

REGISTERED NUMBER: 03305994 (England and Wales)

Report of the Directors and
Financial Statements for the Year Ended 31 December 2018
for
VSM (UK) Ltd



Contents of the Financial Statements
for the year ended 31 December 2018

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9

VSM (UK) Ltd

Company Information
for the year ended 31 December 2018

DIRECTORS:

M C Harris
H Kelleci
Ms S A Welsh

SECRETARY:

Ms S A Welsh

REGISTERED OFFICE:

Ravensbank House
Ravensbank Drive
North Moons Moat
Redditch
Worcestershire
B98 9NA

REGISTERED NUMBER:

03305994 (England and Wales)

AUDITORS:

Derek Young & Co Accountants LLP
Statutory Auditors
Chartered Accountants
Estate House
Evesham Street
Redditch
Worcestershire
B97 4HP

SOLICITORS:

Harris Cooper Brownings
10 Market Place
Redditch
Worcestershire
B98 8AA

Report of the Directors
for the year ended 31 December 2018

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

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the sale of Husqvarna Viking and Pfaff branded sewing machines and accessories.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

M C Harris
Ms S A Welsh

Other changes in directors holding office are as follows:

H Kelleci - appointed 8 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

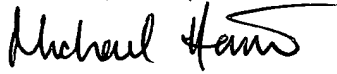
AUDITORS

The auditors, Derek Young & Co Accountants LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Report of the Directors
for the year ended 31 December 2018

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'Michael Harris', with a stylized flourish at the end.

M C Harris - Director

30 April 2019

Report of the Independent Auditors to the Members of
VSM (UK) Ltd

Opinion

We have audited the financial statements of VSM (UK) Ltd (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, 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 Auditors' 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 in the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
VSM (UK) Ltd

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 Report of the Directors.

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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, 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 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 a Report of the Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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 Stephen Young (Senior Statutory Auditor)
for and on behalf of Derek Young & Co Accountants LLP
Statutory Auditors
Chartered Accountants
Estate House
Evesham Street
Redditch
Worcestershire
B97 4HP

30 April 2019

Income Statement
for the year ended 31 December 2018

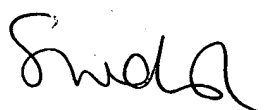
	Notes	2018	2017
		£	£
TURNOVER	3	2,522,226	3,011,195
Cost of sales		833,016	1,420,512
GROSS PROFIT		1,689,210	1,590,683
Distribution costs		76,353	60,845
Administrative expenses		1,470,315	1,470,477
		1,546,668	1,531,322
OPERATING PROFIT	5	142,542	59,361
Interest receivable and similar income		232,396	202,469
PROFIT BEFORE TAXATION		374,938	261,830
Tax on profit	6	71,561	50,802
PROFIT FOR THE FINANCIAL YEAR		303,377	211,028

The notes form part of these financial statements

Balance Sheet
31 December 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	7	2,695	2,146
CURRENT ASSETS			
Stocks	8	110,951	126,426
Debtors	9	2,783,925	2,450,919
Cash at bank and in hand		26,914	92,480
		<u>2,921,790</u>	<u>2,669,825</u>
CREDITORS			
Amounts falling due within one year	10	<u>279,488</u>	<u>337,292</u>
NET CURRENT ASSETS		<u>2,642,302</u>	<u>2,332,533</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,644,997</u>	<u>2,334,679</u>
PROVISIONS FOR LIABILITIES	12	<u>85,523</u>	<u>78,582</u>
NET ASSETS		<u><u>2,559,474</u></u>	<u><u>2,256,097</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	900,002	900,002
Share premium	14	764,731	764,731
Capital contribution reserve	14	396,492	396,492
Retained earnings	14	<u>498,249</u>	<u>194,872</u>
SHAREHOLDERS' FUNDS		<u><u>2,559,474</u></u>	<u><u>2,256,097</u></u>

The financial statements were approved by the Board of Directors on 30 April 2019 and were signed on its behalf by:



Ms S A Welsh - Director

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2017	900,002	(16,156)	764,731	396,492	2,045,069
Changes in equity					
Total comprehensive income	-	211,028	-	-	211,028
Balance at 31 December 2017	900,002	194,872	764,731	396,492	2,256,097
Changes in equity					
Total comprehensive income	-	303,377	-	-	303,377
Balance at 31 December 2018	900,002	498,249	764,731	396,492	2,559,474

Notes to the Financial Statements
for the year ended 31 December 2018

1. STATUTORY INFORMATION

VSM (UK) Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover represents amounts derived from the provision of goods and services falling within the company's ordinary activities, after deduction of trade discounts, value added tax and any other tax based on the amounts so derived.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvements	- over the term of the lease
Office equipment	- 33% on cost and 10% on cost

Tangible fixed assets are stated at cost less depreciation.

Stocks

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

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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 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.

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

Notes to the Financial Statements - continued
for the year ended 31 December 2018

2. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Warranty provision

The company gives warranties on all of its products for periods of two to five years. Provision for warranty costs is made based on the company's actual costs, rolling for twelve months, against the number of machines still under warranty.

Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Interest receivable

Interest receivable is recognised in the period during which it accrues on a loan made to the parent company at market rate.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2018	2017
	£	£
United Kingdom	2,450,218	2,942,041
Isle of Man & Ireland	72,008	69,154
	<u>2,522,226</u>	<u>3,011,195</u>

4. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	822,474	749,244
Social security costs	86,031	87,930
Other pension costs	56,941	55,853
	<u>965,446</u>	<u>893,027</u>

The average number of employees during the year was as follows:

	2018	2017
Selling and distribution	7	7
Administration	11	11
	<u>18</u>	<u>18</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2018

4. EMPLOYEES AND DIRECTORS - continued

	2018	2017
	£	£
Directors' remuneration	166,326	185,714
Directors' pension contributions to money purchase schemes	11,142	10,894
	<u> </u>	<u> </u>

The number of directors to whom retirement benefits were accruing was as follows:

	2018	2017
Money purchase schemes	<u>2</u>	<u>2</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2018	2017
	£	£
Depreciation - owned assets	1,239	1,123
Auditors' remuneration	7,000	6,000
Operating lease charges - leasehold premises	71,303	68,970
Operating lease - other	29,128	29,279
Auditors' remuneration - non audit services	2,000	1,500
	<u> </u>	<u> </u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2018	2017
	£	£
Current tax:		
UK corporation tax	44,156	38,945
Deferred tax	27,405	11,857
	<u> </u>	<u> </u>
Tax on profit	<u>71,561</u>	<u>50,802</u>

UK corporation tax has been charged at 19% (2017 - 19%).

Notes to the Financial Statements - continued
for the year ended 31 December 2018

6. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before tax	374,938	261,830
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	71,238	49,748
Effects of:		
Expenses not deductible for tax purposes	322	556
Capital allowances in excess of depreciation	(611)	(589)
Utilisation of tax losses	(29,631)	(13,224)
(Decrease) / increase in general provisions	2,838	1,956
Change in tax rate	-	498
Deferred tax provision movement	27,405	11,857
Total tax charge	71,561	50,802

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Office equipment £	Totals £
COST			
At 1 January 2018	17,699	56,077	73,776
Additions	-	1,788	1,788
At 31 December 2018	17,699	57,865	75,564
DEPRECIATION			
At 1 January 2018	17,699	53,931	71,630
Charge for year	-	1,239	1,239
At 31 December 2018	17,699	55,170	72,869
NET BOOK VALUE			
At 31 December 2018	-	2,695	2,695
At 31 December 2017	-	2,146	2,146

8. STOCKS

	2018 £	2017 £
Stocks	110,951	126,426

**Notes to the Financial Statements - continued
for the year ended 31 December 2018**

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade debtors	316,054	425,423
Amounts owed by group undertakings	2,327,872	1,858,618
Deferred tax asset	112,171	139,576
Prepayments and accrued income	27,828	27,302
	<u>2,783,925</u>	<u>2,450,919</u>

Group loans are repayable on demand. Interest was charged at an average rate of 11.4% during the year.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade creditors	14,423	29,962
Tax	23,601	19,945
Social security and other taxes	122,184	180,265
Accruals and deferred income	119,280	107,120
	<u>279,488</u>	<u>337,292</u>

11. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018	2017
	£	£
Within one year	51,156	25,961
Between one and five years	32,697	68,579
	<u>83,853</u>	<u>94,540</u>

12. PROVISIONS FOR LIABILITIES

	2018	2017
	£	£
Other provisions		
Warranty provision	<u>85,523</u>	<u>78,582</u>
	Deferred tax	Warranty provision
	£	£
Balance at 1 January 2018	(139,576)	78,582
Provided during year	-	6,936
Accelerated capital allowances	613	-
Losses utilised	29,630	-
Short term timing differences	(2,838)	-
	<u>(112,171)</u>	<u>85,518</u>
Balance at 31 December 2018		

Notes to the Financial Statements - continued
for the year ended 31 December 2018

12. PROVISIONS FOR LIABILITIES - continued

The closing deferred tax asset is in respect of the following:

Trading losses: £85,000
Accelerated capital allowances: £1,801
General provisions: £25,369

Tax losses carried forwards are estimated to be £447,368.

The warranty provision has been recognised for expected standard claims on products which remain under warranty. It is expected that all of this provision will be utilised within 5 years.

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
900,002	ordinary	£1	<u>900,002</u>	<u>900,002</u>

14. RESERVES

	Retained earnings £	Share premium £	Capital contribution reserve £	Totals £
At 1 January 2018	194,872	764,731	396,492	1,356,095
Profit for the year	303,377			303,377
At 31 December 2018	<u>498,249</u>	<u>764,731</u>	<u>396,492</u>	<u>1,659,472</u>

15. PENSION COMMITMENTS

The total pension cost to the money purchase scheme for the year was £56,941 (2017 - £55,853). There are no outstanding or prepaid contributions at 31 December 2018 (2017 - £nil).

16. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is VSM Group AB, a company registered in Sweden. Copies of the parent's financial statements can be obtained from Viking Sewing Machines AB, S-561 84 Husqvarna, Sweden.

The ultimate parent company during the year was Ares Capital Management a company registered in the USA, due to its controlling interest in the equity share capital of VSM Group AB.

The directors do not believe there to be any single controlling party.