Endress + Hauser Limited

Annual report and financial statements for the year ended 31 December 2015

Registered Number 942157

Endress + Hauser Limited

Annual report and financial statements

for the year ended 31 December 2015

Contents

Endress + Hauser Limited

Directors and advisers for the year ended 31 December 2015

Directors

Mr H-P Endress	(Chairman)
Mr D C Newell	(Managing Director)
Mr R Stone	
Mr A C Grassby	
Mr S Endress	

Company secretary and registered office
Mr J H Langford
Floats Road
Manchester
M23 9NF

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers
Lloyds Bank Plc
223 Finney Lane
Heald Green
Cheadle
Cheshire
SK8 3PY

Registered Number 942157

Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Principal activities
The company's principal activities continue to be the design, manufacture, supply, installation and servicing of electronic process control systems and equipment.

Review of the business
The results for the year show a profit on ordinary activities before taxation of £2,720,337 (2014: £3,939,582). Turnover has fallen by 14.8% in 2015. This is due to general market conditions within the process instrumentation and automation market. The balance sheet remains strong with an equity ratio of 82.8%.

Principal risks and uncertainties
The key business risks affecting the company are considered to relate to the macro-economic environment, competition, foreign exchange rates and availability of key skills.

Financial risk management
The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs.

Price risk
The directors do not believe this constitutes a significant risk to the business as it is not material.

Foreign exchange risk
The company is exposed to foreign exchange risk as a result of its operations; however these are managed by use of hedging forward exchange contracts and with currency support from group companies. The directors do not believe this constitutes a significant risk to the business.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before contracts are negotiated. Credit control assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

Liquidity risk
The company manages and uses its working capital to ensure that it has sufficient funds for ongoing operations and future investments.

Interest rate risk
The directors do not believe this constitutes a significant risk to the business. The company has no interest bearing liabilities.

Strategic report for the year ended 31 December 2015 (continued)

Future developments
The external commercial environment is expected to continue to remain competitive. The directors however look forward to further growth in the next financial year.

Key performance indicators ("KPIs")
The Board monitors progress on the company's strategy by reference to certain KPIs as follows:

	2015 %	2014 %	
Sales (decline) /growth	(14.8)	6.5	Year on year sales growth expressed as a percentage
Operating profit	6.9	8.3	Operating profit expressed as a percentage of sales
Return on net assets	16.2	22.5	Operating profit expressed as a percentage of net assets

By order of the Board

Mr J H Langford
Company secretary

8 April 2016

Endress + Hauser Limited

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

The company has chosen to adopt Financial Reporting Standard 102 (FRS 102) with certain exemptions of the reduced disclosure framework applied and with the effect of this change determined from the beginning of January 2014 which is the prior accounting period. The impact of this on the company's financial position and financial performance can be seen in note 20 of the financial statements.

Future developments

Future developments are detailed in the Strategic Report on page 3

Results and dividends

The profit for the year after tax is £2,162,493 (2014: £3,059,887). A dividend of £14.69 (2014: £12.19) per share amounting to £2,350,000 (2014: £1,950,000) has been paid in the year. Based on the 2015 results, a dividend of £10.63 (2014: £14.69) per ordinary share amounting to £1,700,000 (2014: £2,350,000) is proposed and, if approved, will be paid by 30 April 2016.

Directors

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

Mr H-P Endress	(Chairman)
Mr D C Newell	(Managing Director)
Mr R Stone	
Mr A C Grassby	
Mr S Endress	(Appointed 1 January 2015)
Mr C Horan	(Appointed 1 April 2016)

Directors' indemnities

The company maintains liability insurance for its directors and officers. The company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. It was in force during the financial year and at the time of signing these financial statements.

Employees

Employees are regularly updated on matters affecting their relationship to the company. This includes but is not restricted to, new legislation and economic factors affecting the company's performance.

It is the company's policy to provide equal opportunity for employees or applicants for employment irrespective of colour, race, nationality, ethnic origin, sex or marital status.

It is the further the policy of the company to give full and fair consideration to employment applications made by disabled persons, having regard to their particular aptitudes and abilities, and to continue where possible the employment of, and to arrange appropriate training for employees who become disabled while employed by the company.

Directors' report for the year ended 31 December 2015 (continued)

Financial risk management

Financial risk management is detailed in the strategic report on page 2.

Research and development

The company has dedicated in-house software and engineering design development engineers with primary focus on development of bespoke engineering solutions for customers. Costs relating to development are re-charged to customers' in-line with agreed contractual terms.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Generally Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS102 used in the preparation of 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report for the year ended 31 December 2015 (continued)

Disclosure of information to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

By order of the Board

Mr J H Langford
Company secretary

8 April 2016

Registered Number 942157

Independent auditors' report to the members of Endress + Hauser Limited

Report on the financial statements

Our opinion

In our opinion, Endress + Hauser Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2015;
- the Statement of income and retained earnings for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Independent auditors' report to the members of Endress + Hauser Limited (continued)

Our responsibilities and those of the directors

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

H. Macnamara

Hazel Macnamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
3 April 2016

Statement of income and retained earnings for the year ended 31 December 2015

	Note	2015	2014
Continuing operations		**£**	£
Turnover	1	**39,106,648**	45,888,603
Cost of sales		**(26,656,706)**	(31,894,521)
Gross profit		**12,449,942**	13,994,082
Distribution costs		**(7,043,321)**	(7,442,989)
Administrative expenses		**(2,730,813)**	(2,774,588)
Other operating income		**37,986**	43,438
Operating profit	2	**2,713,794**	3,819,943
Dividend received		**-**	119,702
Interest receivable and similar income	4	**10,461**	3,738
Interest payable and similar charges	5	**(3,918)**	(3,801)
Profit on ordinary activities before taxation		**2,720,337**	3,939,582
Tax on profit on ordinary activities	6	**(557,844)**	(879,695)
Profit for the financial year		**2,162,493**	3,059,887
Retained earnings at 1 January		**16,794,686**	15,684,799
Profit for the financial year		**2,162,493**	3,059,887
Dividends paid	7	**(2,350,000)**	(1,950,000)
Retained earnings at 31 December		**16,607,179**	16,794,686

Balance sheet as at 31 December 2015

	Note	2015	2014
		£	£
Fixed assets			
Tangible assets	8	7,231,997	7,519,843
		7,231,997	7,519,843
Current assets			
Stocks	9	1,196,192	1,432,961
Debtors	10	7,434,576	10,392,572
Cash at bank and in hand		4,377,921	2,018,470
		13,008,689	13,844,003
Creditors: amounts falling due within one year	11	(3,084,894)	(3,920,966)
Net current assets		9,923,795	9,923,037
Total assets less current liabilities		17,155,792	17,442,880
Creditors: amounts falling due after more than one year	12	(36,924)	(13,746)
Provisions for liabilities	14	(351,689)	(474,448)
Net assets		16,767,179	16,954,686
Capital and reserves			
Called up share capital	16	160,000	160,000
Retained earnings		16,607,179	16,794,686
Total shareholders' funds		16,767,179	16,954,686

The financial statements on pages 9 to 30 were approved by the Board on 8 April 2016 and signed on its behalf by:

Mr H-P Endress
Director

8 April 2016

Endress + Hauser Limited

Registered number 942157

Statement of accounting policies

General Information

Endress+Hauser Limited ('the company') is a supplier of products, solutions and services for industrial process measurement and automation. The company operates from its registered office in Manchester.

The company is a private company limited by shares and incorporated and domiciled in the UK. The address of its registered office is Floats Road, Manchester, M23 9NF

Statement of compliance

The individual financial statements of Endress+Hauser Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 20.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 17.

The company is a wholly owned subsidiary of Endress+Hauser Investments Limited and of its ultimate parent Endress+Hauser AG. It is included in the consolidated financial statements of Endress+Hauser AG, a company incorporated in Switzerland. The financial statements of Endress+Hauser AG are publicly available (see note 21).

Exemptions for qualifying entities under FRS 102

The company is a wholly owned subsidiary of Endress+Hauser Investments Limited and of its ultimate parent Endress+Hauser AG. It is included in the consolidated financial statements of Endress+Hauser AG which are publicly available.

Consequently the company is a qualifying entity as per FRS 100 and has taken advantage of the disclosure exemptions of FRS 102, Section 1, paragraph 1.12(a) reconciliation of the number of shares outstanding at the beginning and end of the period, 1.12(b) statement of cash flows, 1.12(c) financial instruments, 1.12(d) certain share based payments disclosures and 1.12(e) key management compensation in total.

Statement of accounting policies (continued)

Turnover
Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably and (d) it is probable that future economic benefits will flow to the entity

Sales of goods are recognised on delivery to the customer or when collected by the customer. Sales are normally made with credit terms of 30 days. The element of financing is deemed immaterial and is disregarded in the measurement of turnover.

The company sells a variety of services such as Maintenance services of Field Instrumentation, Calibration and commissioning services, Reactive services and Engineering Services for process automation. Turnover is recognised in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably.

Employee benefits
The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively

Current or deferred taxation assets and liabilities are not discounted.

Statement of accounting policies (continued)

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted by the period end and that are expected to apply to the reversal of the timing difference. Deferred tax is measured on an undiscounted basis.

Tangible assets and depreciation
Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Land is not depreciated Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Freehold buildings	- over 40 years
Plant and equipment	- over 4 to 10 years
Furniture, fixtures and fittings	- over 4 to 10 years
Computer and electronic equipment	- over 5 years
Motor vehicles	- over 4 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

Statement of accounting policies (continued)

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss.

Leased Assets
At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the sum of digits method.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Inventories
Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

In general, cost is determined on an average purchase cost basis. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity.

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

Provisions and contingencies
(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably

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

Statement of accounting policies (continued)

Warranties

Provision is made for the expected cost of maintenance under warranty obligations and other work in respect of products delivered and invoiced The provision is undiscounted as the time value of money is not considered to have a material impact.

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments
The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures are initially measured at fair value, which is normally the transaction price

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit and loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment

Statement of accounting policies (continued)

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 who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Trade payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Statement of accounting policies (continued)

Critical accounting estimates and assumptions

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

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the tangible assets

(ii) Inventory provisioning

The company holds stock for resale, for service, commissioning and repairs and raw materials for the assembly of bespoke temperature products. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. The inventory provision for goods purchased from sister companies is calculated on a line-by-line basis using the stock reach criterion and take also slow moving and specific cases into consideration. See note 9 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade debtors and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 10 for the net carrying amount of the debtors and associated impairment provision.

Notes to the financial statements for the year ended 31 December 2015

1 Turnover

A geographical analysis of turnover by destination is given below:

	2015	2014
	£	£
United Kingdom	**36,463,243**	40,796,392
Europe	**1,932,158**	3,608,303
United States of America	**117,189**	1,176,639
Rest of the world	**594,058**	307,269
	39,106,648	45,888,603

2 Operating profit

Operating profit is stated after charging / (crediting):

	2015	2014
	£	£
Wages and salaries	**7,543,459**	8,066,447
Social security costs	**727,423**	811,217
Other pension costs (note 17)	**542,704**	559,363
	8,813,586	9,437,027
Depreciation:		
Owned tangible assets	**552,377**	531,378
Assets held under finance leases	**127,709**	99,451
Profit on disposal of tangible assets	**(24,655)**	(20,100)
Impairment of trade receivables	**32,759**	16,679
Stock recognised as an expense	**21,280,642**	25,131,214
Impairment of stocks (included in cost of sales)	**(65,659)**	(97,065)
Operating lease rentals:	**25,164**	17,738
Research and development	**353,360**	419,116
Loss on foreign exchange	**79,969**	15,896

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Operating profit (continued)

	2015	2014
	£	£
Services provided by the company's auditors:		
- Fees payable for audit related regulatory reporting	**66,500**	57,000
- Fees payable for advisory services	**5,500**	-
- Tax compliance services	**30,150**	30,360

3 Employees and directors

Employees

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

By activity	2015 Number	2014 Number
Administration	**24**	24
Sales and distribution/service	**170**	168
Manufacturing and development	**18**	20
	212	212

Directors

The directors' emoluments were as follows:	2015 £	2014 £
Aggregate emoluments	**567,102**	619,740
Payments to defined contribution pension schemes	**35,440**	47,892
	602,542	667,632

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Employees and directors (continued)

Number of directors receiving:	2015 Number	2014 Number
Payments to defined contribution pension schemes	4	4

The highest paid director's emoluments comprise:	2015 £	2014 £
Aggregate emoluments	150,300	174,417
Payments to defined contribution pension schemes	-	19,504
	150,300	193,921

4 Interest receivable and similar income

	2015 £	2014 £
Bank interest received	4,051	3,738
Interest on short term deposits	3,785	-
Interest on corporation tax refund	2,625	-
	10,461	3,738

5 Interest payable and similar charges

	2015 £	2014 £
Interest payable on overdrafts	-	193
Finance lease interest	3,918	3,608
	3,918	3,801

Notes to the financial statements for the year ended 31 December 2015 (continued)

6 Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2015	2014
	£	£
Current tax		
UK corporation tax on profits for the year	542,552	786,345
Adjustments in respect of prior periods	(27,535)	(6,717)
Total current tax	515,017	779,628
Deferred tax		
Origination and reversal of timing differences	44,763	100,832
Adjustments in respect of prior years	1,681	6,241
Impact of changes in tax rates and laws	(3,617)	(7,006)
Total deferred tax (note 14)	42,827	100,067
Tax on profit on ordinary activities	557,844	879,695

(b) Factors affecting tax charge in the year

The tax assessed for the year is higher (2014: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.49%). The differences are explained below:

	2015	2014
	£	£
Profit on ordinary activities before tax	2,720,337	3,939,582
Profit on ordinary activities multiplied by the standard rate in the United Kingdom of 20.25% (2014: 21.49%)	550,868	846,616
Effects of:		
Expenses not deductible for tax purposes	36,447	40,894
Adjustments in respect of prior periods	(25,854)	(476)
Re-measurement of deferred tax – change in UK tax rate	(3,617)	(7,006)
Income not taxable	-	(328)
Group relief not paid for	-	(5)
Tax charge for the year	557,844	879,695

6 Tax on profit on ordinary activities (continued)

c) Factors that may affect future tax charges

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £6,146 and reduce the tax expense for the period by £6,146

7 Dividends

	2015	2014
	£	£
Equity – Ordinary		
Final paid £14.69 (2014: £12.19) per ordinary share	**2,350,000**	1,950,000

The directors have proposed a final dividend for the year ended 31 December 2015 of £10.63 per share which is a total of £1,700,000. This dividend has not been accounted for within the current year financial statements as it has yet to be approved.

8 Tangible assets

	Freehold land & buildings £	Plant and equipment £	Furniture, fixtures and fittings £	Computer and electronic equipment £	Motor vehicles £	Assets under Construction £	Total £
Cost							
At 1 January 2015	8,025,053	1,694,436	651,914	900,927	860,956	147,983	12,281,269
Additions	-	117,283	855	28,612	248,405	-	395,155
Transfer	-	147,616	367	-	-	(147,983)	-
Disposals	-	(29,307)	-	-	(131,619)	-	(160,926)
At 31 December 2015	**8,025,053**	**1,930,028**	**653,136**	**929,539**	**977,742**	**-**	**12,515,498**

8 Tangible assets (continued)

	Freehold land & buildings £	Plant and equipment £	Furniture, fixtures and fittings £	Computer and electronic equipment £	Motor vehicles £	Assets under Construction £	Total £
Accumulated Depreciation							
At 1 January 2015	2,107,928	978,981	447,788	633,539	593,190	-	4,761,426
Charge for the year	191,003	154,541	63,269	101,586	169,687	-	680,086
Disposals	-	(26,392)	-	-	(131,619)	-	(158,011)
At 31 December 2015	**2,298,931**	**1,107,130**	**511,057**	**735,125**	**631,258**	**-**	**5,283,501**
Net book amount							
At 31 December 2015	**5,726,122**	**822,898**	**142,079**	**194,414**	**346,484**	**-**	**7,231,997**
At 31 December 2014	5,917,125	715,455	204,126	267,388	267,766	147,983	7,519,843

The net book amount of tangible assets includes an amount of £273,571 (2014: £196,377) in respect of assets held under finance leases. All assets held under finance leases relate to motor vehicles.

There are no material differences between the market value and net book value of land and buildings.

9 Stocks

	2015 £	2014 £
Raw materials and consumables	**215,402**	213,295
Work in progress	**90,245**	113,481
Finished goods held for resale	**890,545**	1,106,185
	1,196,192	1,432,961

There is no significant difference between the replacement cost of stocks and their carrying amount.

Stocks are stated after provisions for impairment of £570,128 (2014: £635,787)

Notes to the financial statements for the year ended 31 December 2015 (continued)

10 Debtors

	2015	2014
	£	£
Trade debtors	**7,064,857**	8,425,048
Corporation Tax	**72,835**	-
Amounts owed by group undertakings	**50,545**	1,695,577
Other debtors	**8,347**	9,258
Prepayments and accrued income	**237,992**	262,689
	7,434,576	10,392,572

Amounts owed by group undertakings are unsecured, interest free and have no fixed date for repayment.

Trade debtors are stated after provisions for impairment of £63,759 (2014: £32,819)

11 Creditors: amounts falling due within one year

	2015	2014
	£	£
Trade Creditors	**777,828**	898,590
Amounts owed to group undertakings	**957,868**	748,412
Finance Leases	**96,057**	74,371
Corporation Tax	-	285,004
Other Taxation and social security	**453,745**	552,584
Accruals and deferred income	**799,396**	1,362,005
	3,084,894	3,920,966

Amounts owed to group undertakings are unsecured and are repayable on demand.

Notes to the financial statements for the year ended 31 December 2015 (continued)

12 Creditors: amounts falling due after more than one year

	2015	2014
	£	£
Finance Leases	36,924	13,746

13 Finance leases

The future minimum finance lease payments are as follows:

	2015	2014
	£	£
Not later than one year	98,771	75,907
Later than one year and not later than five years	37,331	13,931
Total Gross Payments	136,102	89,838
Less: Finance Charges	(3,121)	(1,721)
	132,981	88,117

The finance leases all relate to motor vehicles.

14 Provisions for liabilities

	2015	2014
	£	£
Deferred tax	58,389	15,562
Warranty costs	293,300	458,886
	351,689	474,448

Deferred tax liability

	£
Liability at 1 January 2015	15,562
Charged to the profit and loss account (note 6)	42,827
Liability at 31 December 2015	**58,389**

Notes to the financial statements for the year ended 31 December 2015 (continued)

14 Provisions for liabilities (continued)

Deferred tax provided in the financial statements comprises:

	2015	2014
	£	£
Short term timing differences	**(7,044)**	(13,464)
Accelerated capital allowances	**65,433**	29,026
	58,389	15,562

The net deferred tax liability expected to reverse in 2016 is £nil.

Warranty costs

	£
At 1 January 2015	458,886
Amounts utilised during the year	(189,582)
Unutilised amount reversed during the year	(269,304)
Provision made in the year	293,300
At 31 December 2015	**293,300**

The provision for warranty costs has been recognised for expected warranty claims arising on products sold during the financial year. It is expected that this expenditure will be incurred in the next financial year.

Notes to the financial statements for the year ended 31 December 2015 (continued)

15 Financial instruments

The company has the following financial instruments

	Note	2015	2014
		£	£
Financial assets			
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	10	**7,064,857**	8,425,048
Amounts owed by group undertakings	10	**50,545**	1,695,577
Other receivables	10	**8,347**	9,258
Cash and cash equivalents		**4,377,921**	2,018,470
		11,501,670	12,148,353
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade creditors	11	**777,828**	898,590
Amounts owed to group undertakings	11	**957,868**	748,412
Finance leases	11/12	**132,981**	88,117
		1,868,677	1,735,119

The company has no foreign currency or interest rate derivative financial instruments (2014: none)

16 Called up share capital

	2015	2014
	£	£
Allotted and fully paid		
160,000 (2014: 160,000) ordinary shares of £1 each	**160,000**	160,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Notes to the financial statements for the year ended 31 December 2015 (continued)

17 Pensions

From 1 January 1993, the company has operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. Aggregate contributions payable in the year by the company to the staff pension scheme amounted to £542,704 (2014: £559,363). There are no contributions outstanding or prepaid.

18 Contingent liabilities

	2015	2014
	£	£
Performance bonds with recourse	**242,949**	161,899
H M Turnover and Customs guarantee with recourse	**200,000**	500,000
	442,949	661,899

Performance bonds with recourse relate to bank guarantees issued to customers against specific orders to cover performance, warranty and retentions. There has been no recent history of payment of these guarantees being demanded.

H M Turnover and Customs guarantee with recourse relates to a bank guarantee linked to the collection of import VAT and duty.

19 Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases to each of the following years:

Payments due	2015	2014
	£	£
Later than one year and not later than five years	**49,957**	44,600
Later than five years	-	30,521
	49,957	75,121

In addition, the company has an ongoing financial commitment of approximately £374,000 per annum as regards the use and operation of its Endress+Hauser Group computer software (2014: £374,000).

Notes to the financial statements for the year ended 31 December 2015 (continued)

20 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile the profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

	2014
Profit for the financial year	**£**
Profit for the financial year as previously reported under UK GAAP	3,062,474
Holiday pay accrual	(3,234)
Deferred tax impact of adjustments	647
Profit for the financial year as reported under FRS 102	**3,059,887**

	1 January 2014	31 December 2014
Total equity	**£**	**£**
Total equity as previously reported under UK GAAP	**15,873,173**	**16,985,647**
Holiday pay accrual	(35,467)	(38,701)
Deferred tax impact of adjustments	7,093	7,740
Total equity as reported under FRS 102	**15,844,799**	**16,954,686**

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the company recognising a liability for holiday pay of £35,467 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. In the year to 31 December 2014 an additional charge of £3,234 was recognised in the profit and loss account and the liability at 31 December 2014 was £38,701

Deferred tax of £7,093 has been recognised at 20% on the holiday pay liability recognised on transition at 1 January 2014. In the year ended 31 December 2014 the company has recognised a credit of £647 in the profit and loss account in respect of the increase in the holiday pay accrual

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Endress + Hauser Investments Limited, a company incorporated in England.

The company's ultimate parent company and largest and smallest group to consolidate these financial statements, is Endress + Hauser AG, a company incorporated in Switzerland. Copies of Endress + Hauser AG consolidated financial statements are available upon request from Endress + Hauser AG, Kägenstrasse 2, CH-4153 Reinach/BL Switzerland.

The ultimate controlling party is the Endress family trusts.

22 Related party disclosure

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102 on the grounds that at 31 December 2015 it was a wholly owned subsidiary.

Endress+Hauser Limited have elected to take advantage of key personnel compensation disclosure exemption under FRS 102 paragraph 1.12(e) and 33.7