Bosch Automotive Service Solutions Ltd

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

Company Number: 00880052

Incorporated: 25 May 1966

Company information for the year ended 31 December 2018

Directors	Mr. D. Butterworth Dr. S. Hoffmann Mr. R. Hilbert
Company secretary	Mr. J. Burton
Company number	00880052
Registered office	C/o Legal Department Robert Bosch Limited Broadwater Park North Orbital Road Denham Uxbridge UB9 5HJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX

Contents

Strategic report for the year ended 31 December 2018

(All amounts in £ thousands unless otherwise stated)

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

Principal activities

The company's principal activity during the year were the supply of diagnostic solutions to automotive companies, the selling of speciality service tools for the automotive industry, the provision of engineering and management consultancy services and the provision of apprentice and adult training (specialising in the road transport industry).

Review of the business

In 2018, revenue decreased from £33,793 to £31,283 and profit before income taxation decreased from a profit of £2,327 in 2017 to a loss before income taxation of £3,704.

Operating profit has decreased from a profit of £2,287 to a loss of £3,697. The decreased sales performance was a result of tougher market conditions in the Automotive industry. Overall costs increased due to additional project costs and increased investment in Research & Development.

The statement of financial position at the end of the year deteriorated upon prior year by £3,318.

Principal risks and uncertainties

a) Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

b) Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will continue to revisit the appropriateness of this policy should the company's operations change in size or nature.

c) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by the board. The utilisation of credit limits is regularly monitored. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

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

(All amounts in £ thousands unless otherwise stated)

d) Liquidity risk

The company currently has no requirements for debt finance outside the Robert Bosch Group.

Key performance indicators

The company faced a challenging 2018 and its performance reflects this. It is currently addressing these issues and also investing significantly into future product development. Progress is monitored by the board and the divisional directors by reference to the following KPIs:

	2018	2017	
Decline in sales (%)	**(7.4)**	(13.4)	Year on year sales growth expressed as a percentage.
Operating margin (%)	**(11.8)**	6.8	Operating margin is the ratio of operating profit (before exceptional items) to sales, expressed as a percentage.
Return on invested capital (%)	**(25.4)**	12.8	Operating profit expressed as a percentage of net assets (excluding pension deficit).
Value added per employee (£000)	**96.0**	124.1	Value added is turnover less cost of material, divided by average employee capacity.

Environmental matters

In accordance with the Bosch core values, the company continues to understand and improve its impact on the environment. This includes, but is not limited to, regular reviews of energy and packaging usage, developing products that are power efficient, and capital expenditure on its assets to improve overall efficiency.

Going concern

The ultimate parent company, Robert Bosch GmbH, has confirmed it will provide financial support as necessary for the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

By order of the board

Mr. J. Burton

Company Secretary

16 September 2019

Directors' report for the year ended 31 December 2018

(All amounts in £ thousands unless otherwise stated)

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

Future developments

The company has taken the decision as allowed under s414C of the Companies Act 2006 not to disclose information about impending developments or matters in the course of negotiation as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the company.

Proposed dividend

No dividend will be paid in relation to the year ended 31 December 2018.

Dividends paid during the year comprise a final dividend of £1,885, equivalent to 754p per share, in respect of the previous year ended 31 December 2017.

Political donations and political expenditure

There were no political donations during the year (2017: £Nil).

Directors

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

Mr. D. Butterworth

Dr. S. Hoffmann

Mr. R Hilbert – appointed 13 April 2018

Mr. D. Moran – resigned 13 April 2018

Mrs. F. Ribeiro – resigned 1 April 2018

Qualifying third-party and pension scheme indemnity provisions

The Robert Bosch group maintains liability insurance for its directors and officers. The group has also provided an indemnity for its directors and secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This indemnity was in place during the financial year and continues to be in place at the date of the approval of these financial statements.

Research and development

The highly technical nature of our products requires a continuing engineering and development effort. The directors regard the investment in research and development as integral to the continuing success of the business in order to provide the customer with the technology and the processes to meet their requirements.

The charge to the income statement in the year was £4,729 (2017: £4,106).

Events after the end of the reporting period

Subsequent to the date of the statement of financial position, there were no events that are not disclosed in these financial statements.

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

(All amounts in £ thousands unless otherwise stated)

Stakeholder engagement

With employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken in to account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

The company is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, religion, sexual orientation or disability.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective attitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

With suppliers, customers, and others

As part of the global Bosch group, the company operates a "Code of Business Conduct" to which all associates are expected to adhere and receive regular training. It sets out how the company's associates are expected to act in their day to day business activities. In conjunction with the Bosch values, it provides a rock-solid foundation on which trust can grow – trust that is essential if the company is to grow and be successful for the benefit of all its stakeholders.

This includes, but is not limited to:

- Lawful, regulation-compliant, responsible, and fair conduct;
- Avoiding conflicts of interest;
- Keeping confidential information secret and handling sensitive data responsibly;
- Observing rules of fair competition, create unambiguous and documented agreements with suppliers and customers, and have a zero-tolerance to corruption in any form;
- Producing quality, safe products and services to the highest quality and reliability;
- Respect for the intellectual property of third-parties.

The company's executive management is responsible for compliance to the Code of Business Conduct. The corporate internal auditing department (C/AU), including its local units, has an unlimited right to request information and conduct audits, provided these do not run contrary to statutory or company regulations.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

(All amounts in £ thousands unless otherwise stated)

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that:

- As far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board

Mr. J. Burton

Company Secretary

16 September 2019

Independent auditors' report to the members of Bosch Automotive Service Solutions Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Bosch Automotive Service Solutions Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent auditors' report to the members of Bosch Automotive Service Solutions Ltd (continued)

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Independent auditors' report to the members of Bosch Automotive Service Solutions Ltd (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
16 September 2019

Income statement for the year ended 31 December 2018

(All amounts in £ thousands unless otherwise stated)

		Year ended 31 December	
Continuing operations	*Note*	**2018**	2017
Revenue	*4*	**31,283**	33,793
Cost of sales		**(25,122)**	(22,517)
Gross profit		**6,161**	11,276
Distribution costs		**(1,775)**	(2,044)
Administrative expenses		**(8,072)**	(7,459)
Net gains on reversal of impairment on financial and contract assets	*5*	**20**	410
Other (expense) / income		**(31)**	104
Operating (loss) / profit	*6*	**(3,697)**	2,287
Finance income	*8*	**17**	40
Finance expense	*8*	**(24)**	-
Finance (expense) / income – net	*8*	**(7)**	40
(Loss) / profit before income tax		**(3,704)**	2,327
Income tax credit / (expense)	*9*	**2,135**	(442)
(Loss) / profit for the financial year		**(1,569)**	1,885

The notes on pages 14 to 40 are an integral part of these financial statements.

All activity is derived from continuing operations.

There is no other comprehensive income for 2018 or 2017 and therefore no statement of comprehensive income has been presented.

Statement of financial position

(All amounts in £ thousands unless otherwise stated)

	Note	As at 31 December **2018**	2017
Fixed assets			
Intangible assets			
Goodwill	*10*	**6,631**	6,631
Other intangibles	*10*	**1,273**	1,357
Property, plant and equipment	*11*	**1,411**	361
Investments	*12*	**3,385**	3,385
		12,700	11,676
Current assets			
Inventories	*13*	**3,717**	2,105
Trade and other receivables	*14*	**13,288**	11,272
Cash and cash equivalents		**2,196**	2,845
		19,201	16,222
Creditors : amounts falling due within one year	*16*	**(17,041)**	(9,757)
Net current assets		**2,160**	6,465
Total assets less current liabilities		**14,860**	18,199
Provisions for liabilities	*17*	**(283)**	(304)
Net assets		**14,577**	17,895
Equity			
Called up share capital	*19*	**250**	250
Share premium account		**15,760**	15,760
(Accumulated losses)/retained earnings		**(1,433)**	1,885
Total shareholders' funds		**14,577**	17,895

The notes on pages 14 to 40 are an integral part of these financial statements.

The financial statements on pages 11 to 40 were authorised for issue by the board of directors on 16 September 2019 and were signed on its behalf.

Dr. S. Hoffmann
Director

Bosch Automotive Service Solutions Ltd
Registered no. 00880052

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

(All amounts in £ thousands unless otherwise stated)

	Notes	Called up share capital	Share Premium	(Accumulated losses) / Retained earnings	Total
Balance as at 1 January 2017		250	15,760	3,911	19,921
Profit for the financial year		-	-	1,885	1,885
Total comprehensive income for the year		-	-	1,885	1,885
Dividends		-	-	(3,911)	(3,911)
Total transactions with owners, recognised directly in equity		-	-	(3,911)	(3,911)
Balance as at 31 December 2017		**250**	**15,760**	**1,885**	**17,895**
Change in accounting policies	*25*	-	-	136	136
Restated balance as at 1 January 2018		250	15,760	2,021	18,031
Loss for the financial year		-	-	(1,569)	(1,569)
Total comprehensive expense for the year		-	-	(1,569)	(1,569)
Dividends		-	-	(1,885)	(1,885)
Total transactions with owners, recognised directly in equity		-	-	(1,885)	(1,885)
Balance as at 31 December 2018		**250**	**15,760**	**(1,433)**	**14,577**

The notes on pages 14 to 40 are an integral part of these financial statements.

Notes to the financial statements

(All amounts in £ thousands unless otherwise stated)

1 General information

Bosch Automotive Service Solutions Ltd provides Software solutions, hardware, specialist tools and training services for the Automotive Industry.

The company is a private limited company and is incorporated and domiciled in the United Kingdom.

2 Significant accounting policies

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

2.1 Basis of Preparation

The financial statements of Bosch Automotive Service Solutions Ltd have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
    i. paragraph 79(a)(iv) of IAS 1;
    ii. paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
    iii. paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    i. 10(d) (statement of cash flows);
    ii. 16 (statement of compliance with all IFRS);
    iii. 38A (requirement for minimum of two primary statements, including cash flow statements);
    iv. 38B–D (additional comparative information);
    v. 111 (cash flow statement information); and
    vi. 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

2.1.1 Going concern

The ultimate parent company, Robert Bosch GmbH, has confirmed it will provide financial support as necessary for the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

2.1.2 New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018 and any material impact on the company is shown in note 25. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 have had a material impact on the company.

2.2 Consolidation

The company is a wholly owned subsidiary of Robert Bosch UK Holdings Limited and of its ultimate parent, Robert Bosch GmbH. It is included in the consolidated financial statements of Robert Bosch GmbH, which are publicly available. Therefore the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is Robert Bosch GmbH, Robert Bosch Platz 1, Gerlingen-Schillerhöhe, D-70049 Stuttgart, Germany.

These financial statements are separate financial statements.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income'.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

2.4 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost could also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Land and buildings 15 years
- Plant and machinery 3-5years
- Fixtures, fittings, tools equipment 3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Other income' in the income statement.

2.5 Intangible assets

Goodwill

Goodwill is stated at cost less accumulated amortisation less any accumulated impairment losses. Goodwill is allocated to cash-generating units.

Patents and trademarks

Patents and trademarks are stated at cost less accumulated amortisation.

Research and development

Expenditure on research activities is recognised in the income statement as an expense incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete the development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as expenses incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at the date of each statement of financial position. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

– Patents and trademarks 10 years

– Capitalised development costs 10 years

2.6 Impairment of non-financial assets

Non-financial assets that are not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreication are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. 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 fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial assets

2.7.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading, unless they are designated as hedges (see note 2.10). Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current investments.

b) Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise receivables, cash and commercial paper in the statement of financial position.

2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – that is, the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

Gains or losses arising from changes in the 'fair value of the financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

2.8 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.9 Impairment of financial assets

Assets carried at amortised cost

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.10 Derivative financial instruments and hedging activities

The company has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Long term contract receivables

Long term contract receivables represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measureable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measureable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

Cost includes all expenditure related to directly to specific projects and an allocation of fixed and variable overheads incurred in the company's contract activities based on normal operating capacity.

Long term contract receivables are presented as part of debtors in the statement of financial position.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities.

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

2.16 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which do not have a redemption entitlement, have mandatory dividend payments paid half-yearly in arrears and are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing spending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred tax

The tax expense for the period 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 shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting, nor taxable, profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

The company operates various post-employment schemes, including defined contribution pension plan.

a) Pension obligations

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised where: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Reorganisation provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is recognised in according with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfy a performance obligation.

(a) Sale of goods

Sales of goods are recognised when the company has delivered products to the customer, the customer has full discretion over the channel and price for selling the products onwards, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied. The company's products are often sold with volume discounts, and customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present, because the sales are made with a credit term which is consistent with the market practice.

(b) Sale of services

The company sells design services to other manufacturers. For sales of services, revenue is recognised when performance obligations have been settled, a performance obligation has been settled when the customer has received all the benefits associated with the performance obligation, and is able to use and enjoy the asset to his or her own discretion.

2.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.24 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The company leases certain property, plant and equipment. Leases of property, plant and equipment, where the company has substantially all of the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised, at the lease's commencement, at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in 'Creditors – amounts falling due after more than one year'. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

2.26 Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.27 Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

3 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Stage of completion of contracts

In assessing the allocation of revenues and costs to accounting periods, the company reviews the stage of completion as assessed by the project manager. Normally, certain deliverable milestones will be agreed in advance with the customer. In making the estimates, the project manager will take in to account similar historic projects, knowledge of the customer and services provided. See note 1311 for the carrying amount of contract work-in-progress.

b) Warranty

Warranty is provided for on hardware sales and service contracts. A warranty provision is recognised for the cost expected to incur on the repair of hardware products sold and the performance of service products, where a legal or constructive obligation exists. The basis of the provision on hardware sales is supported by historical failure ad historical cost to repair.

The provision on service sales is to cover additional work for the customer following completion of the project. This arises most commonly where there is a requirement to fix bugs in the software that can occur up to a given point in time depending on the agreement with the customer. The value of the provision is based on historical costs on projects post completion. See note 17 for the carrying amount of the warranty provision.

c) Recoverability of intangibles

The company records all intangible assets acquired as part of a business combination at fair value. Intangible assets are deemed to have indefinite lives and as such are not amortised but are subject, as a minimum, to annual tests for impairment. Determining whether intangible assets are impaired requires an estimation of the recoverable amount through value in use of the cash-generating units to which the intangible asset has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. See note 10 for the carrying amount of the intangibles.

d) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment and note 2.4 for the useful economic lives for each class of assets.

e) Inventory provisioning

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

The company designs, manufactures and sells products and is subject to changing customer demands and economic trends. As a result it is necessary to consider the recoverability of the cost of the stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of the finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory and associated provision.

f) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and the historical experience. See note 14 for the net carrying amount of the receivables and associated impairment provision.

4 Revenue

Analysis of revenue by geography:

	2018	2017
United Kingdom	**20,414**	21,497
Europe	**3,170**	4,196
North America	**1,918**	2,087
Central and South America	**10**	130
Asia and Middle East	**5,566**	5,721
Other	**205**	162
	31,283	33,793

Analysis of revenue by category:

	2018	2017
Sale of goods	**15,548**	15,688
Rendering of services	**15,735**	18,105
	31,283	33,793

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

Assets and liabilities related to contracts with customers:

The company has recognised the following assets and liabilities related to contracts with customers.

	31 Dec 2018	31 Dec 2017	1 Jan 2017
Current contracts relating to service contracts	**2,151**	826	926
Loss allowance	**-**	-	-
Contract assets	**2,151**	826	926
Non-current asset recognised for costs incurred to fulfil a contract	**-**	-	-
Contract liabilities – service contracts	**(2,776)**	(926)	(1,434)

i. Significant changes in contract assets and liabilities

Contract assets have increased as the company has provided more services ahead of the agreed payment schedules for fixed-price contracts. The company has no recognised loss allowance for contract assets following the adoption of IFRS 9, see note 25 for further information.

ii. Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	31 Dec 2018	31 Dec 2017 Restated *
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Service contracts	**327**	818

* See note 25 for details about changes in accounting policies

iii. Assets recognised from costs to fulfil a contract

At 31 December 2018 and 2017, apart from the contract balances disclosed above, the company has not recognised other asset in relation to costs to fulfil a service contract.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

5 Net gains on reversal of impairment on financial and contract assets

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	31 Dec 2018	31 Dec 2017
Impairment losses		
- Individually impaired receivables (previous accounting policy)	**20**	274
- movement in loss allowance for trade receivables and contract assets	**-**	136
Net impairment gains on financial and contract assets	**20**	410

Of the above impairment losses, £20 (2017: £410) relate to receivables arising from contracts with customers.

6 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2018	2017
Wages and salaries	**10,860**	10,548
Social security costs	**1,236**	1,266
Other pension costs (note 18)	**707**	548
Staff costs	**12,803**	12,362
Research and development expensed as incurred	**4,729**	4,106
Depreciation of owned tangible assets	**201**	139
Amortisation of intangible assets	**84**	84
Impairment of trade receivables	**20**	410
Inventory recognised as an expense	**8,489**	8,788
Operating lease expenses	**570**	430
Foreign exchange losses/(gains) on trade receivables and cash balances	**26**	(104)
Audit fees payable to the company's auditor	**62**	66

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

7 Employees and directors

Employees

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

By activity	**2018 Number**	2017 Number
Production	**155**	151
Selling and distribution	**14**	15
Research and development	**27**	25
Administration	**9**	10
	205	201

Directors

The directors' emoluments were as follows:

	2018	2017
Aggregate emoluments	**213**	189
Contributions to defined contribution pension	**7**	7

Post-employment benefits are accruing for 1 (2017: 1) director(s) under a defined contribution scheme.

Highest paid director

The highest paid director's emoluments were as follows:

	2018	2017
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**213**	189
Defined contribution scheme:		
- accrued pension at the end of the year	**-**	7

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

8 Interest income and expense

Finance income

	2018	2017
Bank interest income	**17**	40
Total finance income	**17**	40

Finance expense

	2018	2017
Bank borrowings	**24**	-
Total finance expense	**24**	-

Net finance (expense)/income

	2018	2017
Interest income	**17**	40
Interest expense	**(24)**	-
Total finance (expense)/income	**(7)**	40

Interest income includes income from group undertakings of £nil (2017: £nil).

Interest expense includes expense from group undertakings of £nil (2017: £nil).

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

9 Income tax

Tax credit/(expense) included in profit or loss:

	2018	2017
Current tax:		
- UK corporation tax on (losses)/profits for the year	(670)	449
- Double tax relief	(6)	-
- Adjustment in respect of prior periods	(1,458)	-
Total current tax	(2,134)	449
Deferred tax:		
- Origination and reversal of timing differences	8	(5)
- Impact of change in tax rate	-	1
- Adjustments in respect of prior periods	(9)	(3)
Total deferred tax	(1)	(7)
Tax on (losses)/profits	(2,135)	442

Tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018	2017
(Loss)/profit before income taxation	**(3,704)**	2,327
(Loss)/profit multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%)	**(704)**	448
Effects of:		
- Reduction in tax rate on deferred tax balances	**2**	1
- Capital allowances in excess of depreciation	**(9)**	-
- Adjustments in respect of prior periods	**(1,467)**	(3)
- Depreciation on ineligible assets	**38**	21
- Expenses not deductible for tax purposes	**72**	13
- R&D adjustments and tax credits	**(67)**	(38)
Tax (credit)/charge	**(2,135)**	442

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate which decreased from 20.00% to 19.00% from 1 April 2017.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17.00% from 1 April 2020. Deferred taxes at the date of the statement of financial position have been measured using these enacted rates and are reflected in these financial statements.

10 Intangible assets

	Goodwill	Patents and trade-marks	Develop-ment costs	Total
Cost				
As at 1 January 2018	10,414	1,187	1,107	12,708
As at 31 December 2018	**10,414**	**1,187**	**1,107**	**12,708**
Accumulated depreciation and impairment				
At 1 January 2018	(3,783)	(804)	(133)	(4,720)
Amortisation	-	(29)	(55)	(84)
As at 31 December 2018	**(3,783)**	**(833)**	**(188)**	**(4,804)**
Net book amount				
As at 31 December 2017	6,631	383	974	7,988
Movement during the year	-	(29)	(55)	(84)
At 31 December 2018	**6,631**	**354**	**919**	**7,904**

The amortisation charge is recognised in the following line items in the profit and loss account:

	2018	2017
Cost of sales	**84**	84
Total Amortisation in Year	**84**	84

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

11 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
At 1 January 2018				
Cost	1,310	27	386	1,723
Accumulated depreciation and impairment	(1,028)	(12)	(322)	(1,362)
Net book amount	282	15	64	361
Year ended 31 December 2018				
Additions	1,256	16	-	1,272
Disposals	-	-	(21)	(21)
Depreciation	(156)	(10)	(35)	(201)
Closing net book amount	1,382	21	8	1,411
At 31 December 2018				
Cost	2,566	43	365	2,974
Accumulated depreciation and impairment	(1,184)	(22)	(357)	(1,563)
Net book amount	**1,382**	**21**	**8**	**1,411**

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

12 Investments

	Shares in group undertakings	Total
Cost or valuation		
At 1 January 2018	3,385	3,385
At 31 December 2018	3,385	3,385
Provision for impairment		
At 1 January 2018	-	-
At 31 December 2018	-	-
Net book amount		
At 31 December 2017	3,385	3,385
As at 31 December 2018	**3,385**	**3,385**

At year end a review of the carrying value of the investments in group undertakings was undertaken. Following this review, the directors believe that the carrying value of investments is supported by their underlying net assets and anticipated future operating performance.

The company has the following investments in subsidiaries:

	Country of incorporation	Registered office	Class of share held	Ownership	
				2018	2017
Bosch Automotive Training Limited (previously Lagta Limited)	United Kingdom	Lagta House, Woodside, Eurocentral, Motherwell ML1 4XL, Scotland, United Kingdom	£1 Ordinary	**98.7%**	98.7%

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

13 Inventories

	2018	2017
Raw materials and consumables	**343**	203
Contract work-in-progress	**2,151**	826
Finished goods and goods for resale	**1,223**	1,076
	3,717	2,105

There is no significant difference between the replacement cost of inventories and their carrying amounts.

Inventories are stated after provisions for impairment of £151 (2017: £262).

14 Trade and other receivables

	2018	2017
Trade receivables	**7,515**	7,705
Amounts owed by group undertakings	**4,427**	3,362
Corporation tax	**1,097**	-
Deferred tax asset (note 15)	**59**	58
Prepayments and accrued income	**190**	147
	13,288	11,272
Due within one year	**13,288**	11,272
Due after more than one year	**-**	-

Trade receivables are stated after provisions for impairment of £162 (2017: £345).

The amounts owed by group undertakings include £nil (2017: £nil) relating to cash pool receivable. The rate of interest is 0.15% (2017: 0.15%) and is payable on demand.

Other amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

15 Deferred tax asset

The asset for deferred tax consists of the following deferred tax assets:

	2018	2017
Deferred tax assets due after 12 months	**59**	58
Deferred tax liabilities due after 12 months	-	-
Total asset	**59**	58

Total deferred tax asset	2018	2017
Total asset	**59**	**58**

Deferred tax assets	Property, plant and equipment	Total
At 1 January 2017	51	51
(Charged)/credited to the income statement	7	7
At 31 December 2017	**58**	**58**
(Charged)/credited to the income statement	1	**1**
At 31 December 2018	**59**	**59**

16 Creditors: amounts falling due within one year

	2018	2017
Trade creditors	**1,135**	1,033
Amounts owed to group undertakings	**10,723**	3,924
Taxation and social security	**486**	1,614
Accruals and deferred income	**4,697**	3,186
	17,041	9,757

The amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

17 Provisions for liabilities

	Dilapidation provision	Warranty provision	Total
At 1 January 2018	97	207	304
Additions to the income statement	5	471	476
Amounts utilised	(2)	(458)	(460)
Unused amounts reversed to the income statement	(37)	-	(37)
At 31 December 2018	**63**	**220**	**283**

Dilapidation provision

The provision for dilapidations relates to expected costs to bring the leasehold properties to their original condition under contractual obligations existing at the date of the statement of financial position. The term of the lease runs until the end of 2021. The balance of the provision at the point of termination is calculated to be £70 and is accrued in quarterly instalments. The valuation of the provision is the estimated cost to restore the building, based on actual costs of improvement work carried out to date.

Warranty provision

Warranty is provided for on hardware sales and service contracts.

The basis of the provision on hardware sales is supported by historical failure rates and historical cost to repair.

The provision on service sales is to cover additional work for the customer following completion of the project. This arises most commonly where there is a requirement to fix bugs in the software that can occur up to a given point in time depending on the agreement with the customer. The value of the provision is based on historical costs on projects post completion. The effects of discounting on the above provisions is immaterial.

18 Post-employment benefits

The company operates a pension scheme for its employees.

Defined contribution scheme

The company established a money purchase plan in April 1990. The plan's assets are held independently from the company and invested in managed funds operated by major financial institutions. Any employee can contribute to the scheme; the company will match the employee's contribution, subject to a limit, where the limit is dependent upon the length of time each employee has been a member of the scheme.

The amount recognised as an expense for the defined contribution scheme was:

	2018	2017
Current year contributions	**707**	548

No prepayments or accruals have been made in respect of this scheme (2017: £Nil).

In accordance with legislation, the company has adopted the requirements of auto-enrolment under the defined contribution scheme.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

19 Called up share capital

Share capital

Ordinary shares of £1 each

Allotted and fully paid up	2018	2017
On issue at 1 January		
- 250,004 ordinary shares of £1 each	**250**	250
On issue at 31 December – fully paid		
- 250,004 ordinary shares of £1 each	**250**	250

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitles to one vote per share at meetings of the company.

Share premium

	2018	2017
On issue at 1 January	**15,760**	15,760
On issue at 31 December – fully paid	**15,760**	15,760

Dividends

The following dividends were recognised during the year:

	2018	2017
Final dividend for 2017: 754p (2016: final dividend for 2016 : 1564p) per qualifying ordinary share	**1,885**	3,911
Interim dividend for 2018: nil p (2017: nil p) per qualifying ordinary share	**-**	-
	1,885	3,911

After the date of the statement of financial position no dividend will proposed by the directors.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

20 Contingent liabilities

The company's banking arrangement is part of a cash pool netting arrangement with certain other UK subsidiaries of Robert Bosch GmbH, each being jointly and severally liable. No security is held over these assets.

The aggregate net surplus in hand under the terms of the agreement at 31 December 2018 amounted to £41,959 (2017: £101,363).

21 Capital and other commitments

Capital commitments

At 31 December 2018, the company had the following capital commitments:

	2018	2017
Contracts for future capital expenditure not provided in the financial statements	-	750

Other commitments

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

	2018	2017
Land and buildings:		
Not later than one year	**315**	446
Later than one year and not later than five years	**552**	1,740
Later than five years	-	2,020
	867	4,206
Other:		
Not later than one year	**139**	118
Later than one year and not later than five years	**224**	169
	363	287
	1230	4,493

During the year £570 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £430).

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

22 Related party transactions

Under FRS 101.8 j) and k) the company is exempt from Related Party Disclosures as required in paragraph 17 of IAS24 and those related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

23 Controlling parties

The immediate parent undertaking is Robert Bosch UK Holdings Limited.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Robert Bosch GmbH, a company incorporated in Germany. Copies of Robert Bosch GmbH consolidated financial statements can be obtained from Robert Bosch GmbH, Robert Bosch Platz 1, Gerlingen-Schillerhöhe, D-70049 Stuttgart, Germany.

The ultimate controlling party is Robert Bosch GmbH.

24 Events after the end of the reporting period

Subsequent to the date of the statement of financial position, there were no events that are not disclosed in these financial statements.

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

25 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the company's financial statements.

Impact on the financial statements

As a result of the changes in the entity's accounting policies, the company has adopted the modified retrospective approach. As explained, IFRS 9 was generally adopted without restating comparative. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Statement of financial position (extract)	31 Dec 2017 As originally presented	IFRS 15	31 Dec 2017 Restated	IFRS 9	1 January 2018 Restated
Current assets					
Trade and other receivables	11,272	-	11,272	136	11,408
Creditors – amounts falling due within one year	(9,757)	-	(9,757)	-	(9,757)
Net current assets	6,465	-	6,465	136	6,601
Total assets less current liabilities	18,199	-	18,199	136	18,335
Provisions for liabilities	(304)	-	(304)	-	(304)
Net assets	**17,895**	-	**17,895**	136	**18,031**
Equity					
Ordinary shares	250	-	250	-	250
Share premium	15,760	-	15,760	-	15,760
Retained Earnings	1,885	-	1,885	136	2,021
Total shareholders' funds	**17,895**	-	**17,895**	136	**18,031**

Statement of profit or loss and other comprehensive income (extract) 2017	As originally presented	IFRS 15	IFRS 9	Restated
Administrative expenses	(7,459)	-	-	(7,459)
Net gains on reversal of impairment on financial and contract assets	410	-	-	410
Operating profit	**2,287**	-	-	**2,287**
Profit before income tax	**2,327**	-	-	**2,327**
Income tax income /(expense)	(442)	-	-	(422)
Profit for the period	**1,885**	-	-	**1,885**

Notes to the financial statements (continued)

(All amounts in £ thousands unless otherwise stated)

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2 above. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the company's retained earnings as at 1 January 2018 and 1 January 2017 is as follows:

	2018	2017
Closing retained earnings 31 December – IAS39/18	**1,885**	1,885
Reduction in provision for trade receivables and contract assets	**136**	-
Adjustment to retained earnings from the adoption of IFRS 9 on 1 January 2018	**136**	-
Opening retained earnings 1 January 2018 - IFRS 9 (before restatement for IFRS 15)	**2,021**	**1,885**

There were no adjustments made to line items in the statement of profit or loss and the statement of other comprehensive income for the 2017 reporting period relating to IFRS 9 adjustments.

(i) Impairment of financial assets

The company has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of inventory and from the provisions of consulting services,
- contract assets relating to IT consulting contracts.

The company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the company's retained earnings and equity is disclosed in the table above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in a reduction of the loss allowance on 1 January 2018 by £ 136 for trade receivables and £ nil for contract assets. Note 5 provides details about the calculation of the allowance.

IFRS 15 Revenue from contracts with customers

The company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. There were no adjustments to the amounts recognised in the financial statements both at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017).