

The Automation Partnership (Cambridge) Limited

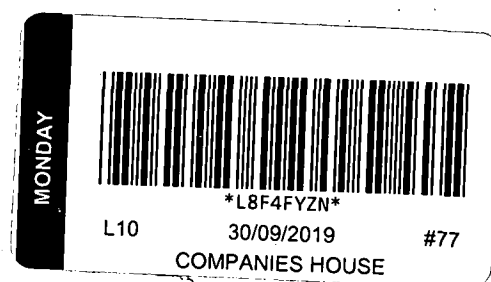
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Registered No. 02823205

The Automation Partnership (Cambridge) Limited

Annual Report and Financial Statements for the year ended

31 December 2018



**DIRECTORS, OFFICERS AND ADVISORS**

**DIRECTORS**

N V Cooke	Director
D Campbell	Director
R Vogt	Director – Resigned 18 <sup>th</sup> Feb 2019
M Wessel	Director – Resigned 18 <sup>th</sup> Feb 2019
T Peuker	Director – Appointed 18 <sup>th</sup> Feb 2019

**SECRETARY**

D Campbell

**AUDITOR**

KPMG LLP  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

**BANKERS**

HSBC Bank plc  
9 Wellesley Road  
Croydon  
Surrey  
CR9 2AA

**SOLICITORS**

Taylor Vinters  
Merlin Place  
Milton Road  
Cambridge  
CB4 0DP

**REGISTERED OFFICE**

Grantham Close  
York Way  
Royston  
Hertfordshire  
SG8 5WY

## STRATEGIC REPORT

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the development, manufacture and distribution of automated systems for the life science industries.

The principal key performance indicators used by the Company include the following:

- Sales orders for 2018 increased by 8.6% to £64.6 million (2017: £59.5 million). Industry acceptance of our multi-parallel bioprocessing technologies as market leaders in their field, and the strength of the Sartorius global sales network have resulted in significant increases in instrument orders during the year.
- Revenues for the year increased to £63.8million (2017: £57.6 million), which was in line with the increase in sales orders received.
- Gross margin for the year is reported at 55.8% (2017: 59%). This reduction is due to movement of production of Ambr 250 consumables to another Sartorius manufacturing plant along with an increased sales volume of lower margin product.
- Investment in research and development for the year was reported at £6 million (2017: £5.4 million) of which £2.3 million (2017: £2.3 million) was capitalised. This reflects the continuing investment by the business into a number of products progressing through later stage development.
- Operating profit for the year has increased to £24.2 million (2017: £21.8 million). Utilisation of the Sartorius group sales network has continued to provide a significant increase in sales whilst being able to maintain the company's research and development, selling and administrative cost base.

The Company's multi-parallel mini bioreactors have proved an excellent fit within the Sartorius Group, extending its reach into small scale cell culture applications. These added capabilities into the early stages of upstream bioprocessing have enabled Sartorius to provide its biopharma customers with highly effective and scalable solutions to accelerate their cell line selection, speed-up their process development and ultimately help them accelerate taking their biologics to market.

The Company, as part of the Sartorius Group, continues to have access to broader and larger global sales and marketing operations that help to ensure that a greater future potential of the Company's product portfolio is realised. In addition, the combined respective expertise in automation tools and single use technologies means that the Company continues to develop innovative new products for the bioprocess development market, addressing current and emerging market needs.

### PRINCIPAL RISKS AND UNCERTAINTIES

#### *Contract risks*

A small proportion of the Company's business is based on undertaking custom system development contracts on a fixed price basis. Prior to entering into these contracts a detailed cost estimation process is carried out. There is a risk that these estimates will prove inaccurate and the contract will be less profitable than expected.

#### *Competitive risks*

The Company brings new technologically advanced products to market, maintaining its technological advantage in the novel products it supplies to customers. The principal competitive risk relates to the successful introduction of new products and the possibility of competitor companies catching up with this advantage, and developing substitute products.

## STRATEGIC REPORT

### *Legislative risks*

In the UK and Europe, all the group's products must be manufactured to comply with EU standards. In the USA and across other countries worldwide, there are equivalent regulations that apply. Certain application areas in which the Company is active may also impose compliance constraints.

Within the pharmaceutical industry, standards of Good Manufacturing Practice (GMP) have been established and, while these issues are considered in product designs, they may also impose compliance constraints.

All of these regulations and statutes are subject to change and may result in additional costs that may affect the Company's ability to undertake as business profitably.

The management of the company has taken a review of the supply chain risks regarding Brexit and in the key risk areas has taken steps to increase inventory levels to mitigate the business risk.

### *Foreign currency fluctuations*

A significant proportion of the Company's revenue is generated from exports, particularly to the USA. Foreign exchange fluctuations may impact price competitiveness where local suppliers are able to offer competing products.

Additionally, the group is exposed to the variability of foreign exchange rates on its receipts from contracts denominated in currencies other than pounds sterling (GBP). The Company utilises the treasury function provided centrally by the Sartorius Group to reduce exposure to variability of foreign exchange rates.

Both the Company and the Group's policy is to maintain natural hedges where possible by matching dollar (USD) and euro (EUR) revenues with USD and EUR expenditure respectively.

By order of the Board



D Campbell  
Company Secretary  
30 September 2019

## DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the financial statements and independent auditor's report, for the year ended 31 December 2018.

### RESULTS AND DIVIDENDS

Turnover for the year was £63,758,237 (2017: £57,581,000) and the profit after tax was £19,883,384 (2017: £17,585,000). A dividend was paid in the year (£15,000,000) to the parent Sartorius Stedim Biotech GmbH (2017: nil).

### DIRECTORS

The directors who served during the year are as shown below:

N V Cooke

D Campbell

R Vogt – (Resigned 18<sup>th</sup> Feb 2019)

M Wessel – (Resigned 18<sup>th</sup> Feb 2019)

None of the directors had any interests in the share capital of the Company during the year.

Each person, who is a director at the time when this directors' report is approved, confirms that:

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

### DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Wherever practicable, it is the Company's policy where existing employees become disabled, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### EMPLOYEE PARTICIPATION

The Company relies upon the skills of its highly qualified staff, and their welfare is a high priority for the Company. Employees are informed on matters affecting them as employees and on developments within the Company through our Joint Consultative Committee (JCC) and regular informal meetings.

### POLITICAL CONTRIBUTIONS

The company made no political donations or incurred any political expenditure during the year (2017: £nil)

### DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

### AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



D Campbell  
Company Secretary  
30 September 2019

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 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 THE AUTOMATION PARTNERSHIP (CAMBRIDGE) LIMITED

### Opinion

We have audited the financial statements of The Automation Partnership (Cambridge) Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of inventory and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### 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, including the impact of Brexit, 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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AUTOMATION PARTNERSHIP (CAMBRIDGE) LIMITED

of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **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 7, 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](http://www.frc.org.uk/auditorsresponsibilities).



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE  
AUTOMATION PARTNERSHIP (CAMBRIDGE) 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.



**Kelly Dunn (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Botanic House

100 Hills Road

Cambridge

CB2 1AR

Date: 30 September 2019

The Automation Partnership (Cambridge) Limited

INCOME STATEMENT

For year ended 31 December 2018

	Notes	Year to 31 December 2018	Year to 31 December 2017
		£'000	£'000
<b>TURNOVER</b>	2	63,758	57,581
Cost of sales		(28,160)	(23,752)
<b>GROSS PROFIT</b>		35,598	33,829
Research and development expenses		(2,979)	(3,141)
Selling and marketing expenses		(2,181)	(2,156)
Administration and other overhead expenses		(6,404)	(6,748)
<b>OPERATING PROFIT</b>	3	24,033	21,784
Interest receivable and similar income	4	116	44
Interest payable and similar charges	5	(5)	(20)
<b>Profit before tax</b>		24,145	21,808
Tax on profit	8	(4,261)	(4,223)
<b>Profit for the year</b>		19,883	17,585
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		19,883	17,585

All amounts relate to continuing operations.

The accompanying notes 1 to 21 form part of these accounts.

The Automation Partnership (Cambridge) Limited

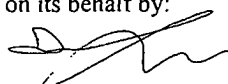
BALANCE SHEET

At 31 December 2018

Company number: 02823205

	Notes	31 December 2018	31 December 2017
		£'000	£'000
<b>FIXED ASSETS</b>			
Intangible assets	9	8,870	7,750
Tangible assets	10	1,977	1,525
		<u>10,847</u>	<u>9,275</u>
<b>CURRENT ASSETS</b>			
Stocks	11	10,871	8,836
Debtors	12	28,908	29,494
Cash at bank and in hand		741	768
		<u>40,520</u>	<u>39,098</u>
<b>NON CURRENT ASSETS</b>	13	5,000	-
<b>CREDITORS: Amounts falling due within one year</b>	14	(13,525)	(10,688)
<b>NET CURRENT ASSETS</b>		<u>26,995</u>	<u>28,410</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>42,842</u>	<u>37,685</u>
<b>CREDITORS: Amounts falling due after one year</b>	15	-	(13)
<b>PROVISION FOR LIABILITIES AND CHARGES:</b>			
Provision for warranties	16	(862)	(756)
Provision for deferred taxation	17	(1,525)	(1,344)
<b>NET ASSETS</b>		<u>40,455</u>	<u>35,572</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	100	100
Profit and loss reserve		40,355	35,472
<b>SHAREHOLDERS' FUNDS</b>		<u>40,455</u>	<u>35,572</u>

These financial statements were approved by the Board of Directors on 30<sup>th</sup> September 2019 and signed on its behalf by:



David Campbell

Director

The accompanying notes 1 to 21 form part of these accounts.

The Automation Partnership (Cambridge) Limited

STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2018

	Called up Share Capital	Profit and loss account	Total Equity
	£'000	£'000	£'000
<b>Balance at 31 December 2016</b>	100	17,887	17,987
Profit for the period	-	17,585	17,585
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	17,585	17,585
Dividends paid	-	-	-
<b>Balance at 31 December 2017</b>	100	35,472	35,572
Profit for the period	-	19,883	19,883
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	19,883	19,883
Dividends paid	-	(15,000)	(15,000)
<b>Balance at 31 December 2018</b>	100	40,355	40,456

The accompanying notes 1 to 21 form part of these accounts.

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES

The Automation Partnership (Cambridge) Limited is a company incorporated and domiciled in the United Kingdom.

The principal accounting policies are as follows. All have been applied consistently throughout the year. The financial statements have been prepared on the historical cost basis.

#### *Basis of preparation*

The financial statements of The Automation Partnership (Cambridge) Limited were approved for issue by the Board of Directors on 30<sup>th</sup> September 2019.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Financial instrument and fair value disclosures;
- Disclosures in respect of related party transactions;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy
- Disclosures in respect of the compensation of Key Management Personnel

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

#### *Key sources of estimation and judgement*

Preparation of the financial statements in conformity with IFRS requires that management make certain judgements, estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgements at the date of the financial statements, deviate from actual circumstances, the original estimate and assumptions will be updated as appropriate in the period in which the circumstances change.

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. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below. Further details of the Company's accounting policies in relation to these areas are further provided in this note 1.

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Impairment of intangible fixed assets*

New product development and licenced intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Where a review for impairment is carried out, the recoverable amount of the intangible asset is determined from a value-in-use calculation of the anticipated incremental income earned by the Company as a result of selling products directly to, or via Group subsidiaries. The value-in-use calculation is prepared on the basis of management's assumptions and estimates of the future trading performance of the products, which includes forecasts of future sales volumes at estimated unit selling prices. Further information related to product development and licenced intangible assets are detailed in note 9.

#### *Revenue recognition and estimation of percentage of completion on bespoke products*

The application of the percentage of completion method for revenue recognition requires the management to make estimates about total revenue, total cost to complete the contract, and the stage of completion. The assumptions, estimates and uncertainties inherent in determining the stage of completion affect the timing and amounts of revenue recognised and the profitability of the contract. The stage of completion of a contract is measured by reference to labour and material costs incurred to date against the estimated total labour and material costs to complete the contract or to bring to a particular physical stage of completion. The equivalent proportion of turnover is then matched to the costs incurred, resulting in the reporting of the attributable profit for the period. Management review estimates of the total contract costs through to its completion against the associated revenues earned on a monthly basis, with the cumulative effects of any changes being recognised in the period in which they are identified.

All known or anticipated losses are provided for in full as soon as they are foreseen, as are any amounts that management assess to be not recoverable against existing contracts or where payments have been made to the Company on account of work to be performed under a contract.

#### *Warranty provisions*

The Company manufactures and sells automated systems and products to the life science industries and offers customers a period of warranty protection. As a result, it is necessary to estimate the anticipated cost of warranty claims arising and the associated provisions required to meet these costs. When calculating the warranty provision, management considers the potential costs to be incurred based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Further information related to warranty provisions is detailed in note 15.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### *Going concern*

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

#### *Consolidated accounts*

Consolidated accounts have not been prepared, as permitted by s400 of the Companies Act 2006. These financial statements present information about the Company as an individual undertaking, and not about The Sartorius Group. The Company is included in the consolidated accounts of the ultimate parent company Sartorius AG.

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Government grants*

Government grants of a revenue nature are credited to the profit and loss account when they are receivable.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Leasehold improvements	-	The remainder of the lease period
Computer equipment	-	3 years
Fixtures, fittings and equipment	-	3-5 years
Website	-	5 years
Motor vehicles	-	3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Intangible fixed assets*

Licences are included at cost and amortised on a straight line basis over their useful economic lives.

#### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as 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 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 profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is provided for over a six year period, which is considered to be the anticipated annual economic life of the asset. Impairment reviews are performed on an annual basis.

#### *Turnover*

##### *Product sales*

The Company sells manufactured systems, consumables and spares. Revenue on these sales is recognised on shipment to customers or on installation if this is an obligation of the Company as part of the conditions of sale.

##### *Long term contracts*

Turnover on any long term contracts for bespoke products is shown net of VAT and trade discounts and represents the proportion of contract value applicable to the activity in the period, including re-billable costs and handling charges, ascertained by reference to the stage of completion of the contract carried out to date. Stage of completion of a contract is measured by reference to labour and material costs incurred to date against the total labour and material costs to complete the contract or its physical stage of completion. The equivalent proportion of turnover is then matched to the costs incurred, resulting in the reporting of the attributable profit for the period.

Where the Company has entered into a strategic alliance or similar agreement with a customer under which the customer is entitled to a retrospective volume discount if certain sales thresholds are met, then provision is made as soon as possible for any discount expected to be paid. Estimates of total contract costs and revenues are reviewed periodically, and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as possible as they are foreseen.

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES (CONTINUED)

Revenues recognised in excess of amounts billed to date are classified as amounts recoverable from contracts and included in debtors. Amounts billed in excess of revenues recognised to date are classified as payments on account and included in creditors.

Revenue recognition depends on the nature of the transaction: in the case of contracts where the Company acts as the principal, the full value of the sale are recognised in revenue; in the case of contracts where the Company acts as an agent, revenue and costs are recorded net.

#### *Support contracts*

Where revenue can be separately identified in relation to warranties and support contracts, turnover is recognised in direct proportion to the period of warranty and support that has completed.

#### *Warranties for products*

Provision is recognised for expected warranty claims arising on products sold.

#### *Implementation of IFRS 15 – Revenue from contracts with customers*

In light of the changes to the accounting standards for revenue recognition (IFRS 15, effective date 1 January 2018), we have undertaken a comprehensive review of the impact of these changes on our current accounting policies. We have concluded that all current company policies regarding revenue recognition are in line with the new standard, and therefore no adjustments for future and comparative revenue figures will be required.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis.

Cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis.

Cost of work in progress and finished goods is based on the cost of direct materials and labour plus attributable labour overheads based on a normal level of activity, on a first-in, first-out basis.

Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution.

#### *Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Where a trading transaction is covered by a related or matching forward contract by the Company, the rate in that contract is used to translate the transaction.

Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rate of exchange prevailing at the year end, except where there are related or matching forward contracts by the Company, in which case the rate in that contract is used. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### *Leases*

Rentals paid under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such basis.

#### *Leases - accounting as lessor*

Where the Company retains substantially all the risks and rewards of ownership of the asset subject to the lease, the asset is shown within tangible fixed assets. The tangible fixed asset is depreciated over its useful life. Rental income from these operating leases is recognised on a straight-line basis over the period of the lease. Operating lease incentives offered by the Company are accounted for as a reduction of the rental income and are allocated over the shorter of the lease term and the period to the first rent review where market rentals will be receivable.



## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES (CONTINUED)

Where the Company does not retain substantially all the risks and rewards of ownership the tangible fixed asset is de-recognised. The amount due from the lessee under the finance lease is recorded as turnover and as a debtor in the balance sheet at the amount of the net investment in the lease.

#### *Hire purchase and finance lease agreements*

Assets held under hire purchase contracts and finance leases, being leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and are depreciated over their useful economic lives. The capital elements of future obligations under the hire purchase and lease contracts are included as liabilities in the balance sheet.

#### *Pensions*

The Company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument.

Fixed asset and short-term investments are normally designated as available for sale.

Fixed deposits, comprising funds held with banks and other financial institutions are classified as loans and receivables and held at deemed amortised cost.

Changes in the fair value of available for sale assets are treated as follows; exchange gains and losses and impairments are taken to the Profit and Loss account and all other changes in fair value are taken to reserves.

On disposal of the related asset, the accumulated changes in fair value recorded in reserves are included in the gain or loss recorded in the Profit and Loss account.

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 2. TURNOVER

Turnover, which all arises from the one class of business, is analysed over the following geographical markets:

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
United Kingdom	5,692	6,244
Rest of Europe	16,723	13,773
USA	33,846	30,579
Rest of World	7,497	6,985
	<u>63,758</u>	<u>57,581</u>

### 3. OPERATING PROFIT

Operating profit is stated after charging:

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
Amortisation of development expenditure (note 9)	1,216	1,235
Amortisation of licences (note 9)	-	4
Depreciation of tangible fixed assets (note 10)	485	496
Operating lease rentals - land and buildings	612	489
Foreign exchange (gain)/loss	(271)	499
	<u></u>	<u></u>

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
Auditor remuneration	32	21

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
On bank balances, and other interest bearing payments	<u>116</u>	<u>44</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
On bank loans, overdrafts and other loans wholly repayable within five years	-	13
Interest payable on hire purchase agreements	5	7
	<u>5</u>	<u>20</u>

6. STAFF COSTS

Particulars of employees (including executive directors) are as shown below:

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
Employee costs during the year amounted to:		
Salaries & bonus	8,036	7,617
Social security costs	903	861
Other pension costs	862	842
	<u>9,801</u>	<u>9,320</u>

The average number of persons employed by the company during the year was as follows:

	<i>Year to 31 Dec 2018 No.</i>	<i>Year to 31 Dec 2017 No.</i>
Engineering	143	135
Sales	16	15
Support	34	27
	<u>193</u>	<u>177</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

## 7. DIRECTORS' EMOLUMENTS

During the year, 2 Directors (2017:3) received remuneration for services provided to The Automation Partnership (Cambridge) Limited.

Directors of the company received the following emoluments:

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
Emoluments	379	354
	<u>          </u>	<u>          </u>
Company contributions paid to company personal pension schemes	12	9
	<u>          </u>	<u>          </u>

One of the Directors received pension benefits under the company's defined contribution scheme.

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
<i>The amounts in respect of the highest paid director are:</i>		
Emoluments	230	219
	<u>          </u>	<u>          </u>
Company contributions paid to money purchase pension scheme	-	-
	<u>          </u>	<u>          </u>

# The Automation Partnership (Cambridge) Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 8. TAXATION

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
<i>UK corporation tax:</i>		
Current tax on income for the period	(4,375)	(3,987)
Adjustments in respect of prior period	295	(22)
	<u>(4,080)</u>	<u>(4,009)</u>
Current year deferred tax	(181)	(214)
Adjustments in respect of prior period	-	-
	<u>(181)</u>	<u>(214)</u>
	<u>(4,261)</u>	<u>(4,223)</u>

The tax liability for the year is lower (2017: higher) than the effective rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	<i>Year to 31 Dec 2018 £'000</i>	<i>Year to 31 Dec 2017 £'000</i>
Profit on ordinary activities before tax	24,145	21,808
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK at 19% (2017: 19.25%)	(4,588)	(4,198)
Disallowed expenses and non-taxable income	32	(3)
Adjustments in respect of prior period	295	(22)
Total tax expense for the year	<u>(4,261)</u>	<u>(4,223)</u>

The main rate of UK corporation tax reduced from 21% to 20% from 1 April 2015. Reductions to the UK corporation tax rates were substantively enacted as part of the Finance (No.2) Act 2015, which reduced the main UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020.

The 2016 Budget announced a further rate reduction in UK corporation tax to 17% from 1 April 2020. As such, deferred tax balances, have been calculated at 17%.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

## 9. INTANGIBLE FIXED ASSETS

	<i>Development expenditure £'000</i>	<i>Licences £'000</i>	<i>Total £'000</i>
<b>Cost:</b>			
At 31 December 2017	11,455	65	11,520
Additions	2,335	-	2,335
At 31 December 2018	13,790	65	13,855
<b>Amortisation:</b>			
At 31 December 2017	3,705	65	3,770
Provided during the year	1,215	-	1,215
At 31 December 2018	4,920	65	4,985
<b>Net book value:</b>			
At 31 December 2017	7,750	-	7,750
At 31 December 2018	8,870	-	8,870

## 10. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements £'000</i>	<i>Computer equipment £'000</i>	<i>Fixtures fittings &amp; equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost:</b>					
At 31 December 2017	1,812	672	2,898	16	5,398
Additions	327	29	581	-	937
Disposals	-	(11)	-	-	(11)
At 31 December 2018	2,139	690	3,479	16	6,324
<b>Depreciation:</b>					
At 31 December 2017	1,270	535	2,062	6	3,873
Provided during the year	108	87	287	3	485
Disposals	-	(11)	-	-	(11)
At 31 December 2018	1,378	611	2,349	9	4,347
<b>Net book value:</b>					
At 31 December 2017	542	137	836	10	1,525
At 31 December 2018	761	79	1,130	7	1,977

The Automation Partnership (Cambridge) Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

11. STOCKS

	<i>31 Dec</i> 2018 £'000	<i>31 Dec</i> 2017 £'000
Raw materials	3,870	2,931
Work in progress	4,384	4,618
Finished goods and goods for resale	2,617	1,287
	<u>10,871</u>	<u>8,836</u>

12. DEBTORS

	<i>31 Dec</i> 2018 £'000	<i>31 Dec</i> 2017 £'000
Amounts recoverable from contracts	-	161
Trade debtors	2,344	2,367
Amounts recoverable from parent undertakings	20,706	22,731
Amounts recoverable from fellow subsidiary undertakings	4,582	3,763
Other debtors	20	18
Prepayments	357	332
Other taxation and social security	899	122
	<u>28,908</u>	<u>29,494</u>

13. NON CURRENT ASSETS

	<i>31 Dec</i> 2018 £'000	<i>31 Dec</i> 2017 £'000
Amounts recoverable from fellow subsidiary undertakings	5,000	-
	<u>5,000</u>	<u>-</u>

On the 1<sup>st</sup> March 2018 the company entered into a loan agreement with a fellow subsidiary for the amount of £5m.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

14. **CREDITORS:** amounts falling due within one year

	<i>31 Dec</i> <i>2018</i> <i>£'000</i>	<i>31 Dec</i> <i>2017</i> <i>£'000</i>
Payments on account	2,404	2,598
Trade creditors	1,493	1,466
Amounts owed to parent undertakings	334	334
Amounts owed to fellow subsidiary undertakings	2,192	789
Salaries, taxes and social security	1,187	1,019
Corporation tax payable	3,386	2,243
Other creditors	30	26
Accruals	2,486	2,205
Amounts due under hire purchase contracts	13	8
	<u>13,525</u>	<u>10,688</u>

15. **CREDITORS:** amounts falling due after one year

	<i>31 Dec</i> <i>2018</i> <i>£'000</i>	<i>31 Dec</i> <i>2017</i> <i>£'000</i>
Amounts due under hire purchase contracts:		
Due between one and five years	-	13
	<u>-</u>	<u>13</u>



# The Automation Partnership (Cambridge) Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

### 16. PROVISION FOR WARRANTIES

	<i>31 Dec 2018 £'000</i>	<i>31 Dec 2017 £'000</i>
Warranty provision:		
At the beginning of the period	756	509
Provided during the period	1,464	1,233
Utilised / released during the period	(1,358)	(986)
At 31 December	<u>862</u>	<u>756</u>

A provision is recognised for expected warranty claims on products sold during the year and relates to expected costs to be incurred in respect of claims within the warranty period, which is normally 12 months.

### 17. DEFERRED TAXATION

UK deferred taxation provided for at 17% (2017: 17%) in the financial statements is set out below:

	<i>Fixed assets £'000</i>	<i>Tax losses £'000</i>	<i>Net tax Liability £'000</i>
At 1 January 2017	1,344	-	1,344
Charge for the year	-	-	-
At 1 January 2018	<u>1,344</u>	<u>-</u>	<u>1,344</u>
Charge for the year	181	-	181
At 31 December 2018	<u>1,525</u>	<u>-</u>	<u>1,525</u>

### 18. CALLED UP SHARE CAPITAL

	<i>Allotted, called up and fully paid 31 Dec 2018 £'000</i>	<i>Allotted, called up and fully paid 31 Dec 2017 £'000</i>
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

**19. OPERATING LEASES**

Total rentals under operating leases charged to profit were as follows:

	<i>31 Dec</i> <i>2018</i> <i>£'000</i>	<i>31 Dec</i> <i>2017</i> <i>£'000</i>
Operating leases	617	489

Future minimum lease commitments under operating leases that have initial or remaining terms in excess of one year at 31 December were payable as follows:

	<i>31 Dec</i> <i>2018</i> <i>£'000</i>	<i>31 Dec</i> <i>2017</i> <i>£'000</i>
Less than 1 year	573	482
Between one and five years	1,945	1,829
More than five years	1,639	2,066
Total future minimum lease payments	4,157	4,377

All rentals and commitments under operating leases related to land and buildings.

**20. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption provided in FRS 101 from disclosing transactions with related parties that are part of the group.

**21. ULTIMATE PARENT COMPANY**

The Company is a wholly owned subsidiary of TAP Biosystems Group Limited which is a wholly owned subsidiary of Sartorius Stedim Biotech GmbH, a joint stock corporation recorded in the German Commercial Register of the District Court of Goettingen. The ultimate parent company is Sartorius AG, Otto-Brenner Strasse 20, 37079 Goettingen, Germany, a listed joint stock corporation recorded in the German Commercial Register of the District Court of Goettingen (HRB 1970). Copies of the group financial statements, in which this company's results are consolidated, may be viewed on the ultimate parent company's website at [www.sartorius.com](http://www.sartorius.com).