
HENKEL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

HENKEL LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DIRECTORS | C Knobel (resigned 23 March 2020) P Budden S Bhandal J Crane (appointed 30 April 2019) M Crane (resigned 30 April 2019) G Deussen (appointed 23 March 2020) E Gallagher M Tyers (appointed 13 August 2019) |
| REGISTERED NUMBER | 215496 |
| REGISTERED OFFICE | Wood Lane End Hemel Hempstead Hertfordshire HP2 4RQ |
| INDEPENDENT AUDITOR | KPMG LLP Statutory Auditor & Chartered Accountants 58 Clarendon Road Watford Hertfordshire WD17 1DE |
| SOLICITORS | Shoosmiths LLC Apex Plaza Forbury Road Reading Berkshire RG1 1SH |

HENKEL LIMITED

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HENKEL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The principal activity of the company during the year was the sales and marketing of adhesive technologies, beauty care and laundry and home care products.

The company consists of three business units - Adhesive Technologies, Beauty Care and Laundry and Home Care. The Adhesive Technologies business unit is a leading solution provider for adhesives, sealants and functional coatings, and is active in industrial, consumer and professional markets. The Beauty Care business unit is active in the branded consumer goods business area with hair care, body care, skin care and oral care, as well as in the professional hair salon market. The Laundry and Home Care business unit manages a portfolio of brands that include, but are not limited to, products in fabric care, shoe care and household products.

BUSINESS REVIEW

The Adhesive Technologies business experienced a decrease in turnover of £943,000 to £173,360,000 (2018 - £174,303,000). Sales performances were mixed with increases seen in the Consumer Adhesive and Packaging & Consumer Goods Adhesives business areas, but declines seen in the Transport & Metal and General Industry business areas.

The Beauty Care business also experienced a decrease in turnover of £3,770,000 to £105,439,000 (2018 - £109,209,000). Both our Branded Consumer Goods and our Professional Hair Salon business areas reported relatively flat sales performances, but within the Branded Consumer Goods business there was a change in accounting treatment of promotional spend from advertising to sales rebates to align with the other business areas.

The Laundry and Home Care business experienced a decline in turnover of £1,264,000 to £37,566,000 (2018 - £38,830,000) due to a number of transitions during 2018, including the sale of some trademarks. The underlying sales performance of the retained business was positive.

PRINCIPAL RISKS AND UNCERTAINTIES

Procurement risk:

The Company acquires all products from Henkel Global Supply Chain B.V., a group company incorporated in the Netherlands.

The Henkel group is responding to the crisis triggered by the COVID-19 pandemic with specific measures. Capacity constraints at suppliers of materials and services may have a moderate upward impact on pricing. Nevertheless, it is currently not possible to predict with sufficient reliability over what period and to what extent Henkel will face further impacts in fiscal year 2020, and to what extent these can be offset by countermeasures.

The segments in the industrial goods sector are affected to a greater extent by these price risks than the individual segments in the consumer goods sector. Additional price and supply risks exist due to possible demand or production related shortages in the procurement markets. Furthermore, continued major volatility can be expected from global economic, geopolitical and climate risks, which could lead to rising material prices and supply shortages.

The measures taken to manage and combat these risks include active supplier portfolio management through the Henkel groups' globally engaged, cross-divisional sourcing capability, together with strategies aimed at securing both price and volume through contracts and, where appropriate and possible, through financial hedging instruments. Furthermore, we work in interdisciplinary teams on devising alternative formulations and packaging forms to be able to respond flexibly to unforeseen fluctuations in raw material prices. We also avoid becoming dependent on individual suppliers to better secure the constant supply of the goods and services that we require. Finally, close collaboration with our strategic suppliers plays an exceptionally important role in our risk management approach.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Macroeconomic risk:

We remain exposed to macroeconomic risks emanating from the uncertainties of the current geopolitical and economic environment. The forthcoming departure of the United Kingdom from the European Union ("Brexit") poses risks to our business, examples being a potential weakening of the economy, and a rise in both supply and cost issues. The impacts of the global trade conflicts are also jeopardising the global economic climate. A decline in the macroeconomic environment and a downturn in consumer spending pose risks to our branded consumer goods, professional and industrial business segments. A further key risk is posed by an increasingly competitive environment, which could result in stronger price and promotional pressures in the consumer goods sector. As consolidation in the retail sector continues and private labels occupy a growing share of the market, competition in the consumer goods sector could further intensify. The risk of product substitution inherent in this could, in principle, affect all business units..

To mitigate this risk, we focus on continuously strengthening our brands and consistently developing further innovations. We consider innovative products and processes to be a significant success factor for our company, enabling us to differentiate ourselves from the competition. We also pursue specific marketing and sales initiatives, for example advertising and promotional activities.

Following the decision of the United Kingdom to withdraw from the European Union, Henkel has continued to monitor developments in the United Kingdom and the European Union very closely, as well as assess the potential effects on our business. Many of the likely outcomes of the negotiations between the United Kingdom and the European Union remain uncertain and Henkel has engaged with respected industry and business organisations in many of the sectors in which we operate, both in the United Kingdom and other European Union countries. In each area, we continuously evaluate the potential impacts based on current knowledge and information, and develop plans to minimise any disruption.

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a global pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty coupled with more volatile asset prices and currency exchange rates.

For the Company's financial statements at 31 December 2019, COVID-19 and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably accurately estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future. The Company has considerable financial resources available to it together with long-term relationships with a number of customers and suppliers. As a consequence, the directors believe that the Company will manage the risk posed by the Coronavirus by undertaking actions such as ensuring it controls its cost base. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Financial risk:

We are exposed to financial risk in the form of credit risk, currency risk, interest rate risk, liquidity risk and risks arising from pension obligations.

In the course of its business activities with third parties, the Company is exposed to credit risk arising from its operating business and the possibility of the contractual party not fulfilling its obligations. Our credit risk management system, operating on the basis of a globally applied credit policy, ensures that credit risks are constantly monitored and bad debts minimised. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level.

Management of currency and interest rate risk is based on the treasury guidelines introduced by the Management Board of the Henkel group. Defined in these are the targets, principles, accountability and competences of Corporate Treasury.

HENKEL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

In order to ensure the financial flexibility of Henkel at any time, the liquidity within the group is largely centralised and managed through the use of cash pools, and the Company participates in Henkel's cross border cash concentration agreement (cash pooling system). Additionally the Company has at its disposal committed bilateral loans within the Henkel group of €100 million with a revolving term of up to one year.

Risks arising from pension obligations relate to changes in interest rates, inflation rates, trends in wages and salaries, and changes in the statistical life expectancy of pension beneficiaries. To minimise exposure and improve risk management, the pension obligations are fully funded and managed based on a two-track portfolio approach: the main portion of the portfolio is invested in interest-bearing plan assets (liability-driven investments), reducing the interest rate and inflation risk. In order to cover the risks arising from trends in wages, salaries and life expectancies, and to close the potential deficit between fund assets and pension obligations over the long term, additional investments are made in a return-enhancing portfolio as an add-on instrument that contains assets such as equities, private equity investments, hedge funds, real estate and commodity investments.

FINANCIAL KEY PERFORMANCE INDICATORS

The company uses key performance indicators to assess performance including turnover and operating profit.

In the year under review, turnover decreased by £5,651,000 to £320,792,000, and operating result on continuing activities increased by £10,259,000 to a profit of £23,150,000.

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

Section 172 of the Companies Act 2006 requires directors to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard to the interests of stakeholders.

As a Board, we strive to take decisions for the long term, with the aim of understanding and respecting the views and needs of our stakeholders and our shareholder to whom we are accountable.

Understanding the social demands that stakeholders of all kinds place on the Company is a key component of sustainability management. The Henkel Group promotes dialogue with all stakeholders, including customers, suppliers, employees, shareholders, local communities, government agencies, associations, and non-governmental organisations, as well as politicians and academia. Stakeholder engagement is key to innovation and risk management, and helps the Henkel Group as a whole to continuously develop our sustainability strategy and reporting.

The Company operates within the global Henkel Group framework and the application of section 172 considerations is evidenced through a number of activities, both at Group and Company level, including but not limited to the following:

- From our purpose, vision, mission and values, we have formulated globally binding behavioural rules which are specified in a series of codes and corporate standards. These apply to all employees worldwide. Our key policy documents include our Code of Conduct, Code of Corporate Sustainability, Social Standards, Safety, Health & Environmental Standards and Sustainability Sourcing Policy.

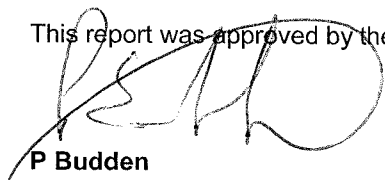
HENKEL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

- The Henkel Group is committed to leadership in sustainability. The core tenets of our sustainability strategy are creating more value for customers and consumers, for the communities in which we operate and for the company, while reducing our environmental footprint at the same time. We want to improve our products and solutions through innovations and smart thinking in order to create more value at a reduced ecological footprint. We concentrate our activities along the value chain on six focal areas that reflect the challenges of sustainable development as they relate to our operations. These focal areas are divided into two dimensions: “more value” and “reduced footprint”. We aim to increase the value we create in the areas of social progress, safety & health, and performance. And in the areas of energy & climate, materials & waste, and water & waste water we aim to further reduce the resources we use. More information can be found in our Sustainability Report 2019 that is available online at www.henkel.com/sustainability/sustainability-report.
- Pursuant to section 54(1) of the Modern Slavery Act 2015 (the “MSA Act”), the Henkel Group annually attests to the MSA Act by publishing a statement outlining how Henkel mitigates the risk of slavery and human trafficking within all parts of its global operations. The Henkel Group has a comprehensive set of codes, standards and processes which provide employees, customers, investors and the communities in which the Henkel Group operates with a clear definition of the ethical and social values that the Group upholds and underscores the Group’s commitment to respecting human rights along the entire value chain.
- The Company reviews and reports on its invoice payment practices to ensure suppliers are treated fairly by abiding by agreed payment terms.
- There is an established policy of communicating with all employees regularly through town hall meetings, CEO communications, senior leadership business briefings and the Group intranet. We regularly solicit feedback from employees in our ongoing effort to understand the employee experience and better ensure we are cultivating the work environment that we want.
- The diversity of our employees with their individual differences and perspectives is essential to our strength and innovative capabilities. We want to create an inclusive working environment where everyone is valued and individual performance is recognised.
- Social engagement – or corporate citizenship – has always been an integral part of our sense of responsibility as a company and is embedded in our corporate values. In the UK, the Henkel Hemel Hempstead office supports the local charity, DENS, which houses, supports and empowers vulnerable single homeless people, and others in crisis, to transform their lives. Colleagues volunteer, raise money and take part in events for this charity. At our Winsford and St Neots sites, other local charities are supported.

When making principal decisions, the directors have regard to the interests of relevant stakeholders. An example of this during the current financial year is in connection with the recommendation of the payment of a dividend. Throughout the year the Board assessed the strength of the Company’s balance sheet and future prospects relative to uncertainties in the external environment. In making the decision the Board considered a range of factors. These included the long-term viability of the Company, its expected cash flow and future financing requirements.

This report was approved by the board on 23 October 2020 and signed on its behalf.



P Budden
Director

HENKEL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £19,303,000 (2018 - £6,441,000).

Dividends paid during the year amounted to £8,000,000 (2018 - £NIL).

DIRECTORS

The directors who served during the year and to the date of approval of these financial statements were:

C Knobel (resigned 23 March 2020)
P Budden
S Bhandal
J Crane (appointed 30 April 2019)
M Crane (resigned 30 April 2019)
G Deussen (appointed 23 March 2020)
E Gallagher
M Tyers (appointed 13 August 2019)

FUTURE DEVELOPMENTS

The director's plan to invest towards successful growth of all business units, either through acquisition or organic growth.

RESEARCH AND DEVELOPMENT ACTIVITIES

Henkel maintains regional research and development sites around the world. The site in Hemel Hempstead is one of Henkel's Technology centres of excellence, developing hot melt adhesives for food packaging and curing hot melt adhesives for General Industry, with industrial applications in all global regions. The Electronic Adhesives business also have both product development and applications laboratories in the Hemel Hempstead facility for the global product development and European technical customer support for solder materials.

ENGAGEMENT WITH EMPLOYEES

The commitment, skills and experience of all of our employees are the foundations on which we plan to build our future success. The success of our teams derives from their diversity, with employees working together with different competences and skills, educational backgrounds, and experience gained in different situations and countries.

The Company utilises a number of Henkel Group initiatives to engage with employees and more information can be found in the Henkel internet pages on Corporate culture, mission and vision statements.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Directors are required to promote the success of the Company as a whole and, in doing so, have regard to a range of stakeholders. On pages 3 - 4 we have set out how we have engaged with our key stakeholders, including customers, suppliers and others in a business relationship with the Company, and how the Board has considered their interests during the year.

HENKEL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position, including COVID-19, are set out in the Strategic Report and the Directors' Report.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared forecasts for the 14 month period to 31 December 2021 which indicate that, taking account of severe but plausible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Specifically, the Directors have considered a severe but plausible downside scenario in which, notwithstanding the increases in revenue seen following the lockdown period to date, management has assumed that the revenue during the forecast period will be in line with the Company's performance in April 2020 which was 31% lower than average monthly revenue for 2019. The forecast also assumes a slowdown in the collection of receivables and that the incidences of receivables not being collected increases. The forecasts do not include any cost saving measures and assumes gross margins reduce by 1%.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

POST BALANCE SHEET EVENTS

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a global pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. The outbreak of COVID-19 presents global challenges and uncertainties. It is not yet possible to determine its full impact on the Company's results for the current financial year, however, the Company expects the impact to be minimal.

There have been no other significant events affecting the Company since the year end.

HENKEL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

AUDITOR

The auditor, KPMG, Chartered Accountants, continue in office in accordance with section 487(2) of the Companies Act 2006 for the 2019 financial period.

The Company is a subsidiary of the Henkel group, whose ultimate parent, Henkel AG & Co. KGaA, had a mandatory requirement to rotate the auditor of its group accounts. PwC, Chartered Accountants, have been appointed by Henkel AG & Co. KGaA to conduct the audit of the group accounts from 2020 onwards, and PwC will be appointed as the auditor of the Company for the financial periods commencing after 1 January 2020.

This report was approved by the board on 23 October 2020 and signed on its behalf.



P Budden
Director

HENKEL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENKEL LIMITED

Opinion

We have audited the financial statements of Henkel Limited ("the company") for the year ended 31 December 2019 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENKEL LIMITED

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENKEL LIMITED

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

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

M Usman

Muhammad Usman (Senior statutory auditor)

for and on behalf of

KPMG LLP

Statutory Auditor
Chartered Accountants

58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

Date: 04/11/2020

HENKEL LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|-------------------------------------------|------|----------------|----------------|
| Turnover | 3 | 320,792 | 326,443 |
| Cost of sales | | (209,734) | (208,420) |
| GROSS PROFIT | | 111,058 | 118,023 |
| Distribution costs | | (42,507) | (46,341) |
| Administrative expenses | | (48,907) | (62,418) |
| Other operating income | 4 | 3,991 | 5,309 |
| Other operating charges | 5 | (485) | (1,682) |
| OPERATING PROFIT | 6 | 23,150 | 12,891 |
| Income from other fixed asset investments | 10 | 35,631 | - |
| Amounts written off investments | 18 | (34,378) | (4,181) |
| Interest receivable and similar income | 11 | 434 | 528 |
| Interest payable and similar expenses | 12 | (272) | (932) |
| Other finance income | 13 | 555 | 215 |
| PROFIT BEFORE TAX | | 25,120 | 8,521 |
| Tax on profit | 14 | (5,817) | (2,080) |
| PROFIT FOR THE FINANCIAL YEAR | | 19,303 | 6,441 |

The notes on pages 17 to 43 form part of these financial statements.

HENKEL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|-------------------------------------------------------------|------|----------------|--------------|
| Profit for the financial year | | 19,303 | 6,441 |
| OTHER COMPREHENSIVE INCOME | | | |
| Actuarial (loss)/gain on defined benefit schemes | | (4,716) | 4,047 |
| Movement on deferred tax relating to pension gains/(losses) | | 802 | (688) |
| Gain/(loss) from cash-flow hedging | | 462 | (80) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | (3,452) | 3,279 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 15,851 | 9,720 |

The notes on pages 17 to 43 form part of these financial statements.

HENKEL LIMITED
REGISTERED NUMBER:215496

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|------------------------------------------------|------|----------------|----------------|
| NON CURRENT ASSETS | | | |
| Intangible assets | 16 | 78,187 | 89,643 |
| Tangible assets | 17 | 5,471 | 6,151 |
| Investments | 18 | 22,413 | 56,791 |
| | | <u>106,071</u> | <u>152,585</u> |
| CURRENT ASSETS | | | |
| Debtors: amounts falling due within one year | 19 | 151,938 | 116,480 |
| Cash at bank and in hand | 20 | 2,991 | 7,505 |
| | | <u>154,929</u> | <u>123,985</u> |
| Creditors: amounts falling due within one year | 21 | (100,005) | (124,704) |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>54,924</u> | <u>(719)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>160,995</u> | <u>151,866</u> |
| PROVISIONS FOR LIABILITIES | | | |
| Deferred tax liability | 23 | (1,799) | (1,326) |
| Other provisions | 24 | (695) | (1,767) |
| | | <u>(2,494)</u> | <u>(3,093)</u> |
| Pension asset | 26 | 15,256 | 17,133 |
| NET ASSETS | | <u>173,757</u> | <u>165,906</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 25 | 100,000 | 100,000 |
| Revaluation reserve | | 2,862 | 2,862 |
| Other reserves | | 131 | (331) |
| Profit and loss account | | 70,764 | 63,375 |
| | | <u>173,757</u> | <u>165,906</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 October 2020.

P Budden
Director



The notes on pages 17 to 43 form part of these financial statements.

HENKEL LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Called up share capital | Revaluation reserve | Cash-flow and net investment hedging reserve | Profit and loss account | Total equity |
|----------------------------------------------------|----------------------------|------------------------|----------------------------------------------------------|----------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2019 | 100,000 | 2,862 | (331) | 63,375 | 165,906 |
| COMPREHENSIVE INCOME FOR THE YEAR | | | | | |
| Profit for the year | - | - | - | 19,303 | 19,303 |
| Actuarial losses on pension scheme | - | - | - | (3,914) | (3,914) |
| Loss on cash-flow hedging | - | - | 462 | - | 462 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | - | - | 462 | (3,914) | (3,452) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | - | - | 462 | 15,389 | 15,851 |
| Dividends: Equity capital | - | - | - | (8,000) | (8,000) |
| TOTAL TRANSACTIONS WITH OWNERS | - | - | - | (8,000) | (8,000) |
| AT 31 DECEMBER 2019 | 100,000 | 2,862 | 131 | 70,764 | 173,757 |

The notes on pages 17 to 43 form part of these financial statements.

HENKEL LIMITED

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

| | Called up share capital | Revaluation reserve | Cash-flow and net investment hedging reserve | Profit and loss account | Total equity |
|----------------------------------------------------|----------------------------|------------------------|----------------------------------------------------------|----------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2018 | 100,000 | 2,862 | (251) | 53,575 | 156,186 |
| COMPREHENSIVE INCOME FOR THE YEAR | | | | | |
| Profit for the year | - | - | - | 6,441 | 6,441 |
| Actuarial gains on pension scheme | - | - | - | 3,359 | 3,359 |
| Loss on cash-flow hedging | - | - | (80) | - | (80) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | - | - | (80) | 3,359 | 3,279 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | - | - | (80) | 9,800 | 9,720 |
| AT 31 DECEMBER 2018 | 100,000 | 2,862 | (331) | 63,375 | 165,906 |

The notes on pages 17 to 43 form part of these financial statements.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Henkel Limited is a private limited company, incorporated in England & Wales, company number 00215496. The registered office is at Wood Lane End, Hemel Hempstead, Hertfordshire, HP2 4RQ.

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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The presentation currency of these financial statements is sterling (£). All amounts in the financial statements have been rounded to the nearest thousand.

The following principal accounting policies have been applied:

2.2 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 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Henkel AG & Co. KGaA as at 31 December 2019 and these financial statements may be obtained from the Company Secretary, Henkel Limited, Wood Lane End, Hemel Hempstead, Hertfordshire, HP2 4RQ or online at www.henkel.com.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position, including COVID-19, are set out in the Strategic Report and the Directors' Report.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared forecasts for the 14 month period to 31 December 2021 which indicate that, taking account of severe but plausible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Specifically, the Directors have considered a severe but plausible downside scenario in which, notwithstanding the increases in revenue seen following the lockdown period to date, management has assumed that the revenue during the forecast period will be in line with the Company's performance in April 2020 which was 31% lower than average monthly revenue for 2019. The forecast also assumes a slowdown in the collection of receivables and that the incidences of receivables not being collected increases. The forecasts do not include any cost saving measures and assumes gross margins reduce by 1%.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.4 REVENUE

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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.5 INTANGIBLE ASSETS

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income statement over its useful economic life.

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | | | |
|-------------------------------|---|----|-------|
| Software | - | 3 | years |
| Goodwill | - | 10 | years |
| Trademarks | - | 10 | years |
| Other intangible fixed assets | - | 10 | years |

Goodwill has no residual value.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

2.6 RESEARCH AND DEVELOPMENT

The company provides research and development activities under a service contract with Henkel AG & Co. KGaA and the company does not own any of the resulting intangible assets. As the company will not take ownership of any intangible assets, all costs are expensed through the income statement as they are incurred.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.7 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.

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.

Depreciation is provided on the following basis:

| | |
|-----------------------|------------------------|
| Freehold property | - 2.5% to 5% per annum |
| Plant and machinery | - 10% to 20% per annum |
| Fixtures and fittings | - 10% to 25% per annum |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

2.8 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to the Income statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.10 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Income statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

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

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Income statement if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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 Income statement.

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.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

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 FINANCE COSTS

Finance costs are charged to the Income statement 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.

2.16 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.17 PENSIONS

Defined contribution pension plan

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

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.18 INTEREST INCOME

Interest income is recognised in the Income statement using the effective interest method.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 Income statement 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 Income statement, 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.

2.21 HEDGE ACCOUNTING

The company has entered into fixed rate foreign exchange forward contracts to manage its exposure to foreign exchange cash flow risk on its purchases of finished goods. These derivatives are measured at fair value at each reporting date. To the extent that the hedges are effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash-flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. **TURNOVER**

An analysis of turnover by class of business is as follows:

| | 2019 £000 | 2018 £000 |
|----------------------|----------------|----------------|
| Industrial Adhesives | 112,256 | 113,759 |
| Consumer Adhesives | 61,104 | 60,544 |
| Beautycare | 105,439 | 109,209 |
| Laundry & Home Care | 37,566 | 38,830 |
| Corporate | 4,427 | 4,101 |
| | <u>320,792</u> | <u>326,443</u> |

Analysis of turnover by country of destination:

| | 2019 £000 | 2018 £000 |
|-------------------|----------------|----------------|
| United Kingdom | 301,528 | 305,099 |
| Rest of Europe | 17,468 | 18,444 |
| Rest of the world | 1,796 | 2,900 |
| | <u>320,792</u> | <u>326,443</u> |

4. **OTHER OPERATING INCOME**

| | 2019 £000 | 2018 £000 |
|-------------------------------------------|--------------|--------------|
| Other operating income | 1,959 | 273 |
| Income from sub-lease of property | 128 | 71 |
| Royalty receivable | 1,903 | 1,529 |
| Profit on disposal of business operations | - | 3,436 |
| Profit on disposal of tangible assets | 1 | - |
| | <u>3,991</u> | <u>5,309</u> |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5. OTHER OPERATING CHARGES

| | 2019 £000 | 2018 £000 |
|---------------------------------------|--------------|--------------|
| Restructuring costs | 327 | 754 |
| Loss on disposal of intangible assets | - | 818 |
| Customer claims | - | (12) |
| Divestment/Acquisition costs | 111 | 73 |
| Other operating charges | 47 | 49 |
| | <u>485</u> | <u>1,682</u> |

6. OPERATING PROFIT

The operating profit is stated after charging:

| | 2019 £000 | 2018 £000 |
|-------------------------------------------------------|--------------|--------------|
| Other operating lease rentals | 2,316 | 2,195 |
| Depreciation of tangible fixed assets | 1,285 | 1,311 |
| Amortisation of intangible assets, including Goodwill | 11,459 | 12,126 |
| Impairment of intangible assets | - | 8,443 |
| | <u></u> | <u></u> |

7. AUDITOR'S REMUNERATION

| | 2019 £000 | 2018 £000 |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | 128 | 115 |
| | <u></u> | <u></u> |

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. EMPLOYEES

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

| | 2019 £000 | 2018 £000 |
|-------------------------------------|---------------|---------------|
| Wages and salaries | 20,524 | 21,115 |
| Social security costs | 2,769 | 2,836 |
| Cost of defined benefit scheme | 1,496 | 5,849 |
| Cost of defined contribution scheme | 2,046 | 1,949 |
| | <u>26,835</u> | <u>31,749</u> |

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

| | 2019 No. | 2018 No. |
|----------------------------------|-------------|-------------|
| Administration | 47 | 46 |
| Research and development | 12 | 19 |
| Supply Chain / Customer Services | 55 | 58 |
| Sales and marketing | 274 | 269 |
| | <u>388</u> | <u>392</u> |

9. DIRECTORS' REMUNERATION

| | 2019 £000 | 2018 £000 |
|---------------------------------------------------------------|--------------|--------------|
| Directors' emoluments | 945 | 829 |
| Company contributions to defined contribution pension schemes | 48 | 41 |
| | <u>993</u> | <u>870</u> |

During the year retirement benefits were accruing to 4 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £211,000 (2018 - £243,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,000 (2018 - £NIL).

Note for non-disclosure of other Directors

The directors' have determined that their qualifying services to the company do not occupy a significant amount of their time. The directors do not consider that they have received any remuneration for their qualifying services to the company for the periods ended 31 December 2019 and 31 December 2018.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. INCOME FROM INVESTMENTS

| | 2019 £000 | 2018 £000 |
|--------------------------------------|---------------|--------------|
| Dividends received from investmenrts | 35,631 | - |
| | <u>35,631</u> | <u>-</u> |

The Company received dividends of £1,791,000 from Spotless Punch (UK) Limited and £33,840,000 from Darex UK Limited.

11. INTEREST RECEIVABLE

| | 2019 £000 | 2018 £000 |
|-----------------------------------------------|--------------|--------------|
| Interest receivable from group companies | 434 | 491 |
| Net foreign exchange gains on financial items | - | 36 |
| Other interest receivable | - | 1 |
| | <u>434</u> | <u>528</u> |

12. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2019 £000 | 2018 £000 |
|------------------------------------------------|--------------|--------------|
| Net foreign exchange losses on financial items | 127 | - |
| Interest payable to group companies | 141 | 929 |
| Other interest payable | 4 | 3 |
| | <u>272</u> | <u>932</u> |

13. OTHER FINANCE INCOME

| | 2019 £000 | 2018 £000 |
|-------------------------------------------|--------------|--------------|
| Net interest on net defined benefit asset | 555 | 215 |
| | <u>555</u> | <u>215</u> |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. TAXATION

| | 2019 £000 | 2018 £000 |
|--------------------------------------------------|--------------|--------------|
| CORPORATION TAX | | |
| Current tax on profits for the year | 4,401 | 2,848 |
| Adjustments in respect of previous periods | (589) | (1,072) |
| | <u>3,812</u> | <u>1,776</u> |
| FOREIGN TAX | | |
| Foreign tax on income for the year | 245 | 198 |
| Adjustments in respect of prior periods | (71) | - |
| | <u>174</u> | <u>198</u> |
| TOTAL CURRENT TAX | <u>3,986</u> | <u>1,974</u> |
| DEFERRED TAX | | |
| Origination and reversal of timing differences | 2,036 | 2,776 |
| Changes to tax rate | (286) | (290) |
| Adjustments in respect of previous periods | 81 | (2,380) |
| TOTAL DEFERRED TAX | <u>1,831</u> | <u>106</u> |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | <u>5,817</u> | <u>2,080</u> |

HENKEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (*2018 - higher than*) the standard rate of corporation tax in the UK of 19.00% (*2018 - 19.00%*). The differences are explained below:

| | 2019 £000 | <i>2018 £000</i> |
|---------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Profit on ordinary activities before tax | 25,120 | <i>8,521</i> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (<i>2018 - 19.00%</i>) | 4,773 | <i>1,619</i> |
| EFFECTS OF: | | |
| Non-tax deductible amortisation and impairment of goodwill and trademarks | 1,815 | <i>3,391</i> |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 87 | <i>84</i> |
| Adjustments to tax charge in respect of prior periods | (660) | <i>(1,072)</i> |
| Reduction in tax rate on deferred tax balances | (286) | <i>(290)</i> |
| Non-tax deductible impairment of investment | 6,532 | <i>794</i> |
| Foreign tax suffered | 245 | <i>198</i> |
| Other permanent differences | - | <i>(264)</i> |
| Dividends from UK companies | (6,770) | <i>-</i> |
| Adjustment to pension spreading | - | <i>(2,380)</i> |
| Deferred tax adjustment in respect of prior year | 81 | <i>-</i> |
| TOTAL TAX CHARGE FOR THE YEAR | 5,817 | <i>2,080</i> |

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the Company's deferred tax asset as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset by £170,000.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. DIVIDENDS

| | 2019 £000 | 2018 £000 |
|-----------------------------------------|--------------|--------------|
| Dividends paid to Henkel Nederland B.V. | 8,000 | - |
| | <u>8,000</u> | <u>-</u> |

16. INTANGIBLE ASSETS

| | Software £000 | Product Registration Costs £000 | Trademarks £000 | Goodwill £000 | Total £000 |
|----------------------------------------|------------------|------------------------------------------|--------------------|------------------|----------------|
| COST | | | | | |
| At 1 January 2019 | 4,693 | 147 | 13,301 | 283,391 | 301,532 |
| Transfers between classes | 3 | - | - | - | 3 |
| At 31 December 2019 | <u>4,696</u> | <u>147</u> | <u>13,301</u> | <u>283,391</u> | <u>301,535</u> |
| AMORTISATION AND IMPAIRMENT | | | | | |
| At 1 January 2019 | 4,444 | 63 | 4,797 | 202,585 | 211,889 |
| Charge for the year on owned assets | 49 | 19 | 1,122 | 10,269 | 11,459 |
| At 31 December 2019 | <u>4,493</u> | <u>82</u> | <u>5,919</u> | <u>212,854</u> | <u>223,348</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 2019 | <u>203</u> | <u>65</u> | <u>7,382</u> | <u>70,537</u> | <u>78,187</u> |
| At 31 December 2018 | <u>249</u> | <u>84</u> | <u>8,504</u> | <u>80,806</u> | <u>89,643</u> |

HENKEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. TANGIBLE FIXED ASSETS

| | Freehold property £000 | Plant and machinery £000 | Fixtures and fittings £000 | Assets in course of construction £000 | Total £000 |
|----------------------------------------|------------------------------|--------------------------------|----------------------------------|------------------------------------------------|---------------|
| COST OR VALUATION | | | | | |
| At 1 January 2019 | 4,910 | 2,244 | 7,966 | 55 | 15,175 |
| Additions | 16 | (4) | 449 | 152 | 613 |
| Disposals | - | (2) | (188) | - | (190) |
| Transfers between classes | (19) | 38 | 33 | (55) | (3) |
| At 31 December 2019 | <u>4,907</u> | <u>2,276</u> | <u>8,260</u> | <u>152</u> | <u>15,595</u> |
| DEPRECIATION | | | | | |
| At 1 January 2019 | 1,960 | 1,895 | 5,169 | - | 9,024 |
| Charge for the year on owned assets | 226 | 67 | 992 | - | 1,285 |
| Disposals | - | (1) | (184) | - | (185) |
| At 31 December 2019 | <u>2,186</u> | <u>1,961</u> | <u>5,977</u> | <u>-</u> | <u>10,124</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 2019 | <u>2,721</u> | <u>315</u> | <u>2,283</u> | <u>152</u> | <u>5,471</u> |
| At 31 December 2018 | <u>2,950</u> | <u>349</u> | <u>2,797</u> | <u>55</u> | <u>6,151</u> |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

18. FIXED ASSET INVESTMENTS

| | Investments in subsidiary companies £000 |
|--------------------------|---------------------------------------------------|
| COST OR VALUATION | |
| At 1 January 2019 | 197,301 |
| At 31 December 2019 | 197,301 |
| IMPAIRMENT | |
| At 1 January 2019 | 140,510 |
| Charge for the period | 34,378 |
| At 31 December 2019 | 174,888 |
| NET BOOK VALUE | |
| At 31 December 2019 | 22,413 |
| At 31 December 2018 | 56,791 |

During the year the Company received dividends totalling £35,631,000 and as a result the carrying value of the associated investments were written down by £34,378,000.

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

| Name | Principal activity | Class of shares | Holding |
|------------------------------|---------------------|--------------------|---------|
| Henkel UK Operations Limited | Production services | Ordinary | 100% |
| Spotless Punch (UK) Limited | Dormant company | Ordinary | 100% |
| Jeyes Group Limited | Dormant company | Ordinary | 100% |
| Darex UK Limited | Dormant company | Ordinary | 100% |

The registered office for all subsidiary undertakings was Wood Lane End, Hemel Hempstead, Hertfordshire, United Kingdom, HP2 4RQ.

HENKEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. FIXED ASSET INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

| Name | Aggregate of share capital and reserves £000 | Profit/(Loss) £000 |
|------------------------------|-------------------------------------------------------|-----------------------|
| Henkel UK Operations Limited | 16,730 | 585 |
| Spotless Punch (UK) Limited | 1 | (208) |
| Jeyes Group Limited | 65 | 57 |
| Darex UK Limited | 3,204 | 7 |

19. DEBTORS

| | 2019 £000 | 2018 £000 |
|--------------------------------------------------------|----------------|----------------|
| Trade debtors | 65,342 | 67,455 |
| Amounts owed by group companies - trade | 1,952 | 1,955 |
| Amounts owed by group companies - financials and loans | 51,644 | 22,931 |
| Amounts owed by group companies - cash pool | 23,896 | 10,050 |
| Other debtors | 1,896 | 7,601 |
| Prepayments and accrued income | 450 | 361 |
| Tax recoverable | 3,513 | 2,326 |
| Deferred tax asset | 3,245 | 3,801 |
| | <u>151,938</u> | <u>116,480</u> |

20. CASH AND CASH EQUIVALENTS

| | 2019 £000 | 2018 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 2,991 | 7,505 |
| | <u>2,991</u> | <u>7,505</u> |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. CREDITORS: Amounts falling due within one year

| | 2019 £000 | 2018 £000 |
|-------------------------------------------------------|----------------|----------------|
| Trade creditors | 5,558 | 5,591 |
| Amounts owed to group companies - trade | 19,883 | 21,502 |
| Amounts owed to group companies - financial and loans | 34,958 | 57,666 |
| Other taxation and social security | 5,044 | 5,645 |
| Other creditors | 3,690 | 4,578 |
| Accruals and deferred income | 30,872 | 29,722 |
| | <u>100,005</u> | <u>124,704</u> |

| | 2019 £000 | 2018 £000 |
|-------------------------------------------|--------------|--------------|
| OTHER TAXATION AND SOCIAL SECURITY | | |
| PAYE/NI control | 1,436 | 1,086 |
| VAT control | 3,608 | 4,559 |
| | <u>5,044</u> | <u>5,645</u> |

22. FINANCIAL INSTRUMENTS

| | 2019 £000 | 2018 £000 |
|-----------------------------------------------------------------------|-----------------|-----------------|
| FINANCIAL ASSETS | | |
| Financial assets measured at fair value through profit or loss | 2,991 | 7,505 |
| Financial assets that are debt instruments measured at amortised cost | 144,730 | 109,992 |
| | <u>147,721</u> | <u>117,497</u> |
| FINANCIAL LIABILITIES | | |
| Financial liabilities measured at amortised cost | <u>(64,089)</u> | <u>(89,337)</u> |

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors (note 19)

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and other creditors (note 21)

HENKEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

23. DEFERRED TAXATION

| | 2019 | <i>2018</i> |
|---------------------------------------|----------------|--------------|
| | £000 | <i>£000</i> |
| At beginning of year | 2,475 | <i>3,269</i> |
| Charged to profit or loss | (1,831) | <i>(106)</i> |
| Charged to other comprehensive income | 802 | <i>(688)</i> |
| At end of year | 1,446 | <i>2,475</i> |

The deferred tax balance is made up as follows:

| | 2019 | <i>2018</i> |
|----------------------------------------------------------------------------------|----------------|----------------|
| | £000 | <i>£000</i> |
| Difference between accumulated depreciation, amortisation and capital allowances | 2,793 | <i>3,014</i> |
| Pension deferred tax | (1,799) | <i>(1,326)</i> |
| Other short term timing difference | 452 | <i>787</i> |
| | 1,446 | <i>2,475</i> |

COMPRISING:

| | | |
|-----------|----------------|----------------|
| Asset | 3,245 | <i>3,801</i> |
| Liability | (1,799) | <i>(1,326)</i> |
| | 1,446 | <i>2,475</i> |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24. PROVISIONS

| | Restructuring £000 | Other £000 | Total £000 |
|----------------------------|-----------------------|---------------|---------------|
| At 1 January 2019 | 1,720 | 47 | 1,767 |
| Charged to profit or loss | 34 | 293 | 327 |
| Utilised in year | (1,342) | (57) | (1,399) |
| AT 31 DECEMBER 2019 | 412 | 283 | 695 |

25. SHARE CAPITAL

| | 2019 £000 | 2018 £000 |
|----------------------------------------------------------------|----------------|----------------|
| Allotted, called up and fully paid | | |
| 100,000,000 (2018 - 100,000,000) Ordinary shares of £1.00 each | 100,000 | 100,000 |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

26. PENSIONS

Defined contribution pension plan

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £2,046,000 (2018 - £1,949,000). Contributions totalling £NIL (2018 - £140,000) were payable to the fund at the reporting date and are included in creditors.

Defined benefit pension plan

The Company operates a Defined benefit pension scheme.

The Defined Benefit pension scheme provides benefits based on final pensionable pay and is now closed to new entrants. The assets of the schemes are held separately from those of the Company in independently administered funds.

The fair value of the scheme's assets are not intended to be realised in the short term and may be subject to significant change before they are realised. The present value of the scheme's liabilities are derived from cash flow projections over the long term and are inherently uncertain.

The Company operates four defined benefit schemes: Henkel Retirement Benefits Scheme (HRBS), Achesons Industries (Europe) Limited Retirement Benefits Scheme (AIEL), the Dylon Retirement Benefits Plan (DRBP) and the Jeyes UK Pension Scheme (JUKPS). The disclosures below are prepared on an aggregated basis.

Reconciliation of present value of plan liabilities:

| | 2019 £000 | 2018 £000 |
|-------------------------------|----------------|----------------|
| At the beginning of the year | 398,809 | 429,738 |
| Current service cost | 1,494 | 1,855 |
| Interest cost | 10,933 | 10,099 |
| Actuarial gains/losses | 45,782 | (29,046) |
| Participant contributions | 25 | 31 |
| Benefits paid | (16,654) | (17,865) |
| Past service cost | - | 3,997 |
| AT THE END OF THE YEAR | 440,389 | 398,809 |

HENKEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

26. PENSIONS (CONTINUED)

Reconciliation of present value of plan assets:

| | 2019 £000 | 2018 £000 |
|-------------------------------|----------------|----------------|
| At the beginning of the year | 415,942 | 434,009 |
| Interest income | 11,488 | 10,314 |
| Employer contributions | 3,778 | 14,452 |
| Actuarial gains/losses | 41,066 | (24,999) |
| Participant contributions | 25 | 31 |
| Benefits paid | (16,654) | (17,865) |
| AT THE END OF THE YEAR | 455,645 | 415,942 |

Composition of plan assets:

| | 2019 £000 | 2018 £000 |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 2,263 | 2,174 |
| Equity instruments | 35,315 | 29,880 |
| Debt instruments | 165,014 | 160,201 |
| Other | 253,053 | 223,687 |
| TOTAL PLAN ASSETS | 455,645 | 415,942 |

| | 2019 £000 | 2018 £000 |
|-------------------------------------|---------------|---------------|
| Fair value of plan assets | 455,645 | 415,942 |
| Present value of plan liabilities | (440,389) | (398,809) |
| NET PENSION SCHEME LIABILITY | 15,256 | 17,133 |

The amounts recognised in profit or loss are as follows:

| | 2019 £000 | 2018 £000 |
|---------------------------------|--------------|--------------|
| Current service cost | 1,494 | 1,855 |
| Net interest expense / (income) | (555) | (215) |
| Past service cost | - | 3,997 |
| TOTAL | 939 | 5,637 |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

26. PENSIONS (CONTINUED)

The Company expects to contribute £4,191,000 to its Defined benefit pension scheme in 2020.

Principal actuarial assumptions at the Statement of financial position date (expressed as weighted averages):

| | 2019 % | 2018 % |
|-----------------------------------------|-----------|-----------|
| Discount rate | 2.10 | 2.80 |
| Future salary increases | 3.65 | 3.90 |
| Future pension increases | 2.58 | 2.75 |
| Inflation assumption | 3.15 | 3.40 |
| Mortality rates | | |
| - for a male aged 65 now | 24.4 | 24.3 |
| - at 65 for a male aged 45 now | 26.4 | 26.3 |
| - for a female aged 65 now | 26.2 | 26.1 |
| - at 65 for a female member aged 45 now | 28.3 | 28.2 |

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

| | 2019 £000 | 2018 £000 | 2017 £000 | 2016 £000 | 2015 £000 |
|----------------------------------------------|---------------|-----------------|---------------|----------------|----------------|
| Defined benefit obligation | (440,389) | (398,809) | (429,738) | (376,552) | (291,449) |
| Scheme assets | 455,645 | 415,942 | 434,009 | 372,108 | 318,927 |
| SURPLUS/(DEFICIT) | 15,256 | 17,133 | 4,271 | (4,444) | 27,478 |
| Experience adjustments on scheme liabilities | - | (152) | 12,126 | 8,966 | - |
| Experience adjustments on scheme assets | 41,066 | (24,999) | 10,291 | 61,502 | (9,253) |
| | 41,066 | (25,151) | 22,417 | 70,468 | (9,253) |

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

27. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £000 | 2018 £000 |
|----------------------------------------------|---------------------|---------------------|
| Land and Buildings | | |
| Not later than 1 year | 1,166 | 1,054 |
| Later than 1 year and not later than 5 years | 3,433 | 2,900 |
| Later than 5 years | 3,604 | 3,785 |
| | <u>8,203</u> | <u>7,739</u> |
| Other | | |
| Not later than 1 year | 912 | 949 |
| Later than 1 year and not later than 5 years | 1,347 | 957 |
| Later than 5 years | - | - |
| Total | <u><u>2,259</u></u> | <u><u>1,906</u></u> |

28. RELATED PARTY TRANSACTIONS

| | 2019 £000 | 2018 £000 |
|----------------------------------------|----------------------|------------------------|
| Debtors relating to parents | 22,986 | 10,974 |
| Debtors relating to subsidiary | 33,947 | 457 |
| Debtors relating to other affiliates | 20,559 | 23,505 |
| Creditors relating to parents | (21,537) | (41,893) |
| Creditors relating to subsidiary | (33,232) | (37,159) |
| Creditors relating to other affiliates | (72) | (116) |
| | <u><u>22,651</u></u> | <u><u>(44,232)</u></u> |

29. POST BALANCE SHEET EVENTS

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a global pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. The outbreak of COVID-19 presents global challenges and uncertainties. It is not yet possible to determine its full impact on the Company's results for the current financial year, however, the Company expects the impact to be minimal.

There have been no other significant events affecting the Company since the year end.

HENKEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

30. CONTROLLING PARTY

The immediate parent company is Henkel Nederland B.V., a company incorporated in the Netherlands. The ultimate parent company and controlling party is Henkel AG & Co. KGaA, a company incorporated in Germany. The largest and smallest group in which the results of the company are consolidated is that headed by Henkel AG & Co. KGaA. The consolidated accounts of the Henkel Group are available to the public and may be obtained from the Secretary, Henkel Limited, Wood Lane End, Hemel Hempstead, Hertfordshire, HP2 4RQ and are available to download at www.henkel.com/investor-relations.