324)</u>
Total assets less current liabilities			<u>8,949</u>		<u>7,685</u>
Provisions for liabilities					
Other provisions	18		(1,169)		(1,129)
Net assets			<u><u>7,780</u></u>		<u><u>6,556</u></u>
Capital and reserves					
Called up share capital	19	1,000		1,000	
Profit and loss account	20	6,780		5,556	
Total equity			<u><u>7,780</u></u>		<u><u>6,556</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2019



A D Gray
Director

The notes on pages 11 to 26 form part of these financial statements.

Welbilt (Halesowen) Limited

Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	1,000	5,556	6,556
Comprehensive income for the year			
Profit for the year	-	1,224	1,224
Total comprehensive income for the year	-	1,224	1,224
Total transactions with owners	-	-	-
At 31 December 2018	1,000	6,780	7,780

Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	1,000	4,416	5,416
Comprehensive income for the year			
Profit for the year	-	1,140	1,140
Total comprehensive income for the year	-	1,140	1,140
Total transactions with owners	-	-	-
At 31 December 2017	1,000	5,556	6,556

The notes on pages 11 to 26 form part of these financial statements.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. General information

Welbilt (Halesowen) Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office can be found on the company information page. The principal place of business is Chancel Way, Halesowen, B62 8SE. The nature of the company's operations and its principal activity is outlined in the strategic report and the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The financial statements contain information about Welbilt (Halesowen) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Enodis Group Limited and copies of these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Enodis Group Limited as at 31 December 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.4 Revenue

Revenue from the sales of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

2.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised over the directors' estimate of its useful economic life of 10 years. Amortisation is recognised within administrative expenses.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.6 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.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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. Assets in the course of construction are not depreciated.

Depreciation is provided on the following basis:

Leasehold land and buildings	- the term of the lease or 10 years
Plant, machinery and vehicles	- 3 - 10 years
Motor vehicles	- 5 years
Fixtures and fittings	- 5 - 8 years
Computer equipment	- 3 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 within 'other operating income' in the statement of comprehensive income.

2.7 Operating leases: Lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.8 Research and development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their expected useful economic lives, which range from 3 to 6 years.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.13 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 the liability simultaneously.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Foreign currency translation

Foreign currency transactions are translated into the company entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.16 Finance costs

Finance costs are charged to the statement of comprehensive income 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.

2.17 Pensions

Contributions to the company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have applied the following judgements, where uncertainty over the amounts recognised exists.

Stock provision (note 14)

Management has judged that historic sales and usage of products will reflect their future demand, and that the provisions applied are sufficient to write the products down to the fair value.

Warranty provision (note 18)

In calculating the provision for warranty costs management has judged that future failure rates will be no worse or better than prevailed during the year, and that the cost of these repairs will not differ to the historic cost of similar repairs.

4. Turnover

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	18,711	19,931
Rest of Europe	5,044	5,049
Rest of the world	3,251	3,088
	<u>27,006</u>	<u>28,068</u>

The whole of the turnover is attributable to the principal business activity.

5. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of tangible fixed assets	289	251
Amortisation of intangible assets, including goodwill	325	326
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	39	38
Exchange differences	15	34
Operating lease expense	411	400
Defined contribution pension cost	<u>186</u>	<u>206</u>

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

6. Employees

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

	2018 £000	2017 £000
Wages and salaries	3,957	3,904
Social security costs	422	393
Cost of defined contribution scheme	186	206
	<u>4,565</u>	<u>4,503</u>

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

	2018 No.	2017 No.
Production	73	73
Management and administration	47	46
	<u>120</u>	<u>119</u>

7. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	207	90
Company contributions to defined contribution pension schemes	14	8
	<u>221</u>	<u>98</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

8. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group companies	176	-

9. Interest payable and similar charges

	2018 £000	2017 £000
On loans from group undertakings	1,016	806

10. Taxation

	2018 £000	2017 £000
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	146	205
Total deferred tax	146	205
Taxation on profit on ordinary activities	146	205

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 -19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	1,370	1,344
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 -19.25%)	260	259
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	64	64
Capital allowances for year in excess of depreciation	8	7
Adjust closing deferred tax to average rate	134	170
Adjust opening deferred tax to average rate	(151)	(197)
Group relief claimed	(169)	(98)
Total tax charge for the year	146	205

Factors that may affect future tax charges

The company had unutilised tax losses carried forward at 31 December 2018 of £329k (2017 - £329k). No deferred tax asset has been provided on these losses there is currently not sufficient evidence to support the recovery of the asset.

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

11. Intangible assets

	Patents £000	Goodwill £000	Total £000
Cost			
At 1 January 2018	344	3,057	3,401
At 31 December 2018	344	3,057	3,401
Amortisation			
At 1 January 2018	344	2,408	2,752
Charge for the year	-	325	325
At 31 December 2018	344	2,733	3,077
Net book value			
At 31 December 2018	-	324	324
At 31 December 2017	-	649	649

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

12. Tangible fixed assets

	Long-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Other fixed assets £000	Total £000
Cost						
At 1 January 2018	1,448	7,366	215	1,324	166	10,519
Additions	-	-	-	-	322	322
Disposals	-	(235)	-	-	-	(235)
Transfers between classes	-	375	-	36	(411)	-
At 31 December 2018	1,448	7,506	215	1,360	77	10,606
Depreciation						
At 1 January 2018	1,400	6,307	215	1,316	-	9,238
Charge for the year	22	252	-	15	-	289
Disposals	-	(235)	-	-	-	(235)
At 31 December 2018	1,422	6,324	215	1,331	-	9,292
Net book value						
At 31 December 2018	26	1,182	-	29	77	1,314
At 31 December 2017	48	1,059	-	8	166	1,281

13. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2018	20,079
At 31 December 2018	20,079

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

13. Fixed asset investments (continued)

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
TRUpour Limited	Ordinary	100%	Non-trading
Welbilt (UK) Limited	Ordinary	100%	Manufacture of catering equipment

The registered address of TRUpour Limited is Cornaglia, Boyle, Roscommon, Republic of Ireland.

The registered address of Welbilt (UK) Limited is St. Ann's Wharf, 112 Quayside, Newcastle upon Tyne, United Kingdom, NE1 3DX.

14. Stocks

	2018 £000	2017 £000
Raw materials and consumables	2,103	1,973
Finished goods and goods for resale	492	222
	<u>2,595</u>	<u>2,195</u>

In the opinion of the directors there is no material difference between the amounts stated above and the replacement cost of stocks.

Stocks recognised as an expense in the year were £13,874k (2017 - £13,830k). The debit recognised in the statement of comprehensive income in the period in respect of stock provisions was £183k (2017 - £28k).

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

15. Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	4,625	2,622
Amounts owed by group undertakings	959	12,465
Prepayments and accrued income	209	227
Deferred taxation	813	959
Financial instruments	41	2
	<u>6,647</u>	<u>16,275</u>

The impairment loss recognised in profit or loss for the period in respect of bad and doubtful trade debtors was a credit of £11k (2017 - debit of £4k).

16. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	3,073	2,425
Amounts owed to group undertakings	18,043	29,454
Other taxation and social security	190	271
Other creditors	188	-
Accruals and deferred income	693	748
Financial instruments	-	29
	<u>22,187</u>	<u>32,927</u>

17. Deferred taxation

	2018 £000	2017 £000
At beginning of year	959	1,164
Charged to profit or loss	(146)	(205)
At end of year	<u>813</u>	<u>959</u>

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

17. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	716	872
Short term timing differences	97	87
	<u>813</u>	<u>959</u>

Of the deferred tax asset recognised of £97k a total of £87k is expected to be reversed in the year ending 31 December 2019.

18. Provisions

	WEEE £000	Dilapidation £000	Warranty £000	Total £000
At 1 January 2018	53	461	615	1,129
Charged to profit or loss	5	48	(13)	40
At 31 December 2018	<u>58</u>	<u>509</u>	<u>602</u>	<u>1,169</u>

WEEE

Provision for obligations due under the Waste Electrical and Electronic Equipment Directive for the disposal of electrical equipment.

Dilapidations

Provision for the cost of restoring premises to their original condition on completion of the related lease agreement.

Warranty

Experience provision for the expected costs of repairs to products sold under warranty arrangements with customers.

19. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
1,000,000 (2017 - 1,000,000) ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

Welbilt (Halesowen) Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

20. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital reserve represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

21. Pension commitments

A defined contribution pension scheme is operated by the company on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £186k (2017 - £202k). There were amounts outstanding at year end totalling £Nil (2017 - £Nil).

22. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	398	400
Later than 1 year and not later than 5 years	194	579
	<u>592</u>	<u>979</u>

23. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertakings of the group.

24. Ultimate parent and controlling party

The directors regard Welbilt Inc. a company incorporated in Delaware, USA, as the ultimate parent company and controlling entity. Enodis Group Limited is the company's immediate parent undertaking and is the smallest group which prepares consolidated results and of which the company forms a part.

Welbilt Inc. is the largest group which prepares consolidated results and of which the company forms a part. Copies of the financial statements of Welbilt Inc. can be obtained from the VP Investor Relations at 2227 Welbilt Boulevard, New Port Richey, Florida 34655.