

KE-Burgmann UK Limited

Report and Financial Statements

For the year ended 31 December 2018

Registered No. 04500097



KE-Burgmann UK Limited

Directors

P Nicholas

Secretary

Eversheds Limited

Auditors

Ernst & Young LLP

2 St Peter's Square

Manchester M2 3EY

Bankers

Barclays Bank PLC

39-47 Commercial Street

Halifax HX1 1BE

Solicitors

Shoosmith LLP (Property)

2 Colmore Square

38 Colmore Circus Queensway

Birmingham B4 6SH

Evershed LLP (Company Secretarial)

Evershed House

70 Great Bridgewater Street

Manchester M1 5ES

Spearing Waite LLP – HR

34 Pocklington Walk

Leicester LE1 6BU

Registered Office

Units 2-4, First Avenue

Radnor Park Industrial Estate

Congleton, Cheshire

CW12 4XJ

Directors' report

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

Results and dividends

The profit for the year after taxation amounted to £169,000 (2017 –£75,000). The directors do not recommend a final dividend for 2018 (2017 – £ Nil).

Principal activity and review of the business

The principal activity of the company is the design, manufacture, supply and installation of flexible expansion joints. The company has met the requirements of the Companies Act 2006 in the current and prior year to obtain the exemption provided from the presentation of a strategic review. The directors expect that the present level of activity will be sustained for the foreseeable future.

Overall responsibility for the company continues to be managed by the Directors of EagleBurgmann Industries UK LP.

Despite a continued slowdown of the UK energy sector on a macro level and the reduction in business during the year 2017, the company was able to fulfil its obligations and maintain healthy operating cash-flows assisted by an unseasonably positive start to the Fabric project business in early 2018 which continued unseasonably into the latter parts of 2018.

Directors

The directors who served during the year and up to the date of signing of the financial statements are listed below:

P Nicholas

Principal risks and uncertainties

The principal risks faced by the company are material price rises (steel, oil prices), threat of competitors in low cost countries gaining market share and exchange rate fluctuations.

Although these risks could be substantial, the directors believe that they are not significant to the ongoing performance.

Financial risk management policy

The company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade debtors, trade creditors and group balances, arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below.

Given that the majority of the risks below derive from transactions with other Freudenberg group companies, the company does not undertake any hedging activity locally. Significant financial risks from a Freudenberg group perspective are addressed on a case-by-case basis at group level.

Interest rate risk

The company invests surplus cash in, and borrows cash from, a floating rate interest yielding/paying intercompany cash pool. Therefore, financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates.

Price risk

The company does not deem the exposure to price changes in their operating activity costs to be significant enough to consider any hedging activity.

Credit risk

Company policies are aimed at minimising such losses and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk.

Directors' report (continued)

Financial risk management policy (continued)

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations. Capital expenditure is approved at group level. Flexibility is maintained by retaining surplus cash in readily accessible bank accounts and group cash pools.

Foreign currency risk

The company's principle transactions in foreign currency are with Freudenberg group companies and arise directly from the group's operating activities.

As a result, the company's cash flows arising from these transactions can be affected by movements in the Euro and Dollar exchange rates. No hedging activity is undertaken locally to mitigate this risk.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The directors have satisfied themselves that the company can continue to pay its liabilities as they fall due for the period of at least 12 months from the date of approval of these financial statements. The financial statements are therefore prepared on a going concern basis.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006.

Brexit

The impact of a Brexit deal/no deal has been assessed against the backdrop of no clear direction from the government on which shape Brexit will take. As the full potential impact is uncertain, we will continue to monitor the situation.

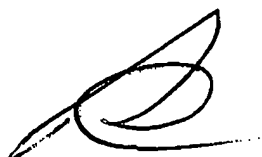
As a result of purchasing a lot of raw materials from the EU, we have begun to stockpile raw materials (12 months' supply) and are making more products in the UK.

By order of the Board

Philip Nicholas

Director

30th September 2019



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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; 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 proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KE-Burgmann UK Limited

Opinion

We have audited the financial statements of KE-Burgmann UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 1 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KE-Burgmann UK Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

- In our opinion, based on the work undertaken in the course of the audit:
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KE-Burgmann UK Limited (continued)

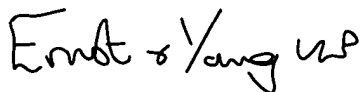
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Julian Yates (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date: 30/9/19

Income Statement

for the year ended 31 December 2018

		<i>Year ended 31 December 2018</i>	<i>Year ended 31 December 2017</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Turnover	2	3,764	3,543
Cost of sales		(2,649)	(2,478)
Gross profit		1,115	1,065
Distribution expenses		(658)	(627)
Administrative expenses		(234)	(291)
Operating profit		223	147
Other interest receivable and similar income		(10)	(12)
Profit on ordinary activities before taxation		213	135
Tax on profit on ordinary activities	5	(44)	(60)
Profit for the financial year	14	169	75

The notes on pages 11 to 22 form an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2018

There are no recognised gains or losses other than the gain attributable to the shareholders of the company of £169,000 in the year ended 31 December 2018 (2017 of £75,000).

Balance Sheet

at 31 December 2018

		<i>Year ended</i> <i>31 December</i> <i>2018</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2017</i> <i>£000</i>
	<i>Notes</i>		
Fixed assets			
Tangible fixed assets	7	7	14
Current assets			
Stocks – goods for resale		193	335
Debtors	8	1,377	1,181
Cash at bank and in hand		2	2
		1,572	1,518
Creditors: Amounts falling due within one year	9	(711)	(833)
Net current assets		861	685
Total assets less current liabilities		868	699
Creditors: Amounts falling due after more than one year	10	-	-
Net assets		868	699
Capital and reserves			
Called up share capital	12	657	657
Profit and loss account	14	211	42
Shareholders' funds		868	699

The notes on pages 11 to 22 form an integral part of these financial statements.

Approved by the Board and signed on their behalf by:



Philip Nicholas

Director

30th September 2019

Statement of Changes in Equity

for the year ended 31 December 2018

	<i>Profit and loss account £000</i>	<i>Share capital £000</i>	<i>Total £000</i>
At 1 January 2017	(33)	657	624
Profit for the financial year	75	-	75
Dividends paid	-	-	-
At 31 December 2017	42	657	699
Profit for the financial year	169	-	169
At 31 December 2018	211	657	868

Notes to the financial statement

at 31 December 2018

1. Accounting policies

Statement of Compliance

The financial statements of KE-Burgmann UK Limited (the “company”) for the year ended 31 December 2018 were authorised for issue by the board of directors on 27th September 2019 and the balance sheet was signed on the board’s behalf by Philip Nicholas. KE-Burgmann UK Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company’s financial statements are presented in GBP Sterling to the nearest 000’s.

The principal accounting policies adopted by the company are set out below.

New and Revised IFRSs applied

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations and applied, with limited exceptions, to all revenue arising from contracts with customers. The Company has adopted IFRS 15 using a modified retrospective approach of adoption with the date of initial application being 1 January 2018. IFRS 15 has had no material effect on the amounts reported for the current or prior year.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. The new standard adopted in the period has had no material effect on the amounts reported for the current or prior year.

Management has not applied the early adoption of IFRS 16 Leases, which will become effective from 1st January 2019.

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
- (b) the requirements in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of:
 - a. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - b. paragraph 118(e) of IAS 38 Intangible Assets;
- (c) the requirements of paragraphs 10(d), 111 and 134 of IAS 1 Presentation of Financial Statements;
- (d) the requirements of IAS 7 Statement of Cash Flows;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- (f) the requirement of paragraph 17 of IAS 24 Related Party Transactions;

Notes to the financial statement

at 31 December 2018

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Fixed assets and depreciation

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Leasehold improvements	–	Life of lease
Plant and machinery	–	12.5% per annum
Fixtures, fittings, tools and equipment	–	25% to 33.33% per annum

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Foreign currencies

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight-line basis over the lease term.

Notes to the financial statement

at 31 December 2018

1. Accounting policies (continued)

Trade and other debtors

Until 2017, Trade debtors, which generally have 30-60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

From 2018, IFRS 9 requires an expected credit loss (ECL) model to be applied to the financial assets rather than the incurred credit loss model required under IAS 39. The expected credit loss model requires the company to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date. 12-month ECLs are applied to all financial assets, except for trade receivables and amounts due from fellow group and subsidiary companies, which are measured reflecting life time ECLs using the simplified approach.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Finished goods and goods for resale – at purchase price.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Revenue recognition

The Company's revenue streams are not considered particularly complex in nature and revenue will continue to be recognised when it satisfies an identified performance obligation once the control of goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in the exchange of the goods provided. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

The adoption of this standard has not resulted in any material effect on these financial statements due to there being no differences in performance obligations, timing of recognition or measurement, and there is no restatement of the comparative information.

Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Notes to the financial statement

at 31 December 2018

1. Accounting policies (continued)

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Financial Instruments

Financial assets

2018 Accounting Treatment

Initial recognition and measurement

From 2018 all financial assets are recognised initially at cost plus directly attributable transaction costs. The measurement basis is determined by reference to the contractual cash flow characteristics of the financial asset.

Subsequent measurement

Financial assets at fair value through profit of loss

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Derecognition of financial assets

From 2018 the financial assets (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Notes to the financial statement

at 31 December 2018

1. Accounting policies (continued)

2017 Accounting Treatment

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets include cash and debtors due within one year and shall be recorded at transaction value.

Subsequent measurement

Debtors due within one year classified as loans and receivables shall continue to be carried at transaction value, since they are due within one year.

Derecognition of financial assets

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

2018 Accounting Treatment

Initial recognition and measurement

From 2018 all financial liabilities are recognised initially at cost and in the case of loans and borrowings, plus directly attributable transaction costs.

Purchases or sales of financial liabilities that require delivery of liabilities within a time frame established by regulation or convention in the marketplace are recognised on the trade i.e. the date that the company commits to purchase or sell the liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Notes to the financial statement

at 31 December 2018

1. Accounting policies (continued)

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised as profit or loss.

2017 Accounting Treatment

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade creditors and amount owed to related parties due within one year and shall be recorded at transaction price.

Subsequent measurement

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2. Turnover

Turnover is analysed by geographical market as follows:

	<i>Year ended 31 December 2018 £000</i>	<i>Year ended 31 December 2017 £000</i>
United Kingdom	3,325	3,237
Europe	366	235
Rest of the World	73	71
	<u>3,764</u>	<u>3,543</u>

Notes to the financial statement

at 31 December 2018

3. Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Foreign currency loss	1	17
Rent of land and buildings – operating leases	47	45
Hire of other assets – operating leases	47	42
Depreciation of tangible fixed assets	10	11
Auditor remuneration	5	5
	<u> </u>	<u> </u>

4. Staff costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Year ended 31 December 2018 No.	Year ended 31 December 2017 No.
Administration	2	2
Sales & Distribution	8	8
Production	11	13
	<u> </u>	<u> </u>
	21	23
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Wages and salaries	824	850
Social security & Apprenticeship levy costs	98	108
Other pension costs	136	135
	<u> </u>	<u> </u>
	1,058	1,093
	<u> </u>	<u> </u>

Directors' remuneration:

None of the Directors were paid by the company and all were paid by another group undertaking. The services provided by the directors to the Company are not significant in the context of their overall employment within the group and hence no monetary amount has been disclosed in these accounts.

Notes to the financial statement

at 31 December 2018

5. Taxation

(a) Tax on profit on ordinary activities

Tax in the income statement:

Tax charge on profit on ordinary activities

	<i>Year ended</i> 31 December	<i>Year ended</i> 31 December
	2018	2017
	£000	£000
UK Corporation tax:		
Corporation tax charge	42	26
Adjustment in respect of prior periods	1	-
Total current tax	43	26
Deferred tax:		
Original and reversal of timing differences	-	-
Adjustment in respect of prior periods	1	34
Effect of change in tax rate	-	-
Total deferred tax (note 11)	1	34
Total tax on profit on ordinary activities	44	60

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 19% (31 December 2017: 19.25%). The differences are reconciled below:

	<i>Year ended</i> 31 December	<i>Year ended</i> 31 December
	2018	2017
	£000	£000
Profit/(loss) on ordinary activities	213	135
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 December 2017: 19.25%)	41	26
Expenses not deductible for tax purposes	1	-
Adjustments in respect of previous periods	2	34
Total tax charge	44	60

Changes to the UK corporation tax rates were announced in the Summer Finance Bill 2015. These include further reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted on 26 October 2015 and therefore are included in these financial statements where appropriate. Deferred tax is recognised at 19%.

Notes to the financial statement

at 31 December 2018

6. Off balance sheet commitments

The company enters into operating lease arrangements for the hire of buildings and plant & equipment as these arrangements are a cost effective way of obtaining the short-term benefits of these assets. The total commitments under these arrangements are disclosed in Note 16. There are no other material off-balance sheet arrangements

7. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings, tools and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2018	44	211	255	510
Additions	-	2	1	3
Disposals	-	(12)	(16)	(28)
At 31 December 2018	44	201	240	485
Depreciation:				
At 1 January 2018	44	204	248	496
Charge for year	-	4	6	10
Disposals	-	(12)	(16)	(28)
At 31 December 2018	44	196	238	478
Net book value:				
At 31 December 2018	-	5	2	7
At 1 January 2018	-	7	7	14

8. Debtors

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	273	681
Amounts owed by group undertakings	1,043	442
Deferred tax (note 11)	11	12
Prepayments and accrued income	50	46
	<u>1,377</u>	<u>1,181</u>

Notes to the financial statement

at 31 December 2018

9. Creditors: amounts falling due within one year

	31 December 2018 £000	31 December 2017 £000
Trade creditors	157	153
Amounts owed to group undertakings	332	499
Other taxes and social security costs	73	119
Corporation tax payable	30	14
Accruals and deferred income	119	48
	<u>711</u>	<u>833</u>

10. Creditors: amounts falling due after one year

	31 December 2018 £000	31 December 2017 £000
Amounts owed to group undertakings	-	-
	<u>-</u>	<u>-</u>

11. Deferred tax

<i>Deferred tax is recognised at 19% (note 5)</i>	<i>Deferred tax £000</i>
At 1 January 2018 - asset	(12)
Debited to the profit and loss account in respect of prior years (note 5 (a))	1
At 31 December 2018 - asset	<u>(11)</u>
	<u>(11)</u>
	 2018 £000
Temporary differences	(2)
Fixed assets	(9)
	<u>(11)</u>

Notes to the financial statement

at 31 December 2018

12. Share capital

	<i>Year ended</i> <i>31 December</i>		<i>Year ended</i> <i>31 December</i>	
	<i>No.</i>	<i>2018</i> <i>£000</i>	<i>No.</i>	<i>2017</i> <i>£000</i>
Ordinary shares of £1 each	657	657	657	657
	<u>657</u>	<u>657</u>	<u>657</u>	<u>657</u>

13. Dividends

	<i>Year ended</i> <i>31 December</i> <i>2018</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2017</i> <i>£000</i>
Dividends paid		
Current year interim dividend paid	-	-
	<u>-</u>	<u>-</u>

14. Reserves

Share capital

This reserve represents the capital investment by the parent undertaking.

Profit and loss account

This reserve represents the cumulative comprehensive income recognised in the company, less any dividends paid.

15. Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £86,809 (2017 – £91,696).

Contributions amounting to £6,784 (2017 – £7,882) were payable to the scheme and are included in creditors.

Notes to the financial statement

at 31 December 2018

16. Commitments

At 31 December future minimum rentals payable under non-cancellable operating leases are as follows:

	2018		2017	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases:				
not later than one year	46	40	43	29
later than one year and not later than five years	23	37	65	15
later than five years	-	-	-	-
	<u>69</u>	<u>77</u>	<u>108</u>	<u>44</u>

17. Related party transactions

All of the related parties are other undertakings either under the common control of Freudenberg & Co KG. The principal related parties are as follows: Eagleburgmann Vejen, Eagleburgmann Germany and Eagleburgmann France.

The aggregate values of transactions with related parties during the year were as follows:

	<i>Year ended 31 December</i>	<i>Year ended 31 December</i>
	2018	2017
	£000	£000
Sales	357	245
Purchases	680	657
	<u> </u>	<u> </u>

Balances with related parties were as follows:

Amounts included in debtors – group undertakings	101	88
Amounts included in creditors due in less than one year – group undertakings	83	249
	<u> </u>	<u> </u>

18. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is EagleBurgmann KE A/S (International Default), a company incorporated in Denmark.

At 31 December 2018, the company's ultimate parent undertaking and controlling party, which prepares group financial statements incorporating the company's results, was Freudenberg & Co KG, whose registered address is Hohnerweg, 2 – 4 D69465, Weinheim, Germany. The group financial statements of the group are available to the public and may be obtained from the aforementioned address.