

Company Registration No. 03497831 (England and Wales)

PANKL RACING SYSTEMS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Richard Anthony
Chartered Accountants and Registered Auditors

PANKL RACING SYSTEMS UK LIMITED

COMPANY INFORMATION

Directors	Mr G Sarkoezi Mr N Passler
Company number	03497831
Registered office	16 Viking Road Wigston Leicestershire LE18 2BL
Auditor	Richard Anthony 2nd Floor, Gadd House Arcadia Avenue Finchley London N3 2JU

PANKL RACING SYSTEMS UK LIMITED

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PANKL RACING SYSTEMS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Fair review of the business

The directors are satisfied with the performance and results for the year.

The Directors and Senior Management monitor management information on a regular basis to ensure that they are aware of trends and influences on profitability. They present to the European Group Board the monthly results, and the key performance indicators include turnover, EBIT, operative cash flow and relevant statistical information.

The turnover has increased by 18% compared to the prior year, however the gross profit margin has remained consistent with the prior year at 35%.

Principal risks and uncertainties

The economic uncertainty, both globally and more specifically in European jurisdictions, continues to pose a risk in terms of the liquidity risk with clients. The directors manage this risk by managing the debtor book to ensure prompt payments.

Any changes in Motor Racing regulations have both direct and indirect effect on the company and indeed the group's performance. Following the engine regulation changes in F1 racing in the prior year that saw changes in the company's sales, the current year saw very little changes in the regulations.

Development and performance

Due to the nature of the company's activity, the company continues to engage in research and development in connection with the precision engineering activities to ensure the company maintains its competitive position in the marketplace and claims appropriate research and development tax credits.

The company has plans to grow the business organically through continuous innovation and development of its products and services. By continuing to broaden, innovate and enhance its products, the directors seek to manage the ongoing development of the business and maintain strong relationships with key clients.

Key performance indicators

The Board at company and group levels continued to use specific key performance indicators to monitor performance and control assets. The performance of the company is monitored both on a stand-alone basis and from a Group perspective in terms of the overall contribution to group profits.

On behalf of the board

Mr N Passler

Director

18 January 2019

PANKL RACING SYSTEMS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activities

The principal activity of the company continued to be that of precision engineers, principally focused on motorsport components.

Directors

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

Mr G Sarkoezi

Mr N Passler

Mr H Januschkowetz

(Resigned 30 September 2018)

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £1,020,000. The directors do not recommend payment of a final dividend.

Auditor

In accordance with the company's articles, a resolution proposing that Richard Anthony be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr N Passler

Director

18 January 2019

PANKL RACING SYSTEMS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- 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.

PANKL RACING SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PANKL RACING SYSTEMS UK LIMITED

Opinion

We have audited the financial statements of Pankl Racing Systems UK Limited (the 'company') for the year ended 31 December 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

PANKL RACING SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PANKL RACING SYSTEMS UK LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Michael Barnett BA FCA (Senior Statutory Auditor)
for and on behalf of Richard Anthony

18 January 2019

Chartered Accountants
Statutory Auditor

2nd Floor, Gadd House
Arcadia Avenue
Finchley
London
N3 2JU

PANKL RACING SYSTEMS UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	11,044,024	9,376,187
Cost of sales		(7,215,826)	(6,108,930)
Gross profit		3,828,198	3,267,257
Administrative expenses		(2,478,009)	(2,200,617)
Other operating income		81,566	79,693
Operating profit	4	1,431,755	1,146,333
Interest receivable and similar income	7	1,103	423
Interest payable and similar expenses	8	(50,321)	(32,784)
Profit before taxation		1,382,537	1,113,972
Tax on profit	9	(265,185)	(181,179)
Profit for the financial year		1,117,352	932,793

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

PANKL RACING SYSTEMS UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	£	£
Profit for the year	1,117,352	932,793
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,117,352</u>	<u>932,793</u>

PANKL RACING SYSTEMS UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Goodwill	11		555,330		615,912
Tangible assets	12		611,843		657,057
			<u>1,167,173</u>		<u>1,272,969</u>
Current assets					
Stocks	14	1,979,998		1,732,645	
Debtors	15	1,857,630		1,419,142	
Cash at bank and in hand		997,206		1,268,653	
		<u>4,834,834</u>		<u>4,420,440</u>	
Creditors: amounts falling due within one year	16	<u>(1,148,831)</u>		<u>(937,224)</u>	
Net current assets			<u>3,686,003</u>		<u>3,483,216</u>
Total assets less current liabilities			<u>4,853,176</u>		<u>4,756,185</u>
Creditors: amounts falling due after more than one year	17		(1,614,923)		(1,614,923)
Provisions for liabilities	19		<u>(60,264)</u>		<u>(60,625)</u>
Net assets			<u><u>3,177,989</u></u>		<u><u>3,080,637</u></u>
Capital and reserves					
Called up share capital	22		510,000		510,000
Profit and loss reserves			<u>2,667,989</u>		<u>2,570,637</u>
Total equity			<u><u>3,177,989</u></u>		<u><u>3,080,637</u></u>

The financial statements were approved by the board of directors and authorised for issue on 18 January 2019 and are signed on its behalf by:

Mr N Passler
Director

Company Registration No. 03497831

PANKL RACING SYSTEMS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2017		510,000	1,637,844	2,147,844
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	932,793	932,793
Balance at 31 December 2017		510,000	2,570,637	3,080,637
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	1,117,352	1,117,352
Dividends	10	-	(1,020,000)	(1,020,000)
Balance at 31 December 2018		510,000	2,667,989	3,177,989

PANKL RACING SYSTEMS UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	27	1,421,355	653,653
Interest paid		(50,321)	(32,784)
Income taxes paid		(269,001)	(181,000)
Net cash inflow from operating activities		1,102,033	439,869
Investing activities			
Purchase of tangible fixed assets		(304,271)	(134,042)
Proceeds on disposal of tangible fixed assets		81,840	1,356
Proceeds from other investments and loans		(132,152)	11,025
Interest received		1,103	423
Net cash used in investing activities		(353,480)	(121,238)
Financing activities			
Dividends paid		(1,020,000)	-
Net cash used in financing activities		(1,020,000)	-
Net (decrease)/increase in cash and cash equivalents		(271,447)	318,631
Cash and cash equivalents at beginning of year		1,268,653	950,022
Cash and cash equivalents at end of year		997,206	1,268,653

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Pankl Racing Systems UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 16 Viking Road, Wigston, Leicestershire, LE18 2BL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	20% on cost
Plant and machinery	20% on cost
Fixtures, fittings & equipment	25%-33% on cost
Motor vehicles	20% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

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

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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 or 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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 a 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 profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

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 finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover analysed by class of business		
Sales	11,044,024	9,376,187
	<u> </u>	<u> </u>
	2018 £	2017 £
Other significant revenue		
Interest income	1,103	423
	<u> </u>	<u> </u>

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue (Continued)

	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	3,245,687	2,283,871
European Community	5,868,908	5,115,136
Other	1,929,429	1,977,180
	<u>11,044,024</u>	<u>9,376,187</u>

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(21,849)	36,848
Fees payable to the company's auditor for the audit of the company's financial statements	19,973	22,038
Depreciation of owned tangible fixed assets	272,816	291,449
Profit on disposal of tangible fixed assets	(5,171)	(1,356)
Amortisation of intangible assets	60,582	60,582
Cost of stocks recognised as an expense	1,952,666	1,456,916
Operating lease charges	170,744	181,380
	<u>11,044,024</u>	<u>9,376,187</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to a loss of £21,849 (2017 - £36,848 gain).

5 Employees

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

	2018 Number	2017 Number
Administration staff	24	20
Direct labour	45	47
	<u>69</u>	<u>67</u>

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,207,196	2,112,289
Social security costs	264,031	219,580
Pension costs	50,594	49,989
	<u>2,521,821</u>	<u>2,381,858</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	139,133	47,655
Company pension contributions to defined contribution schemes	4,082	840
	<u>143,215</u>	<u>48,495</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	240	55
Other interest income	863	368
	<u>1,103</u>	<u>423</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	240	55
	<u>240</u>	<u>55</u>

8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	33,158	32,773
Other interest on financial liabilities	17,163	11
	<u>50,321</u>	<u>32,784</u>

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	265,546	235,813
Adjustments in respect of prior periods	-	(37,403)
Total current tax	<u>265,546</u>	<u>198,410</u>
Deferred tax		
Origination and reversal of timing differences	<u>(361)</u>	<u>(17,231)</u>
Total tax charge	<u>265,185</u>	<u>181,179</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	<u>1,382,537</u>	<u>1,113,972</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	262,682	211,655
Tax effect of expenses that are not deductible in determining taxable profit	2,155	4,997
Permanent capital allowances in excess of depreciation	709	16,140
Under/(over) provided in prior years	-	(37,403)
Tax at marginal rate	-	3,021
Deferred tax movement for the year	<u>(361)</u>	<u>(17,231)</u>
Taxation charge for the year	<u>265,185</u>	<u>181,179</u>

10 Dividends

	2018 £	2017 £
Interim paid	<u>1,020,000</u>	<u>-</u>

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2018 and 31 December 2018	1,223,950
Amortisation and impairment	
At 1 January 2018	608,038
Amortisation charged for the year	60,582
At 31 December 2018	668,620
Carrying amount	
At 31 December 2018	555,330
At 31 December 2017	615,912

12 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2018	541,636	3,905,510	467,478	46,996	4,961,620
Additions	-	292,268	12,003	-	304,271
Disposals	(322,399)	(2,140,559)	(303,021)	(9,425)	(2,775,404)
At 31 December 2018	219,237	2,057,219	176,460	37,571	2,490,487
Depreciation and impairment					
At 1 January 2018	538,565	3,316,444	424,475	25,079	4,304,563
Depreciation charged in the year	1,835	247,485	18,487	5,009	272,816
Eliminated in respect of disposals	(322,399)	(2,068,770)	(298,141)	(9,425)	(2,698,735)
At 31 December 2018	218,001	1,495,159	144,821	20,663	1,878,644
Carrying amount					
At 31 December 2018	1,236	562,060	31,639	16,908	611,843
At 31 December 2017	3,071	589,065	43,004	21,917	657,057

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2018**

13 Financial instruments

	2018	2017
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,707,835	1,308,677
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	2,590,071	2,370,667
	<u> </u>	<u> </u>

14 Stocks

	2018	2017
	£	£
Raw materials and consumables	968,778	724,624
Work in progress	919,423	855,092
Finished goods and goods for resale	91,797	152,929
	<u> </u>	<u> </u>
	1,979,998	1,732,645
	<u> </u>	<u> </u>

15 Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	1,364,975	1,067,779
Amounts owed by group undertakings	209,602	239,792
Other debtors	254,068	58,523
Prepayments and accrued income	28,985	53,048
	<u> </u>	<u> </u>
	1,857,630	1,419,142
	<u> </u>	<u> </u>

16 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	810,285	497,313
Corporation tax	120,941	124,396
Other taxation and social security	52,742	57,084
Other creditors	4,325	6,822
Accruals and deferred income	160,538	251,609
	<u> </u>	<u> </u>
	1,148,831	937,224
	<u> </u>	<u> </u>

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2018**

17 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Other borrowings	18	1,614,923	1,614,923
		<u> </u>	<u> </u>

18 Loans and overdrafts

		2018 £	2017 £
Other loans		1,614,923	1,614,923
		<u> </u>	<u> </u>
Payable after one year		1,614,923	1,614,923
		<u> </u>	<u> </u>

19 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	20	60,264	60,625
		<u> </u>	<u> </u>

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated Capital Allowances	60,264	60,625
	<u> </u>	<u> </u>
Movements in the year:		2018 £
Liability at 1 January 2018		60,625
Credit to profit or loss		(361)
Liability at 31 December 2018		<u>60,264</u>

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	50,594	49,989

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
510,000 Ordinary shares of £1 each	510,000	510,000
	510,000	510,000

23 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company in respect of the three properties it operates from with lease terms ranging from 15 years for one property (expiring 2023) to 3 years each for the other two properties (expiring 2018). Additionally it represents the rentals payable by the company in respect of four motor vehicles.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£	£
Within one year	69,238	108,837
Between two and five years	186,134	188,209
In over five years	25,000	85,000
	280,372	382,046

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018	2017
	£	£
Aggregate compensation	143,215	48,495

PANKL RACING SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

25 Directors' transactions

At the balance sheet date an amount of £133,258 (2017: £1,106) was due from Mr G Sarkoezi. The loan is interest free and repayable within nine months from the balance sheet date.

26 Controlling party

The company is a wholly owned subsidiary of Pankl Racing Systems AG, a company incorporated in Austria.

Pankl Racing Systems AG prepares group financial statements and copies can be obtained from Industriestraße West 4 8605 Kapfenberg Austria .

27 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	1,117,352	932,793
Adjustments for:		
Taxation charged	265,185	181,179
Finance costs	50,321	32,784
Investment income	(1,103)	(423)
Gain on disposal of tangible fixed assets	(5,171)	(1,356)
Amortisation and impairment of intangible assets	60,582	60,582
Depreciation and impairment of tangible fixed assets	272,816	291,449
Movements in working capital:		
(Increase) in stocks	(247,353)	(402,535)
(Increase)/decrease in debtors	(242,943)	47,294
Increase/(decrease) in creditors	151,669	(488,114)
Cash generated from operations	1,421,355	653,653

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.