

Company Registration No. 09767194 (England and Wales)

ARC TRINOVA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

ARC TRINOVA LIMITED

COMPANY INFORMATION

Directors	Mr P C Ryan Mr I D Shott
Company number	09767194
Registered office	Arcinova Taylor Drive Alnwick Northumberland NE66 2DH
Auditor	Baldwins Audit Services Limited Rowlands House Portobello Road Birtley Chester-le-Street Co. Durham DH3 2RY

ARC TRINOVA LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report	4 - 5
Profit and loss account	6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 22

ARC TRINOVA LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2017

The directors present the strategic report for the Period ended 31 December 2017.

Fair review of the business

2017 was the company's first full year of trading following its acquisition of the Alnwick Research Centre from Covance Laboratories Ltd in February 2016. In the year the company has developed its brand as a trusted partner to an increasing number of clients from across the globe. The financial targets set at the inception of the company have been exceeded and the company continues to increase its capacity and technical knowledge base.

During 2017 the company has been able to maintain and extend relationships with high quality clients across a wide range of segments within the Pharmaceutical industry, attract an extraordinary calibre of new employees and improve an already world class facility. This means that the company remains in a strong position to deliver its strategy of accelerated growth moving into 2018 and beyond.

Principal risks and uncertainties

The company's activities expose it to financial risks related to changes in foreign currency rates and interest rate. There are also risks and uncertainties relevant to the company's business, financial condition and operational performance which may affect the future performance.

The company has a highly experienced management team and has put in place risk management policies that seek to limit the adverse effects of these risk factors on the financial performance of the company. The risks and mitigations plans are reviewed regularly and plans are adapted proactively to manage risk. There may be other risks and uncertainties not known to the company.

Key performance indicators

The company's key performance indicators are as follows:

	Year to	Period to
	31 December 2017	31 December 2016
Turnover (£'000s)	8,423	5,296
Employees (Number)	73	59
Turnover per Employee (£'000s)	115	90

On behalf of the board

Mr P C Ryan

Director

27 March 2018

ARC TRINOVA LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the Period ended 31 December 2017.

Principal activities

The principal activity of the company is the provision of process research and development services in the pharmaceutical industry.

Directors

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

Mr P C Ryan
Mr I D Shott

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

Baldwins Audit Services Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed 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 P C Ryan
Director
27 March 2018

Mr I D Shott
Director
27 March 2018

ARC TRINOVA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2017

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;
- 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.

ARC TRINOVA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARC TRINOVA LIMITED

Opinion

We have audited the financial statements of Arc Trinova Limited (the 'company') for the Period ended 31 December 2017 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 2017 and of its profit for the Period 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 Period 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.

ARC TRINOVA LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ARC TRINOVA 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.

Colin Chater (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services Limited

28 March 2018

Chartered Accountants
Statutory Auditor

Rowlands House
Portobello Road
Birtley
Chester-le-Street
Co. Durham
DH3 2RY

ARC TRINOVA LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 £	Period ended 31 December 2016 £
	Notes		
Turnover	3	8,422,519	5,296,415
Cost of sales		(1,725,237)	(888,508)
Gross profit		6,697,282	4,407,907
Distribution costs		(451,981)	(310,632)
Administrative expenses		(5,657,845)	(4,961,990)
Other operating income		494,595	372,689
Gain on sale of asset	4	-	2,540,436
Exceptional items	4	-	2,000,000
Operating profit	5	1,082,051	4,048,410
Interest receivable and similar income	7	72	-
Interest payable and similar expenses	8	(84,433)	(54,139)
Profit before taxation		997,690	3,994,271
Tax on profit	9	(202,129)	(797,142)
Profit for the financial Period		795,561	3,197,129

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

ARC TRINOVA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Profit for the Period	795,561	3,197,129
Other comprehensive income	-	-
Total comprehensive income for the Period	<u>795,561</u>	<u>3,197,129</u>

ARC TRINOVA LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	10	3,459,911		2,405,492	
Current assets					
Stocks	12	28,773		28,372	
Debtors	13	2,802,260		2,031,020	
Cash at bank and in hand		1,272,732		1,301,625	
		<u>4,103,765</u>		<u>3,361,017</u>	
Creditors: amounts falling due within one year	14	<u>(2,590,234)</u>		<u>(1,546,139)</u>	
Net current assets			1,513,531		1,814,878
Total assets less current liabilities			<u>4,973,442</u>		<u>4,220,370</u>
Creditors: amounts falling due after more than one year	15		(452,650)		(651,710)
Provisions for liabilities	17		<u>(528,002)</u>		<u>(371,431)</u>
Net assets			<u>3,992,790</u>		<u>3,197,229</u>
Capital and reserves					
Called up share capital	20		100		100
Profit and loss reserves			<u>3,992,690</u>		<u>3,197,129</u>
Total equity			<u>3,992,790</u>		<u>3,197,229</u>

The financial statements were approved by the board of directors and authorised for issue on 27 March 2018 and are signed on its behalf by:

Mr P C Ryan
Director

Mr I D Shott
Director

Company Registration No. 09767194

ARC TRINOVA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2017

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 8 September 2015		-	-	-
Period ended 31 December 2016:				
Profit and total comprehensive income for the period		-	3,197,129	3,197,129
Issue of share capital	20	100	-	100
Balance at 31 December 2016		100	3,197,129	3,197,229
Period ended 31 December 2017:				
Profit and total comprehensive income for the period		-	795,561	795,561
Balance at 31 December 2017		100	3,992,690	3,992,790

ARC TRINOVA LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	23	2,140,030		3,692,499	
Interest paid		(84,433)		(54,139)	
Income taxes paid		(547,617)		(372,689)	
Net cash inflow from operating activities		<u>1,507,980</u>		<u>3,265,671</u>	
Investing activities					
Purchase of tangible fixed assets		(1,506,400)		(2,716,124)	
Proceeds on disposal of tangible fixed assets		4,668		-	
Interest received		72		-	
Net cash used in investing activities		<u>(1,501,660)</u>		<u>(2,716,124)</u>	
Financing activities					
Proceeds from issue of shares		-		100	
Repayment of bank loans		(35,213)		751,978	
Net cash (used in)/generated from financing activities		<u>(35,213)</u>		<u>752,078</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(28,893)</u>		<u>1,301,625</u>	
Cash and cash equivalents at beginning of Period		1,301,625		-	
Cash and cash equivalents at end of Period		<u><u>1,272,732</u></u>		<u><u>1,301,625</u></u>	

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Arc Trinova Limited is a private company limited by shares incorporated in England and Wales. The registered office is Arcinova, Taylor Drive, Alnwick, Northumberland, NE66 2DH.

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. 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 Reporting period

FRS 102 3.10 An entity shall present a complete set of financial statements (including comparative information as set out in paragraph 3.14) at least annually. The reporting periods has changed to a full year in 2017; the comparative figures reported are for 11 months of trade as it was the company's first year of trade.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Where cash is received on award of a contract this is held as deferred income until work is performed.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Assets acquired as part of the business were measured at fair value. This shall be taken as deemed cost.

The plant and machinery acquired from the previous owner was valued by a third party at the point of acquisition. This is taken as deemed cost and will be depreciated in line with plant and machinery depreciation policy.

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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:

Plant and machinery	15% Reducing balance
Fixtures, fittings & equipment	15% Reducing balance
Computer equipment	Hardware 3 years straight line, Licences 5 years straight line

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.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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).

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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.

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand.

1.10 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.

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.

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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.

Derecognition of financial liabilities

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

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.13 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

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 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.

1.15 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.

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

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:

	2017 £	2016 £
Turnover analysed by class of business		
Turnover from the provision of services	8,422,519	5,296,415
	<u> </u>	<u> </u>
	2017 £	2016 £
Other income		
Interest income	72	-
	<u> </u>	<u> </u>

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

3 Turnover and other revenue	(Continued)	
	2017 £	2016 £
Turnover analysed by geographical market		
UK	4,717,377	3,282,440
USA	1,485,918	1,185,992
Europe	1,307,512	559,363
Rest of the world	911,712	268,620
	<u>8,422,519</u>	<u>5,296,415</u>
4 Exceptional costs/(income)	2017 £	2016 £
Gain on sale of asset	-	(2,540,436)
Gain on bargain purchase	-	(2,000,000)
	<u>-</u>	<u>(4,540,436)</u>
5 Operating profit	2017 £	2016 £
Operating profit for the period is stated after charging/(crediting):		
Exchange losses/(gains)	7,674	(12,341)
Research and development costs	791	17,226
Fees payable to the company's auditor for the audit of the company's financial statements	9,000	6,000
Depreciation of owned tangible fixed assets	451,981	310,632
Profit on disposal of tangible fixed assets	(4,668)	-
Cost of stocks recognised as an expense	824,661	489,045
Operating lease charges	187,500	163,678
	<u>1,454,846</u>	<u>944,241</u>
Exchange differences recognised in profit or loss during the Period, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £7,674 (2016 - £12,341).		
6 Employees		
The average monthly number of persons (including directors) employed by the company during the Period was:		
	2017	2016
Average number of employees	<u>73</u>	<u>59</u>

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

6 Employees		(Continued)	
	2017 £	2016 £	
Wages and salaries	2,852,135	3,065,888	
Social security costs	267,018	338,211	
	<u>3,190,346</u>	<u>3,404,099</u>	
7 Interest receivable and similar income			
	2017 £	2016 £	
Interest income			
Interest on bank deposits	72	-	
	<u>72</u>	<u>-</u>	
Investment income includes the following:			
Interest on financial assets not measured at fair value through profit or loss	72	-	
	<u>72</u>	<u>-</u>	
8 Interest payable and similar expenses			
	2017 £	2016 £	
Interest on financial liabilities measured at amortised cost:			
Interest on bank overdrafts and loans	65,056	3,135	
Financing Costs	19,377	51,004	
	<u>84,433</u>	<u>54,139</u>	
9 Taxation			
	2017 £	2016 £	
Current tax			
UK corporation tax on profits for the current period	-	53,022	
Adjustments in respect of prior periods	(49,635)	-	
Tax effect of research and development	-	372,689	
Total current tax	<u>(49,635)</u>	<u>425,711</u>	
Deferred tax			
Origination and reversal of timing differences	251,764	371,431	
	<u>251,764</u>	<u>371,431</u>	
Total tax charge	<u>202,129</u>	<u>797,142</u>	

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

9 Taxation

(Continued)

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

	2017 £	2016 £
Profit before taxation	997,690	3,994,271
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	189,561	798,854
Tax effect of expenses that are not deductible in determining taxable profit	4,564	92,517
Tax effect of income not taxable in determining taxable profit	(93,972)	(582,625)
Unutilised tax losses carried forward	18,086	-
Change in unrecognised deferred tax assets	251,764	371,431
Adjustments in respect of prior years	49,635	-
Effect of change in corporation tax rate	3,007	-
Depreciation on assets not qualifying for tax allowances	85,876	62,126
Capital allowances	(306,392)	(53,106)
Gain on bargain purchase	-	(400,000)
Chargeable gains	-	507,945
Taxation charge for the period	202,129	797,142

10 Tangible fixed assets

	Assets under construction	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2017	115,351	2,361,947	-	238,826	2,716,124
Additions	1,409,154	24,619	7,404	65,223	1,506,400
Transfers	(1,506,335)	1,458,295	4,265	43,775	-
At 31 December 2017	18,170	3,844,861	11,669	347,824	4,222,524
Depreciation and impairment					
At 1 January 2017	-	293,198	-	17,434	310,632
Depreciation charged in the Period	-	391,499	409	60,073	451,981
At 31 December 2017	-	684,697	409	77,507	762,613
Carrying amount					
At 31 December 2017	18,170	3,160,164	11,260	270,317	3,459,911
At 31 December 2016	115,351	2,068,749	-	221,392	2,405,492

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

11 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,123,676	1,533,686
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	2,043,280	1,475,625
	<u> </u>	<u> </u>

12 Stocks

	2017 £	2016 £
Raw materials and consumables	28,773	28,372
	<u> </u>	<u> </u>

13 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	2,011,647	1,533,686
Corporation tax recoverable	449,037	-
Other debtors	(2,049)	17,824
Prepayments and accrued income	343,625	479,510
	<u> </u>	<u> </u>
	2,802,260	2,031,020
	<u> </u>	<u> </u>

14 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	16	264,115	100,268
Trade creditors		799,631	437,025
Corporation tax		-	53,022
Other taxation and social security		76,927	77,496
Deferred income	19	922,677	591,706
Other creditors		28,458	23,483
Accruals		498,426	263,139
		<u> </u>	<u> </u>
		2,590,234	1,546,139
		<u> </u>	<u> </u>

15 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	16	452,650	651,710
		<u> </u>	<u> </u>

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

16 Loans and overdrafts

	2017 £	2016 £
Bank loans	716,765	751,978
Payable within one year	264,115	100,268
Payable after one year	452,650	651,710

The long-term loans are secured by fixed charges over all freehold and leasehold property now or in the future belonging to the company and all of the company's intellectual property.

17 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	18	528,002	371,431

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	528,002	371,431

19 Deferred income

	2017 £	2016 £
Arising from government grants	53,915	-
Other deferred income	868,762	591,706
	922,677	591,706

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

20 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
100 of £1 each	100	100
	<u>100</u>	<u>100</u>
	<u><u>100</u></u>	<u><u>100</u></u>

21 Operating lease commitments

Lessee

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:

	2017	2016
	£	£
Within one year	187,500	187,500
Between two and five years	750,000	750,000
In over five years	2,437,500	2,625,000
	<u>3,375,000</u>	<u>3,562,500</u>
	<u><u>3,375,000</u></u>	<u><u>3,562,500</u></u>

22 Related party transactions

During the year Arc Trinova Ltd made purchases from Shott Trinova LLP of £353,608, resulting in a year end amounts payable balance of £23,146. Shott Trinova LLP is a partnership of the two Arc Trinova Directors.

ARC TRINOVA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2017

23 Cash generated from operations

	2017 £	2016 £
Profit for the Period after tax	795,561	3,197,129
Adjustments for:		
Taxation charged	202,129	797,142
Finance costs	84,433	54,139
Investment income	(72)	-
Gain on disposal of tangible fixed assets	(4,668)	-
Depreciation and impairment of tangible fixed assets	451,981	310,632
Movements in working capital:		
(Increase) in stocks	(401)	(28,372)
(Increase) in debtors	(337,451)	(2,013,196)
Increase in creditors	617,547	783,319
Increase in deferred income	330,971	591,706
Cash generated from operations	<u>2,140,030</u>	<u>3,692,499</u>

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.