

# **Carbolite Gero Limited**

Annual report and financial statements

Registered number 01371507

For the year ended 31 December 2018



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## Strategic report

### Business Objectives and Strategy

The principal activities of the company are the manufacture and distribution of furnaces and ovens for laboratory pilot plant and industrial applications. Stock held for sale consists of raw materials purchased from third parties, and products manufactured.

Key areas of strategic development and performance of the business include:

- Sales and Marketing – A unified marketing strategy has been implemented across the Verder Scientific Group aimed at winning new business, whilst also maintaining key customer relationships, by building on the overlapping markets and applications in which the Groups products are used.
- Manufacturing - products continue to be enhanced and new products developed both in our laboratory and bespoke Industrial business, whilst also seeking to benefit from identified production efficiencies.

### Business model

Carbolite Gero Limited aligns itself to the needs of our customers, whilst still considering our own profitability targets and business continuity. Our customers are treated in a fair, trustworthy and personal business relationship. Long term relationships are essential to us.

The company always looks to create added value for our customers by selling high quality products at competitive prices.

It is also of great importance that the company has a well-trained and motivated workforce.

### Development and Performance during the year

Carbolite Gero saw a strong performance during 2018. During this period there was continued development of Carbolite Gero's worldwide distribution network enhanced by the Verder Group and combined marketing activity. This continues to develop well and continues to bring future benefits through increased market presence in some key growth markets.

The results of the company are set out on page 7. The company generated an operating profit of £2.08m (2017: £2.27m) in the year from turnover of £15.6m (2017: £14.3m).

The business continues to be part of a group wide cash pooling facility in which all local cash is swept to nil at the end of each day. As a result the cash position continues at a low balance, being replaced by intercompany debtors.

### Position at year end and future prospects

The Company plans to continue with its existing strategy for 2018. The Company has made a very positive start to the new financial year and is well positioned to benefit from any further market growth. New products are being developed during the year to add to the current product portfolio together with further focus on manufacturing effectiveness.

### The Principal Risks and Uncertainties facing the Business

The principal risks and uncertainties affecting the business include the following:

- Foreign exchange risk. The company does not hedge foreign exchange risk with many intergroup sales being made in Euros or US Dollars, whilst purchases and financial statements are reported in Sterling, meaning fluctuations in exchange rates can have an impact on financial results.

## Strategic report *(continued)*

- With a significant proportion of revenue coming from outside the UK, a global recession would impact the business's growth prospects for the future, although the business's global market spread gives some protection from possible economic downturns in isolated markets.
- At this particular time we continue to face uncertainty surrounding the United Kingdom's exit from the European Union, 29.2% of our Turnover is realised in the countries of the European Union and therefore the operations of Carbolite Gero Limited going forward will depend on the outcome of these negotiations in the next year and further afield. We continue to monitor these changes very carefully to determine any difficulties which could be encountered as a result of this economic shift. We are confident that trade will not cease, however tighter restrictions and more barriers to trade could be implemented making operations more difficult. If the pound loses value against the Euro and the dollar, the repatriation of the Euros to GBP has a favourable effect on the revenue. While purchase prices in Euros would rise this would not be significant as this affects a small proportion of vendor purchases.

Possible negative effects may be:

1. Longer lead times to the customers in Europe due to customs, and with that a loss of business.
2. More restrictions associated with selling into European countries.
3. Loss of business due to the customers wanting to keep trade within the European Union.
4. Loss of European Personnel.
5. Conformity of Products to European Standards will need to be assessed.
6. Legal changes.
7. Devaluation of the pound may lead to purchase cost rises which will reduce the Gross Margin.

Possible Positive effects could be:

1. Easier business with the rest of the world if free trade agreements are reached.
2. Devaluation of the Pound leads to higher revenue when repatriating Euros to GBP.

## Key Performance Indicators

Key financial performance indicators include the monitoring and management of profitability and working capital

The following Key Performance Indicators are monitored monthly:

	2018	2017	Measure
Financial current ratio	1.46	1.73	Current assets/ current liabilities
Stock turnover	9.10	10.26	Turnover/stock
Debtor days	31.0	30.7	Trade debtors/ turnover x 365

These together with a range of traditional financial indicators generated monthly ensure that deviations to plan are spotted early and appropriate corrective actions are implemented.

Dr J Pankratz  
Director



Parsons Lane  
Hope  
Hope Valley  
S33 6RB

20<sup>th</sup> September 2019

## Directors' report

The director presents the annual report and the financial statements for the year ended 31 December 2018.

### Principal activities

The principal activities of the company are the manufacture and distribution of furnaces and ovens for laboratory pilot plant and industrial applications.

### Director

The names of those who have been Directors during the period are as follows:-

Dr J Pankratz

The director had no interests in the shares of the company.

The director confirms that no third party indemnity provisions for his benefit have been in place, neither at the time this report was signed nor at any time during the financial year. The director confirmed a dividend of £2,228,382 to be paid (2017: £11,905,739).

### Employee involvement

The company has established channels for communication and consultation with employees and their representatives on health and safety, financial results, and other matters of shared interest.

### Disabled persons

Equal opportunity is given to any registered disabled person who applies for employment, taking into account the aptitude of the applicant and the requirements of the job.

Should any employee become disabled, all reasonable steps are taken to provide continued employment and retraining.

Opportunities for training, career development and promotion are extended to all employees regarding any disability, consistent with the requirements of the company and the potential of the person concerned.

### Disclosure of information to auditor

The director who held office at the date of approval of this directors' report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

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

In accordance with Section 414 C(11) of the Companies Act 2006, information required in the Directors Report has been presented in the Strategic Report

By order of the board

  
Dr J Pankratz  
Director

Parsons Lane  
Hope  
Hope Valley  
Derbyshire  
S33 6RB

20<sup>th</sup> September 2019

## **Statement of directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

## KPMG LLP

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
United Kingdom

# Independent auditor's report to the members of Carbolite Gero Ltd

## Opinion

We have audited the financial statements of Carbolite Gero Ltd ("the company") for the year ended 31 December 2018 which comprise the Statement of profit and loss and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

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

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

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

## Going concern

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

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

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

## Strategic report and directors' report

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

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

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

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).<sup>1</sup>

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

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

*Malcolm Harding*  
**Malcolm Harding (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

Date:

25/5/2019



**Profit and loss account and Other comprehensive income**  
*for the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> £	<b>2017</b> £
<b>Turnover</b>	2	<b>15,594,757</b>	14,340,453
Cost of sales		<b>(9,317,906)</b>	(8,277,882)
<b>Gross profit</b>		<b>6,276,851</b>	6,062,571
Distribution costs		<b>(152,950)</b>	(168,750)
Administration costs		<b>(3,073,208)</b>	(2,773,708)
Other operating expenses		<b>(1,042,502)</b>	(851,439)
<b>Operating profit</b>	3	<b>2,008,191</b>	2,268,674
Interest payable and similar expenses	6	<b>(2,343)</b>	(25,959)
Interest Receivable	7	<b>7,663</b>	10,127
Income from shares in group undertaking	16	-	1,164,753
Impairment of Investments	10	<b>179</b>	(836,943)
<b>Profit before taxation</b>		<b>2,013,690</b>	2,580,652
Tax on profit	8	<b>(403,422)</b>	(453,696)
<b>Profit for the financial year</b>		<b>1,610,268</b>	2,126,956
<b>Total comprehensive income for the year</b>		<b>1,610,268</b>	2,126,956

All of the activities of the company are classed as continuing.

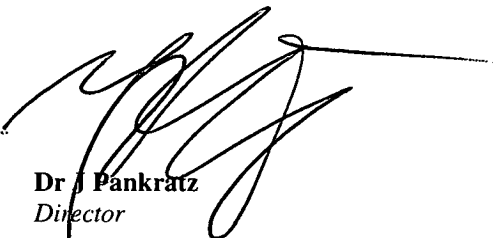
The company has no other comprehensive income other than the results for the year as set out above, and therefore no separate statement of total comprehensive income has been presented.

The notes on pages 10 to 20 form an integral part of these financial statements.

**Balance sheet**  
*as at 31 December 2018*

	<i>Notes</i>	<b>2018</b> £	<b>2017</b> £
<b>Fixed assets</b>			
Tangible assets	9	773,472	675,652
Investments	10	182	3
		<hr/>	<hr/>
		773,654	675,655
<b>Current assets</b>			
Stocks	11	1,713,385	1,397,285
Debtors	12	3,364,002	4,206,738
Cash at bank and in hand		2,507	3,543
		<hr/>	<hr/>
		5,079,894	5,607,566
		<hr/>	<hr/>
<b>Creditors:</b> amounts falling due within one year	13	(3,473,491)	(3,235,800)
		<hr/>	<hr/>
<b>Net current assets</b>		1,606,403	2,371,766
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		2,380,057	3,047,421
		<hr/>	<hr/>
<b>Provisions</b>	14	(230,200)	(279,450)
		<hr/>	<hr/>
<b>Net assets</b>		2,149,857	2,767,971
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	15	200,000	200,000
Profit and loss account		1,949,857	2,567,971
		<hr/>	<hr/>
<b>Shareholders' funds</b>		2,149,857	2,767,971
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 20<sup>th</sup> September 2019 and were signed on its behalf by:



**Dr J Pankratz**  
*Director*

The notes on pages 10 to 20 form an integral part of these financial statements.

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

	<b>Called up Share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 January 2017	200,000	12,346,754	<b>12,546,754</b>
<b>Total comprehensive income for the period</b>			
Profit for the year	-	2,126,956	<b>2,126,954</b>
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	2,126,956	<b>2,126,956</b>
Dividend Paid	-	(11,905,739)	(11,905,739)
<b>Balance at 31 December 2017</b>	<b>200,000</b>	<b>2,567,971</b>	<b>2,767,971</b>
<b>Total comprehensive income for the period</b>			
Profit for the year	-	1,610,268	<b>1,610,268</b>
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,610,268	<b>1,610,268</b>
Dividend Paid	-	(2,228,382)	<b>(2,228,382)</b>
<b>Balance at 31 December 2018</b>	<b>200,000</b>	<b>1,949,857</b>	<b>2,149,857</b>

The notes on pages 10 to 20 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Carbolite Gero Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Verder International BV includes the Company in its consolidated financial statements. The consolidated financial statements of Verder International BV are available to the public and may be obtained from their registered office as disclosed in Note 18. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Verder International BV include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are wholly owned subsidiaries of Verder International B.V. and included by full consolidation in the consolidated financial statements of Verder International B.V. which are publicly available.

### Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value, trade debtors and trade creditors acquired in a foreign currency which are revalued at the end of each account period.

### Going concern

The company's forecasts and projections, taking account of possible changes in trading performance, show that the company should be able to operate within the level of its current facility and achieve its projected targets. The company is profit making, maintaining EBIT (Earnings Before Interest and Tax) margin of 12.9%, (2017: 15.8%), net assets of £2.15m (2017: £2.77m) and is in a cash generating position.

In the year Verder International B.V. continue a group wide cash pooling facility. As part of this facility cash balances are swept to nil at the end of each day, and a corresponding intercompany balance is created. This has led to a reduced cash balance, but a greater level of intercompany debtors.

The director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## Notes (continued)

### 1 Accounting policies (continued)

#### Impairment excluding deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 10 - 25 years
- Plant and equipment 5 years
- Vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### Employee benefits

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees

## **Notes** *(continued)*

### **1 Accounting policies (continued)**

#### **Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### **Turnover**

Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax, from the provision of goods and services to customers during the financial year. Revenue is recognised when the significant risks and rewards of ownership are transferred, when there is no continuing managerial involvement, where revenue can be measured reliably and it is probable that the benefits associated with the transaction will be received by the company.

#### **Expenses**

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### Accounting estimates and judgements

##### *Key sources of estimation uncertainty*

##### *Valuation of stock*

The company is exposed to stock obsolescence caused through changing customer requirements and the risk of over production. Provisions are recorded to reduce the value of stocks to their net realisable value as determined by production forecasts.

##### *Critical accounting judgements in applying the Company's accounting policies*

There are no other critical accounting judgements involved in application of the Company's accounting policies.

### 2 Turnover

The company operates in one class of business, that of the sale of furnaces and ovens.

The analysis of sales by geographical destination is set out below:

	2018 £	2017 £
United Kingdom	4,943,900	5,711,959
Continental Europe	4,557,049	3,699,177
North America	2,005,000	1,481,079
Rest of World	4,088,808	3,448,238
	<hr/>	<hr/>
	15,594,757	14,340,453
	<hr/>	<hr/>

All turnover originated in the United Kingdom except for £429k from our sister company in Neuhausen, Germany.



## Notes (continued)

### 3 Expenses and auditor's remuneration

Operating profit is stated after charging the following items:

	2018 £	2017 £
Depreciation of fixed assets	217,548	259,676
Hire of plant and machinery – operating leases	31,315	27,702
Hire of other assets – operating leases	128,125	110,082
	<hr/>	<hr/>
Auditor's remuneration:		
Audit of these financial statements	27,132	22,197
Taxation services	7,800	15,300
	<hr/>	<hr/>

### 4 Emoluments of directors

The director is also a director of other group companies for whom their primary duties are discharged. The emoluments of the director are paid by Verder Scientific GmbH & Co KG and are disclosed in those financial statements. These emoluments do not include a specific allocation for the Company, and no re-charge to the Company is made. The value of services provided by the Director to the Company during the year is considered to be wholly immaterial.

### 5 Staff numbers and costs

The average number of persons employed by the company including directors was:

	2018 No.	2017 No.
Management	12	13
Clerical and related	56	53
Operatives	79	75
	<hr/>	<hr/>
	147	141
	<hr/>	<hr/>

Employee costs including directors were:

	2018 £	2017 £
Wages and salaries	4,853,904	4,417,487
Social security costs	474,442	452,132
Pension costs	318,697	288,670
	<hr/>	<hr/>
	5,647,043	5,158,289
	<hr/>	<hr/>

### 6 Interest and Financing costs payable

	2018 £	2017 £
Interest payable to HMRC	(2,343)	(3,652)
Financing Costs payable to group	-	(22,307)
	<hr/>	<hr/>
	(2,343)	(25,959)
	<hr/>	<hr/>

## Notes (continued)

### 7 Interest and Financing costs receivable

	2018 £	2017 £
HMRC Interest received	1,225	-
Interest receivable inter group cash pooling	6,438	10,127
	<u>7,663</u>	<u>10,127</u>

### 8 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2018 £	2017 £
<i>Current tax</i>		
Current tax on income for the year	158,888	236,719
Group relief payable	230,861	212,996
Adjustment in respect of previous periods	26,985	3,377
	<u>416,734</u>	<u>453,092</u>
<i>Deferred taxation</i>		
Origination and reversal of timing differences	12,369	2,355
Adjustments in respect of previous periods	(25,681)	(1,751)
Effects of tax rate change	-	-
	<u>(13,312)</u>	<u>604</u>
<b>Total deferred tax charge</b>	<u>(13,312)</u>	<u>604</u>
<b>Total tax on ordinary activities</b>	<u>403,422</u>	<u>453,696</u>

#### Factors affecting the tax charge for the current period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2018 £	2017 £
Profit on ordinary activities before taxation	2,013,690	2,580,652
	<u>382,601</u>	<u>496,688</u>
Tax on profit at UK tax rate of 19.00% (2017: 19.25%)		
<i>Effects of</i>		
Expenses not deductible for tax purposes	12,580	167,687
Income not taxable	(34)	(224,175)
Fixed Asset Differences	8,426	12,181
Exempt dividend income	-	-
Group relief claimed	(230,861)	(212,996)
Payment for group relief	230,861	212,996
Adjustments in respect of previous periods	26,985	3,377
Adjustments to deferred tax in respect of previous periods	(25,681)	(1,751)
Deferred Tax adjustments to 19.25% average rate	(1,455)	(311)
RDEC payments prior periods	-	-
<b>Total tax charge included in profit and loss</b>	<u>403,422</u>	<u>453,696</u>

Notes (*continued*)

**Explanation of applicable tax rates**

The UK corporation tax rate will reduce from 19 per cent to 17 per cent on 1 April 2020. In accordance with accounting standards, the effect of these rate reductions on deferred tax balances has been reflected in these financial statements, dependent upon when temporary differences are expected to reverse. This will reduce the company's future current tax charge accordingly.

**9 Tangible fixed assets**

	Freehold land and buildings £	Plant, machinery and vehicles £	Total £
<i>Cost</i>			
At 1 January 2018	750,992	2,550,927	3,301,919
Additions	-	330,402	330,402
Disposals	-	(500,874)	(500,874)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	750,992	2,380,455	3,131,447
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2018	522,502	2,103,765	2,626,267
Provided during the year	44,346	173,202	217,548
Disposals	-	(485,840)	(485,840)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	566,848	1,791,127	2,357,975
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2018	<b>184,144</b>	<b>589,328</b>	<b>773,472</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2017	228,490	447,162	675,652
	<hr/>	<hr/>	<hr/>

**10 Investments**

	2018 £	2017 £
Cost and net book value at 1 January	3	836,946
Investment impairment/adjustment	179	(836,943)
Cost and net book value at 31 December	182	3
	<hr/>	<hr/>

The company's interest in its subsidiary companies is as follows:

	Country of incorporation	Principal activity	Proportion of ordinary shares held
LIP (Equipment and Services) Limited	UK	Non-trading	100%
Carbolite Ovens Limited	UK	Non-trading	100%
Lenton Thermal Designs Limited	UK	Non-trading	100%

All subsidiaries registered at the address:  
Parsons Lane, Hope, Hope Valley, Derbyshire, S33 6RB

These subsidiaries have since been dissolved in January 2019

## Notes (continued)

### 11 Stocks

	2018 £	2017 £
Raw materials	1,175,922	1,000,969
Work in progress	348,912	316,787
Finished goods	188,551	79,529
	<u>1,713,385</u>	<u>1,397,285</u>

Raw materials, and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £4,530,327 (2017: £3,769,939). The write-down of stocks to net realisable value amounted to £71,432 (2017: £38,045). The reversal of write-downs amounted to £19,147 (2017: £68). The write-down and reversal are included in cost of sales.

Raw Materials and Changes in Finished goods and WIP	2018 £	2017 £
Standard material cost of goods sold	4,698,047	3,749,106
Stock movement	(141,147)	(43,413)
Purchase Price & usage variances	<u>(26,573)</u>	<u>64,246</u>
	4,530,327	3,769,939

Write-down of stocks	2018 £	2017 £
Raw materials provision	-	14,626
Work in progress provision	3,010	5,113
Finished goods provision	3,636	-
Scrap	<u>64,787</u>	<u>18,306</u>
	71,433	38,045

Reversal of write-downs	2018 £	2017 £
Raw materials provision	(19,147)	-
Work in progress provision	-	-
Finished goods provision	<u>-</u>	<u>(68)</u>
	(19,147)	(68)

### 12 Debtors

	2018 £	2017 £
Trade debtors	1,323,350	1,207,663
Amounts owed by group undertakings	1,715,459	2,747,059
Prepayments and accrued income	252,571	181,574
Deferred tax asset	72,622	59,310
Corporation tax	-	11,132
	<u>3,364,002</u>	<u>4,206,738</u>

The amounts owed by group undertakings in relation to trade are unsecured, repayable on demand and have no interest. Cash pooling balances between the company and Verder International B.V are subject to an interest rate of between 1.1% and 2.5% dependant on currency.

## Notes (continued)

### Deferred tax

The deferred tax asset consists of the following amounts:

	2018 £	2017 £
Accelerated capital allowances	64,063	48,997
Short term timing differences	8,559	10,313
	<hr/>	<hr/>
Short term timing differences	72,622	59,310
	<hr/>	<hr/>

The movement in the deferred tax balance is given below:

	2018 £
Deferred tax asset at 1 January 2018	59,310
Charge to profit and loss account in the period	13,312
	<hr/>
<b>Deferred tax asset at 31 December 2018</b>	<b>72,622</b>
	<hr/>

### 13 Creditors

	2018 £	2017 £
Trade creditors	1,066,551	819,908
Amounts owed to related undertakings	292,891	214,992
Other taxation and social security	25,623	239,595
Accruals and deferred income	1,182,773	1,407,405
Other creditors	612,324	337,616
Corporation tax – group relief	260,206	216,284
Corporation tax	33,123	-
	<hr/>	<hr/>
	3,473,491	3,235,800
	<hr/>	<hr/>

The amounts owed to group undertakings are unsecured, repayable on demand and have no interest.

### 14 Provisions for liabilities

	Warranty provision £
At 1 January 2018	279,450
Movements in the period	
Provided	24,750
Utilised	(74,000)
	<hr/>
<b>At 31 December 2018</b>	<b>230,200</b>
	<hr/>

The warranty provision relates to expected warranty claims in respect of products sold with warranties in the last two years. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within two years of the balance sheet date.

## Notes (continued)

### 15 Share capital

	2018 £	2017 £
<i>Allotted called up and fully paid</i>		
200,000 ordinary shares of £1 each	200,000	200,000

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

### 16 Dividends Received

No dividends were received in the period.

### 17 Pension costs

Contributions to the Scottish Widows pension plan for the period January to December were £318,697, (2017: £281,632). At the year-end there was nil payable in respect of the pension arrangements (2017: £nil).

### 18 Financial commitments

At 31 December 2018, the company had commitments under non-cancellable operating leases as follows:

	2018		2017	
	Land and buildings £	Other £	Land and buildings £	Other £
Payable within one year	35,000	97,556	35,000	107,738
Payable between two and five years	35,000	70,683	70,000	116,406
	<u>70,000</u>	<u>168,239</u>	<u>105,000</u>	<u>224,144</u>

### 19 Contingent liabilities

During the current year the company guaranteed liabilities under various banking facilities. At 31 December 2018 the outstanding liabilities under these facilities amounted to £nil (2017: £nil).

### 20 Ultimate holding company

The parent company is Carbolite Holdings Limited, a company incorporated in the UK. The ultimate parent undertaking and controlling party is Verder International B.V., a company registered in The Netherlands, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

The financial statements of the company can be obtained from their registered office:

Utrechtseweg 4A  
NL 3450 AA Vleuten  
The Netherlands