

Registration number: 00831741

Burkert UK Limited

(formerly known as Bürkert Contromatic Limited)

Annual Report and Financial Statements Financial Statements

for the Year Ended 31 December 2017



Rödl & Partner Limited
170 Edmund Street
Birmingham
B3 2HB

Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

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Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

Company Information

Directors	Mr M I Steinemann Mr H P H Rohrbeck
Registered office	Fluid Control Centre 1 Bridge End Cirencester Gloucestershire GL7 1QY
Solicitors	Davies & Partners 135 Aztec West Almondsbury Bristol BS32 4UB
Bankers	Barclays Bank 18 Southgate Street Gloucester GL1 2DJ
Auditors	Rödl & Partner Limited 170 Edmund Street Birmingham B3 2HB

Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

Strategic Report for the Year Ended 31 December 2017

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

Principal activity

Founded over 70 years ago and privately owned, Burkert is a market leading manufacturer, development and outsourcing partner of fluid control components and systems. With European manufacturing and innovation as a core focus of our highly skilled workforce, Burkert is now present in over 40 countries with over 2,600 employees.

Incorporated on 18 December 1964 and now established for over 50 years, Sales Organisation UK is responsible for Burkert representation throughout the United Kingdom and the Republic of Ireland.

As suppliers of process equipment to measure and control fluids operating in every conceivable fluid control application, we have a clear focus upon the water, hygienic, micro and gas market segments.

We do not stop with standard components and component solutions, we work with our customers on selection, optimum design and customised solutions including build, installation and commissioning, striving to deliver a better customer experience with outstanding value.

Well above industry norms, we are inspired and excited that our turnover figure trends 47% above 2016 and 74% above 2015. There is growth across the main business units with highest growth in Systems (circa +19% to 33%), with adherence to our strategy and continued momentum has supported our achievement.

Given the nationwide economic and general market conditions within our industry we deserve to congratulate ourselves and each other for the immense and clear team effort that goes into achieving this result. We continue to be profitable, reaching above ROS targets, have a healthy cash flow, stock is invested under our game plan and most importantly we have a highly customer centric and innovative team with an eye on achieving our goal of profitable sales growth in 2018. The transition to a Value Proposition Leading company underpinned by a process organisation is well under way and a contributing factor to our position.

The implementation of customer specific stocking agreements, Kan Ban, Demand Line Feed, and Demand Flow Technology concepts are increasing in numbers with many customers. This puts a heavy emphasis on increased account management but does support efficient and positive customer care.

Our pipeline continues to show a considerable swing towards micro mechatronic system business, specifically solenoid valves through the OEM sales channel, which further underpins our foundation to deliver superior customer value through solution techniques. To support our projects business we bridge a closer and streamlined cooperation with our Systemhaus facilities, merging into the wider Order Winning and Customer Project Order Handling Process.

There have been a number of staff changes over the year, redeploying and aligning our resources from support function towards sales behaviour and more profitable, nationally distributed hygienic business through segmentation.

We assist customers with field commissioning, calibration, programming and service whether to get the project running, some hands on training or to sign over the ongoing maintenance of a plant, Burkert support customer needs.

Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

Strategic Report for the Year Ended 31 December 2017

Standard and customised training is offered from process automation for apprentices and graduates to customised training programs designed around specific site needs which together through partnership Burkert will pull together a perfect package.

Wherever the customer is globally, we deliver the same support, same service from the same company. When Burkert is chosen, the customer is never on their own.

The estimation of the impact on sales due to Brexit is tough. It will take years for the full consequences to become clear. What we do know is that Britain will negotiate its exit from the EU. There have been a few attempts to quantify what an exit from the EU would do to the size of the UK economy, despite the obvious pitfalls of trying to put a figure on a hypothetical situation that has a number of variables - such as what sort of trade deals are negotiated post Brexit. Given the range of potential post-Brexit circumstances there is a broad range of estimates. Some argue the economy will suffer permanent losses on the back of weaker trade and investment whilst others say freedom from the rules, as well as the costs, that come with EU membership would make Britain more prosperous.

Starting with the estimates that leaving would be a net loss to the UK economy, the London School of Economics calculated the UK could suffer income falls of 6.3% to 9.5% of GDP, similar to the loss resulting from the global financial crisis of 2008/09. That is of course under the researchers' pessimistic scenario, in which the UK is not able to negotiate favourable trade terms. Under an optimistic scenario, in which the UK continues to have a free trade agreement with the EU, losses would be 2.2% of GDP.

We continue to invest within and grow our marketing and New Customer Development (NCD) capabilities, simply put, if we understand our current and future customer base landscape better, we can sell better.

Our company target in 2018 is to continue Fast Growing Company (FGC) status through profitable sales growth.

Fair review of the business

Financial Overview

Turnover in the year to 31 December 2017 achieved £13,824,347; +47.2% (2016 £9,389,064).

Operating profit pre taxation was £662,763 compared with £249,897 in 2016.

The profit for the year after taxation amounted to £553,769 (2016 £180,139).

Key performance indicators

We closely monitor debtor days to ensure that we optimise our cash flow, at year end our proportion of overdue debt to total debt was 4.7% (2016 6.5%).

Within a group objective framework of sales plan development, EBT expectations and sales per FTE, key areas of local management review and control include the level of gross margin, new customer development, operating cost, new product introduction and system sales.

Entrepreneurial courage and risk-taking are key to optimise and align with our strategic local and group targets but with a mind-set towards profitable sales growth as well as courage to decline bad business.

Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

Strategic Report for the Year Ended 31 December 2017

Principal risks and uncertainties

Price Risk and De-commoditisation

The company is exposed to price risk from both customers and suppliers. The industry sectors in which Burkert principally operate are becoming increasingly competitive from lower cost, inferior quality imports which inevitably result in some short term squeeze on margin. Our emphasis towards clear de-complexitising and de-commoditising our customer value propositions is key and we look to continue to achieve these targets as defined by our strategy map and expect to see ongoing growth in our systems business that will further support overall growth and profitability.

We continue to simplify our online activities and driving website traffic to www.burkert.co.uk which feeds our e-shop. The majority of our customer base search for a solution and not to purchase product, so we have monitored search words and developed content around them.

Customer testimonials, regardless of the application, segment or product are the very best way to show to customers our capability to create process solutions.

For the past five years we have shifted perception that our business is not just as a solenoid valve manufacturer but that we provide solutions and other cutting edge process control products.

Interest rate risk

The company has no exposure to fluctuations in interest rate because it has no bank loans or other financial debt and a strong bank balance.

Currency risk

The company is exposed to foreign exchange translation risk, however, this is mitigated by management closely monitoring the exchange rate together with hedging forward contracts and reducing the short term risk of currency devaluation through achieving fixed agreement with Burkert Headquarters. In addition, we pay our suppliers in the most effective way to minimise exposure as well as encouraging our key customers to trade in Euros to ensure security for all.

Credit risk

The company's principal financial assets are cash and trade debtors. In order to effectively manage credit risk the directors set credit limits and terms based upon experience of the customer and market know-how within limits recommended by Dun & Bradstreet, these limits are subject to periodic review and any alerts from Dun & Bradstreet are investigated and actioned where appropriate.

Liquidity Risk

The company manages financial risk by ensuring sufficient liquidity is available to meet current trading needs.

Turnover

Sales revenue continue to be impacted by global economic pressure and changes in the marketplace, however, the company has an excellent reputation in its field, a healthy cash flow, controlled stock, fine-tuned sales initiatives and most importantly we have a strong, entrepreneurial stable team with an eye on achieving our goal of profitable sales growth through blue chip and tactical partnership.

Burkert UK Limited
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Strategic Report for the Year Ended 31 December 2017

Future Developments

In 2017 we have strived for and delivered a fast growing company result not typical of companies in our specific industry fields this year.

Looking further ahead through reviewing our customer buying cycle we want to strengthen our balance of the following;

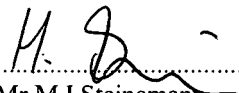
- Recruitment - and acquire more customers (NCD)
- Retention - and use loyalty tactics to maximise lifetime value (NBD)
- Reactivate - and win back/recover previous customers (Dormant)

Profiling our customers using customer centricity to question and find out their needs allowing us to position ourselves accordingly is key. Not one strategy will cover the diverse range of our customers and their sweet spots.

Balancing quick win, low hanging, component and commodity business in conjunction with longer term manufacturer and end user projects, support our growth plans pushed further by an up- and-cross selling creative platform.

Within a challenging and satisfying work environment, our strategy is sharply defined, clearly communicated, and well understood by employees, customers, partners and other Burkert processes. That said, we continually fine-tune our strategy based on changes in the marketplace, for example, a new technology, a social trend, a government regulation, or a competitor's breakaway product.

Approved by the Board on 11.6.18 and signed on its behalf by:


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Mr M I Steinemann
Director

Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

Directors' Report for the Year Ended 31 December 2017

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

Directors of the company

The directors who held office during the year were as follows:

Mr M I Steinemann

Mr H P H Rohrbeck

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Rödl & Partner Limited as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 11.6.18 and signed on its behalf by:



Mr M I Steinemann
Director

Burkert UK Limited
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Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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.

Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

Independent Auditor's Report to the Members of Burkert UK Limited

Opinion

We have audited the financial statements of Burkert UK Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of Income and Retained Earnings, Balance Sheet, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

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 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.

Burkert UK Limited
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Independent Auditor's Report to the Members of Burkert UK Limited

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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Statement of Directors' Responsibilities [set out on page 7], 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.

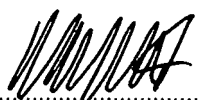
Burkert UK Limited
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Independent Auditor's Report to the Members of Burkert UK Limited

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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Imran Farooq (Senior Statutory Auditor)
For and on behalf of Rödl & Partner Limited, Statutory Auditor

170 Edmund Street
Birmingham
B3 2HB

Date: *11th June 2018*

Burkert UK Limited
(formerly known as Bürkert Contromatic Limited)

Statement of Income and Retained Earnings for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	13,824,347	9,389,064
Cost of sales		<u>(10,276,293)</u>	<u>(6,669,152)</u>
Gross profit		3,548,054	2,719,912
Distribution costs		(48,163)	(36,863)
Administrative expenses		<u>(2,837,920)</u>	<u>(2,437,951)</u>
Operating profit	5	661,971	245,098
Other interest receivable and similar income	6	<u>792</u>	<u>4,799</u>
Profit before tax		662,763	249,897
Taxation	10	<u>(108,994)</u>	<u>(69,758)</u>
Profit for the financial year		553,769	180,139
Retained earnings brought forward		2,476,397	2,296,258
Dividends paid		<u>(750,000)</u>	-
Retained earnings carried forward		<u><u>2,280,166</u></u>	<u><u>2,476,397</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 23 form an integral part of these financial statements.

Burkert UK Limited
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(Registration number: 00831741)
Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	306,790	346,044
Current assets			
Stocks	12	1,326,837	251,968
Debtors	13	3,028,273	2,410,332
Cash at bank and in hand		<u>1,042,815</u>	<u>1,934,770</u>
		5,397,925	4,597,070
Creditors: Amounts falling due within one year	15	<u>(2,912,463)</u>	<u>(1,925,667)</u>
Net current assets		<u>2,485,462</u>	<u>2,671,403</u>
Total assets less current liabilities		2,792,252	3,017,447
Creditors: Amounts falling due after more than one year	15	-	(2,499)
Provisions for liabilities		<u>(12,086)</u>	<u>(38,551)</u>
Net assets		<u><u>2,780,166</u></u>	<u><u>2,976,397</u></u>
Capital and reserves			
Called up share capital	17	500,000	500,000
Profit and loss account		<u>2,280,166</u>	<u>2,476,397</u>
Total equity		<u><u>2,780,166</u></u>	<u><u>2,976,397</u></u>

Approved and authorised by the Board on 11.6.18 and signed on its behalf by:



Mr M I Steinemann
Director

Burkert UK Limited
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Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the year		553,769	180,139
Adjustments to cash flows from non-cash items			
Depreciation	5	75,699	78,172
Loss on disposal of tangible assets	4	2,851	-
Interest income on bank deposits	6	(792)	(4,799)
Corporation tax expense	10	108,994	69,758
		<u>740,521</u>	<u>323,270</u>
Working capital adjustments			
(Increase)/decrease in stocks	12	(1,074,869)	299,807
(Increase)/decrease in debtors	13	(617,941)	346,520
Increase/(decrease) in creditors	15	959,385	(937,095)
Cash generated from operations		7,096	32,502
Corporation taxes paid	10	(106,263)	(14,026)
Net cash flow from operating activities		<u>(99,167)</u>	<u>18,476</u>
Cash flows from investing activities			
Interest received	6	792	4,799
Acquisitions of tangible assets		<u>(39,296)</u>	<u>(31,372)</u>
Net cash flows from investing activities		<u>(38,504)</u>	<u>(26,573)</u>
Cash flows from financing activities			
Payments to finance lease creditors		(4,284)	(4,284)
Dividends paid	19	<u>(750,000)</u>	<u>-</u>
Net cash flows from financing activities		<u>(754,284)</u>	<u>(4,284)</u>
Net decrease in cash and cash equivalents		(891,955)	(12,381)
Cash and cash equivalents at 1 January		<u>1,934,770</u>	<u>1,947,151</u>
Cash and cash equivalents at 31 December		<u><u>1,042,815</u></u>	<u><u>1,934,770</u></u>

The notes on pages 14 to 23 form an integral part of these financial statements.

Burkert UK Limited
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Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Fluid Control Centre

1 Bridge End

Cirencester

Gloucestershire

GL7 1QY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentational currency used to prepare the financial statements is Sterling (£) and amounts have been rounded to the nearest £1.

Summary of disclosure exemptions

As the Company is a 100% wholly owned subsidiary of Burkert International AG, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has taken advantage of the exemption available under FRS 102 in respect of the following disclosures:

-Related Party Disclosures with other members of that group.

Revenue recognition

The turnover shown in the Statement of Income represents the value of services delivered and goods provided to customers in the year net of Value Added Tax.

Revenue from services include non-warranty repairs and installation and are recognised at completion.

Sales of goods are recognised at the point of despatch.

Foreign currency transactions and balances

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The notes on pages 14 to 23 form an integral part of these financial statements.

Burkert UK Limited
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Notes to the Financial Statements for the Year Ended 31 December 2017

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Long leasehold	10% on cost
Plant and machinery	12.5% on cost and 10% on cost
Office equipment	33.33% on cost
Motor vehicles	16.66% on cost

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The notes on pages 14 to 23 form an integral part of these financial statements.

Burkert UK Limited
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Notes to the Financial Statements for the Year Ended 31 December 2017

Stocks

Stocks and work in progress are valued at the lowest of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

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

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Rentals under operating leases are charged to the Statement of Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted onto the prevailing market rate.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts and finance leases are capitalized as tangible fixed assets. Assets acquired by finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchases are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Income so as to produce a constant periodic rate of charge on the net obligation outstanding in the period.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

The notes on pages 14 to 23 form an integral part of these financial statements.

Burkert UK Limited
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Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. The forward currency exchange contracts are measured at fair value at each reporting date. The movement in fair value is recognised in the profit and loss for the period.

3 Revenue

The turnover and profit before taxation are attributable to the one principal activity of the company.

The analysis of the company's revenue for the year by geographical market is given below:

	2017 £	2016 £
United Kingdom	12,912,377	9,083,987
Europe	<u>911,970</u>	<u>305,077</u>
	<u><u>13,824,347</u></u>	<u><u>9,389,064</u></u>

4 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2017 £	2016 £
Gain (Loss) on disposal of property, plant and equipment	(2,851)	-
Gain (Loss) from changes in bad debts provisions	<u>(20,526)</u>	<u>(34,732)</u>
	<u><u>(23,377)</u></u>	<u><u>(34,732)</u></u>

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5 Operating profit

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation expense	75,699	78,172
Foreign exchange losses/(gains)	40,916	(80,388)
Operating lease expense - plant and machinery	<u>132,902</u>	<u>111,227</u>

6 Other interest receivable and similar income

	2017 £	2016 £
Interest income on bank deposits	<u>792</u>	<u>4,799</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £	2016 £
Wages and salaries	1,611,049	1,339,632
Social security costs	197,762	166,772
Pension costs, defined contribution scheme	<u>118,959</u>	<u>113,048</u>
	<u>1,927,770</u>	<u>1,619,452</u>

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

	2017 No.	2016 No.
Administrative	7	8
Sales	19	15
Technical & Store	<u>5</u>	<u>7</u>
	<u>31</u>	<u>30</u>

8 Directors' remuneration

The directors remuneration for the year was £nil (2016: £nil).

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Notes to the Financial Statements for the Year Ended 31 December 2017

9 Auditors' remuneration

	2017 £	2016 £
Audit of the financial statements	<u>17,400</u>	<u>16,900</u>
Other fees to auditors		
All other non-audit services	<u>3,000</u>	<u>2,630</u>

10 Taxation

Tax charged/(credited) in the income statement

	2017 £	2016 £
Current taxation		
UK corporation tax	135,459	69,758
Deferred taxation		
Arising from origination and reversal of timing differences	<u>(26,465)</u>	<u>-</u>
Tax expense in the income statement	<u>108,994</u>	<u>69,758</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2016 - the same as the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit before tax	<u>662,763</u>	<u>249,897</u>
Corporation tax at standard rate	127,559	49,979
Effect of expense not deductible in determining taxable profit (tax loss)	2,213	2,015
Deferred tax not recognised	(21,411)	18,419
Tax increase (decrease) from effect of capital allowances and depreciation	<u>633</u>	<u>(655)</u>
Total tax charge	<u>108,994</u>	<u>69,758</u>

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Deferred tax

Deferred tax assets and liabilities

	Liability £
2017	
Fixed asset timing differences	34,676
Short term timing differences	(22,590)
	<u>12,086</u>
2016	
Fixed asset timing differences	40,690
Short term timing differences	(2,139)
	<u>38,551</u>

11 Tangible assets

	Long leasehold £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2017	414,207	125,101	252,450	22,135	813,893
Additions	-	20,870	18,426	-	39,296
Disposals	<u>-</u>	<u>(4,602)</u>	<u>(51,123)</u>	<u>-</u>	<u>(55,725)</u>
At 31 December 2017	<u>414,207</u>	<u>141,369</u>	<u>219,753</u>	<u>22,135</u>	<u>797,464</u>
Depreciation					
At 1 January 2017	165,690	75,168	214,694	12,297	467,849
Charge for the year	42,795	12,422	16,793	3,689	75,699
Eliminated on disposal	<u>-</u>	<u>(3,818)</u>	<u>(49,056)</u>	<u>-</u>	<u>(52,874)</u>
At 31 December 2017	<u>208,485</u>	<u>83,772</u>	<u>182,431</u>	<u>15,986</u>	<u>490,674</u>
Carrying amount					
At 31 December 2017	<u>205,722</u>	<u>57,597</u>	<u>37,322</u>	<u>6,149</u>	<u>306,790</u>
At 31 December 2016	<u>248,517</u>	<u>49,933</u>	<u>37,756</u>	<u>9,838</u>	<u>346,044</u>

The notes on pages 14 to 23 form an integral part of these financial statements.

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Notes to the Financial Statements for the Year Ended 31 December 2017

12 Stocks

	2017	2016
	£	£
Work in progress	60	2,368
Finished goods and goods for resale	<u>1,326,777</u>	<u>249,600</u>
	<u><u>1,326,837</u></u>	<u><u>251,968</u></u>

13 Debtors

	2017	2016
	£	£
Trade debtors	2,957,778	2,273,073
Amounts owed by related parties	-	2,983
Other debtors	533	1,187
Prepayments	<u>69,962</u>	<u>133,089</u>
	<u><u>3,028,273</u></u>	<u><u>2,410,332</u></u>

14 Cash and cash equivalents

	2017	2016
	£	£
Cash on hand	54	226
Cash at bank	<u>1,042,761</u>	<u>1,934,544</u>
	<u><u>1,042,815</u></u>	<u><u>1,934,770</u></u>

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Notes to the Financial Statements for the Year Ended 31 December 2017

15 Creditors

	Note	2017 £	2016 £
Due within one year			
Hire purchase contracts		2,499	4,284
Trade creditors		115,144	75,298
Amounts due to related parties		1,647,813	1,054,551
Corporation tax liability	10	98,994	69,798
Social security and other taxes		57,960	61,250
VAT		657,811	424,950
Other payables		16,258	15,204
Accrued expenses		<u>315,984</u>	<u>220,332</u>
		<u>2,912,463</u>	<u>1,925,667</u>
Due after one year			
Hire purchase contracts		<u>-</u>	<u>2,499</u>

16 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £118,959 (2016 - £113,048).

Contributions totalling £11,979 (2016 - £11,745) were payable to the scheme at the end of the year and are included in creditors.

17 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

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Notes to the Financial Statements for the Year Ended 31 December 2017

18 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	2,499	4,284
Later than one year and not later than five years	-	2,499
	<u>2,499</u>	<u>6,783</u>

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	93,830	73,751
Later than one year and not later than five years	137,545	57,759
Later than five years	-	294
	<u>231,375</u>	<u>131,804</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £132,902 (2016 - £165,189).

19 Dividends

Final dividends paid

	2017 £	2016 £
Final dividend of £1.50 (2016 - £Nil) per each Ordinary shares share	<u>750,000</u>	<u>-</u>

20 Parent and ultimate parent undertaking

The directors consider Burkert International AG, a company incorporated in Switzerland, as the ultimate parent company and the ultimate controlling party by virtue of its 100% interest in the issued share capital of Burkert UK Limited.

The parent company of the smallest group undertaking of which the company is a member and which prepares consolidated accounts is Burkert UK Limited. The parent company of the largest group undertaking of which the company is a member and which prepares consolidated accounts is Burkert International AG.

The notes on pages 14 to 23 form an integral part of these financial statements.