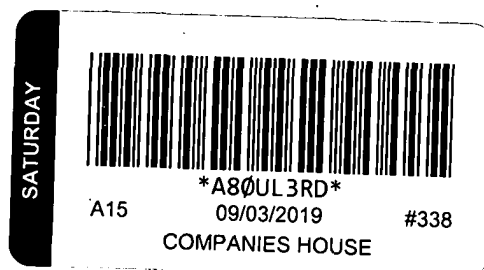


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ARBURG LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



ARBURG LIMITED

COMPANY INFORMATION

Directors	C F Tirel R Keinath S E Wrighton
Company secretary	M A Hehl
Registered number	02761294
Registered office	Tachbrook Park Drive Warwick CV34 6RH
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Peterbridge House The Lakes Northampton NN4 7HB
Bankers	Barclays Bank Plc Meridian Business Park Leicester LE16 7HB

ARBURG LIMITED

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ARBURG LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

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

Business review

The principal activity remained the distribution of plastic injection moulding machines, additive manufacturing technologies and associated services.

As with many previous years, 2018 presented Arburg Ltd with a number of challenges, these coming from the market, competition but also on the back of the Brexit negotiations with the potential uncertainty they have caused. Ultimately looking back, the last point has had some impact in customers planning, however to date the majority of the customers are pursuing their investment strategies.

Whilst 2018 may not have been a record year in terms of the business gained, it was very satisfying in many respects. Arburg Ltd successfully supplied equipment into an even more broad scope of different markets and supplied a high number of machines against a challenging budget. We felt that it was a very strong year overall in business terms. As in previous years, certain market sectors gave us significant business in terms of new machines and we saw these sectors grow in the UK and Ireland. This included new start up companies and business gained in the additive manufacturing market.

We also achieved very good results in service revenue and spare parts performed very well in the twelve months.

Turnover for 2018 was higher than for 2017 and the highest recorded since 2015, with the number of machines higher than that of the previous year.

Due to the Company making ongoing profits and as no dividend has been taken in 2018, this has led to an increase in net assets for the company.

We will continue to adapt our organisation to meet the challenges that are presented by current trading conditions.

Principal risks and uncertainties

Cash flow risk

With Arburg Limited being a wholly owned subsidiary of a multi national group any cash flow risk will be covered by the resources of the group. Monthly cash flow forecasts are produced to ensure sufficient funding is available for trading requirements over a 12 month period.

Credit risk

The credit exposure of the Company relates to the failure of the customers to meet their commitments, the Company takes this risk very seriously and commits significant resources to ensure debtors do not exceed their agreed credit terms.

Interest rate risk

The Company currently has substantial positive bank balances and has therefore continued to suffer a significant fall in interest received during the year, with the interest rates available on short term deposits remaining at an historic low.

ARBURG LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Currency risk

The Company is largely protected from currency risk by the trading policy of the Arburg Group, all currency management is undertaken at a group level in Germany.

Competition

The company operates in a highly competitive market both in the UK and Ireland particularly with regard to price, leading to constant pressure on our margins. Our parent company continues to invest within the manufacturing plant in Lossburg, Germany to improve operational efficiencies, thus ensuring that our products are as competitive in terms of pricing and cutting edge technology as possible.

Economy

The manufacturing sector in the UK post the Brexit vote, continues to be positive and stable. In terms of business, Arburg Limited enjoyed a good year in 2018 with a customer base spread across a diverse range of market sectors. We remain cautiously optimistic in terms of the next 12 - 24 months for the UK market. Ireland continues to give us good returns in terms of service revenue and machine sales which we hope will continue throughout 2019 and beyond.

Financial key performance indicators

	<u>2018</u>	<u>2017</u>
Measurement of gross margin	23.6%	24.4%

There has been a higher quantity of machine models sold which have a lower margin. There has also been an inter-company price increase on machine and spares sales as well as freight cost price increases.

Acid test ratio	1.44	1.25
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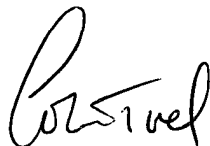
Large number of machine sales in last quarter of 2017 led to higher accounts receivable figure at year end. 2018 sales have been more constant and thus lower outstanding customer debt at 2018 year end and in turn reduced current liabilities particularly to inter-company.

Pre-tax profit to sales %	3.8%	6.5%
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Increase in sales however addition of one service engineer apprentice and promotions within the service department have increased personnel and associated costs. Consultancy costs have also increased due to a new agent in Ireland from Jan-18. Interest received / paid movements occur mainly from inter-company transactions; depending on the payment terms.

This report was approved by the board and signed on its behalf.

C F Tirel
Director



Date: 7 February 2019

ARBURG LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £381,263 (2017 - £570,978).

The directors have authorised payments of dividends of £nil (2017 - £nil).

Directors

The directors who served during the year were:

C F Tirel
R Keinath
S E Wrighton

ARBURG LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Future developments

We had projected a similar business year for 2018 in line with 2017. Even given the ongoing Brexit discussions we felt that the majority of the customer base would continue to pursue their investment plans, looking to remain competitive for the future. We have a number of ongoing strategies to ensure that all members of staff at Arburg Limited are trained in order to plan for the medium to long term objective of servicing our customer's requirements in the UK and Ireland.

We are a market leader in a number of operational areas in our market in what is a very mature and competitive arena. Our proactive approach to the market encompasses the full range of new injection moulding machine, robot and additive manufacturing technology sales, training, technical support, spare parts and service for Arburg machines and related technologies. Amongst others, two on going objectives that we will focus on in 2019 and beyond is to increase automation and additive manufacturing sales. This is by entering into detailed discussions regarding additive manufacturing with potential trials at our parent company in Germany. We will also be our customer's full turnkey automation solutions that are bespoke to their requirements.

As with every year our overall objective is to retain our existing customers and seek out new ones. It is a fundamental part of our business to forge long term relationships with our customers which is something we have always looked to do.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

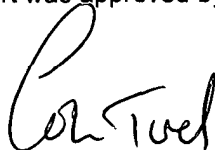
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



C F Tirel
Director

Date: 7 February 2019

ARBURG LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARBURG LIMITED

Opinion

We have audited the financial statements of ARBURG Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of cash flows and the related notes, 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).

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 United Kingdom, including the Financial Reporting Council'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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARBURG LIMITED (CONTINUED)

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 matters 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 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.

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 or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 on page 3, 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.

ARBURG LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARBURG LIMITED (CONTINUED)

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our 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.



Steven Moore BA ACA (Senior statutory auditor)

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Peterbridge House
The Lakes
Northampton
NN4 7HB

Date: 7.2.19

ARBURG LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2018**

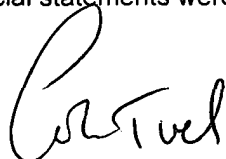
	Note	2018 £	2017 £
Turnover	4	12,098,315	11,244,971
Cost of sales		(9,243,629)	(8,399,498)
Gross profit		2,854,686	2,845,473
Distribution costs		(179,782)	(152,023)
Administrative expenses		(2,269,274)	(2,043,766)
Other operating income	5	67,175	46,052
Operating profit (EBIT)	6	472,805	695,736
Interest receivable and similar income	11	36,117	43,509
Interest payable and expenses	12	(17,280)	(11,385)
Profit before tax		491,642	727,860
Tax on profit	13	(110,379)	(156,882)
Profit after tax		381,263	570,978
Retained earnings at the beginning of the year		3,832,864	3,261,886
		3,832,864	3,261,886
Profit for the year		381,263	570,978
Retained earnings at the end of the year		4,214,127	3,832,864

The notes on pages 11 to 24 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	14	926,607	983,449
		<u>926,607</u>	<u>983,449</u>
Current assets			
Stocks	15	2,235,781	1,798,709
Debtors: amounts falling due after more than one year	16	165,944	-
Debtors: amounts falling due within one year	16	2,224,724	4,022,875
Cash at bank and in hand	17	1,912,649	1,584,800
		<u>6,539,098</u>	<u>7,406,384</u>
Creditors: amounts falling due within one year	18	(3,193,094)	(4,499,848)
Net current assets		<u>3,346,004</u>	<u>2,906,536</u>
Total assets less current liabilities		<u>4,272,611</u>	<u>3,889,985</u>
Provisions for liabilities			
Deferred tax	20	(8,484)	(7,121)
		<u>(8,484)</u>	<u>(7,121)</u>
Net assets		<u><u>4,264,127</u></u>	<u><u>3,882,864</u></u>
Capital and reserves			
Called up share capital	21	50,000	50,000
Profit and loss account	22	4,214,127	3,832,864
		<u>4,264,127</u>	<u>3,882,864</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



C F Tirel
Director

Date: 7 February 2019

The notes on pages 11 to 24 form part of these financial statements.

ARBURG LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	381,263	570,978
Adjustments for:		
Depreciation of tangible assets	112,821	107,529
Loss on disposal of tangible assets	-	(1,000)
Interest paid	17,280	11,385
Interest received	(36,117)	(43,509)
Taxation charge	110,379	156,882
(Increase) in stocks	(437,072)	(1,099,807)
Decrease/(increase) in debtors	758,280	(943,043)
Decrease in amounts owed by groups	873,927	1,461,862
Increase in creditors	2,170	261,711
(Decrease)/increase in amounts owed to groups	(1,277,960)	-
Corporation tax (paid)	(139,980)	(216,575)
Net cash generated from operating activities	<u>364,991</u>	<u>266,413</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(55,979)	(67,439)
Sale of tangible fixed assets	-	1,000
Interest received	36,117	43,509
Net cash from investing activities	<u>(19,862)</u>	<u>(22,930)</u>
Cash flows from financing activities		
Interest paid	(17,280)	(11,385)
Net cash used in financing activities	<u>(17,280)</u>	<u>(11,385)</u>
Net increase in cash and cash equivalents	<u>327,849</u>	<u>232,098</u>
Cash and cash equivalents at beginning of year	1,584,800	1,352,702
Cash and cash equivalents at the end of year	<u><u>1,912,649</u></u>	<u><u>1,584,800</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>1,912,649</u></u>	<u><u>1,584,800</u></u>

The notes on pages 11 to 24 form part of these financial statements.

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

1. General information

Arburg Limited is a private company limited by shares, domiciled in England and Wales, registered number 02761294. The registered office and principal place of business is Tachbrook Park Drive, Warwick, CV34 6RH.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

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

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

2.5 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 10 - 25 years
Plant and machinery	- 10 years
Motor vehicles	- 2 - 10 years
Office equipment	- 2 - 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of income and retained earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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

2. Accounting policies (continued)**2.14 Financial instruments (continued)**

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, management have been required to make judgements, estimates and assumptions. These estimates which relate to the carrying values of assets and liabilities, where not readily available from other sources, are based on underlying assumptions and experience. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an on-going basis.

The principal judgments are with regard to the assessment of the stock provision. Management closely monitor the ageing of stock and its forecast sales and use this information in making their informed assessment of the stock provision.

4. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	9,921,455	9,816,062
Rest of Europe	2,081,880	1,289,332
Rest of the world	94,980	139,577
	<u>12,098,315</u>	<u>11,244,971</u>

5. Other operating income

	2018 £	2017 £
Net rents receivable	67,175	46,052

ARBURG LIMITED

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

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	112,821	107,529
Exchange differences	<u>(34,447)</u>	<u>(99,102)</u>

7. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>8,000</u>	<u>7,700</u>

Fees payable to the Company's auditor and its associates in respect of:

Other services relating to taxation	1,940	1,880
Payroll services	<u>3,245</u>	<u>3,150</u>
	<u>5,185</u>	<u>5,030</u>

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

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	1,286,616	1,201,618
Social security costs	142,867	138,237
Cost of defined contribution scheme	92,534	85,796
	<u>1,522,017</u>	<u>1,425,651</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Administrative	3	3
Other sales and service	23	23
	<u>26</u>	<u>26</u>

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	272,523	263,011
Company contributions to defined contribution pension schemes	15,249	15,361
	<u>287,772</u>	<u>278,372</u>

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £181,972 (2017 - £181,565).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,531 (2017 - £9,884).

ARBURG LIMITED

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

10. Key Management Personnel

Key management personnel are made up of the directors only. The total compensation paid to the directors (excluding social security contributions) in the year ended 31 December 2018 are disclosed in note 9.

Social security contributions paid in the year ended 31 December 2018 were £26,980 (2017 - £26,217).

11. Interest receivable

	2018 £	2017 £
Interest receivable from group companies	33,551	43,386
Other interest receivable	2,566	123
	<u>36,117</u>	<u>43,509</u>

12. Interest payable and similar expenses

	2018 £	2017 £
Loans from group undertakings	<u>17,280</u>	<u>11,385</u>

13. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	109,016	152,320
	<u>109,016</u>	<u>152,320</u>
Total current tax	<u>109,016</u>	<u>152,320</u>
Deferred tax		
Origination and reversal of timing differences	1,363	4,562
	<u>1,363</u>	<u>4,562</u>
Total deferred tax	<u>1,363</u>	<u>4,562</u>
Taxation on profit on ordinary activities	<u>110,379</u>	<u>156,882</u>

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

13. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018	2017
	£	£
Profit on ordinary activities before tax	491,642	727,860
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	93,412	140,113
Effects of:		
Expenses not deductible for tax purposes	17,129	17,399
Other differences leading to an increase (decrease) in the tax charge	(162)	(630)
Total tax charge for the year	110,379	156,882

ARBURG LIMITED

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

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2018	2,272,276	380,890	9,765	326,473	2,989,404
Additions	-	43,397	-	12,582	55,979
At 31 December 2018	<u>2,272,276</u>	<u>424,287</u>	<u>9,765</u>	<u>339,055</u>	<u>3,045,383</u>
Depreciation					
At 1 January 2018	1,379,030	343,462	3,255	280,208	2,005,955
Charge for the year on owned assets	86,341	7,244	3,255	15,981	112,821
At 31 December 2018	<u>1,465,371</u>	<u>350,706</u>	<u>6,510</u>	<u>296,189</u>	<u>2,118,776</u>
Net book value					
At 31 December 2018	<u>806,905</u>	<u>73,581</u>	<u>3,255</u>	<u>42,866</u>	<u>926,607</u>
At 31 December 2017	<u>893,246</u>	<u>37,428</u>	<u>6,510</u>	<u>46,265</u>	<u>983,449</u>

Included within freehold property is an element of £399,335 (2017 - £399,335) for land which is not depreciated.

15. Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>2,235,781</u>	<u>1,798,709</u>

Stock recognised in cost of sales during the year as an expense was £9,243,629 (2017 - £8,399,498) .

ARBURG LIMITED

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

16. Debtors

	2018 £	2017 £
Due after more than one year		
Trade debtors	<u>165,944</u>	<u>-</u>
	2018 £	2017 £
Due within one year		
Trade debtors	2,149,245	3,063,892
Amounts owed by group undertakings	-	873,927
Other debtors	16,235	16,788
Prepayments and accrued income	59,244	68,268
	<u>2,224,724</u>	<u>4,022,875</u>

17. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,912,649</u>	<u>1,584,800</u>

18. Creditors: Amounts falling due within one year

	2018 £	2017 £
Payments received on account	1,264,301	1,020,139
Trade creditors	233,003	102,784
Amounts owed to group undertakings	891,901	2,169,861
Corporation tax	39,152	70,116
Other taxation and social security	487,308	875,210
Other creditors	9,974	34,259
Accruals and deferred income	267,455	227,479
	<u>3,193,094</u>	<u>4,499,848</u>

ARBURG LIMITED

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

19. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>2,322,524</u>	<u>3,943,210</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(1,337,169)</u>	<u>(2,367,076)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts due from group companies and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts due to group companies and accruals.

20. Deferred taxation

	2018 £	2017 £
At beginning of year	(7,121)	(2,559)
Utilised in year	(1,363)	(4,562)
At end of year	<u>(8,484)</u>	<u>(7,121)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(8,484)	(7,121)
	<u>(8,484)</u>	<u>(7,121)</u>

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
50,000 (2017 - 50,000) Ordinary shares of £1.00 each	<u>50,000</u>	<u>50,000</u>

ARBURG LIMITED

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

21. Share capital (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22. Reserves**Profit and loss account**

This includes all current and prior year retained profits and losses.

23. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	68,224	73,665
Later than 1 year and not later than 5 years	37,748	60,576
	<u>105,972</u>	<u>134,241</u>

During the year the Company has incurred costs in relation to operating leases in the Statement of income and retained earnings of £116,087 (2017 - £108,207).

24. Related party transactions

The Company has taken advantage of the exemption in s33.1A of FRS 102 to not disclose transactions entered into between two or more members of a group as it is a wholly owned subsidiary of Arburg Holding GmbH.

25. Controlling party

The immediate parent undertaking is Arburg Holding GmbH, a company incorporated in Germany. This makes up the smallest group of accounts.

The ultimate parent company is Hehl International GmbH & Co KG, a company incorporated in Germany. This makes up the largest group of accounts. Consolidated accounts can be obtained from Artur-Hehl-Strasse, Lossburg, D-72290, Germany.

In the opinion of the directors there is no ultimate controlling party.