

Draeger Safety UK Limited
Annual report and financial statements
for the year ended 31 December 2019

Registered number 777464



Draeger Safety UK Limited
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for the year ended 31 December 2019
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Draeger Safety UK Limited

Strategic report for the year ended 31 December 2019

The director presents his Strategic Report on the company for the year ended 31 December 2019.

Results and dividends

The company results show revenue for the year of £108.6m (2018: £104.1m) and profit for the financial year of £5.9m (2018: £11.1m).

An interim dividend of £1.45 (2018: 81.7p) per £1 ordinary share amounting to £11m (2018: £6.2m) was paid on 25 March 2019. No final dividend was paid or recommended (2018: £nil).

Key performance indicators (KPIs)

KPI	Definition & method of calculation	2019	2018
Increase in turnover	Year on year turnover growth expressed as a percentage	4.3%	4.8%
Operating profit to turnover	EBIT in year expressed as a percentage of turnover	6.6%	12.1%
Return on capital employed	EBIT as a percentage of net assets	20.9%	32.1%
Employee turnover	Number of employees in the year leaving to seek alternative employment expressed as a percentage of the average workforce in the year.	10.3%	11.9%

Business environment

Trading conditions in UK and worldwide have remained uncertain and the company continues to maintain the Draeger brand's well-established 125 year history and reputation for quality and technical excellence while developing innovative solutions focused on customer needs.

During 2019, the diverse Draeger product portfolio and customer base has enabled the company to maintain and develop its position in the market. CABE product continues to be strong especially in the Fire & Rescue Service market globally. The Oil & Gas sector has seen some recovery as a result of some increase in the oil price, which has positively affected the level of investment in particular in relatively high-cost oil production areas such as the North Sea.

The company's new generation of breathing apparatus achieved regulatory approval for the North American and related markets during the year; and this has resulted in substantially increased sales in the US, reversing the decline seen in the prior year.

Future development

Management has undertaken a review of the potential impacts of the United Kingdom's planned exit from the European Union transitional period at the end of December 2020. The company has adjusted its supply chain as necessary to ensure that where it has commitments to deliver goods on specific or limited timescales, this can continue to be achieved without delays.

Draeger Safety UK Limited

Strategic report for the year ended 31 December 2019 (*continued*)

Future development (*continued*)

Management will continue to monitor the trends in the UK and global markets and to adapt the organisation in order to meet our future targets.

Strategy

Draeger's overriding objectives is to achieve attractive and sustainable rates of growth and returns, through a combination of organic growth and acquisitions.

The key elements to the company's strategy for growth are:

- Building a broad product range to meet customer needs and regulatory requirements;
- Investing in research, development and innovation to maintain competitive advantage;
- Investing in employee training and development in order to enhance staff retention allowing the company to exceed customer expectations in service and support.

Broad product range

A broad product range is essential in order to compete in the Personal Protective Equipment market and the company is focussed on maintaining and updating its wide portfolio of products. A product pipeline is developed for each market segment looking forward at least five years. Significant investment has also been made during the year in improved product quality; and further investment is planned in the coming years.

Research, development and innovation

The company regards the investment in research and development as integral to the continuing success of the business in order to meet customer needs and remain competitive and commits significant resources to these activities. Most of the investment in this area is concentrated on turning the product pipeline into marketable products. The Draeger Group has restated a strategic objective to maintain the current high level of investment in research and development.

Employee training and development

The company believes the investment in training gives a competitive edge as without a fully educated and trained workforce we would not be able to maintain our position as a market and technology leader. Draeger has invested in onsite training and employees can access courses via a web-based training catalogue. The training covers all needs of all staff from basic computer skills to strategic management.

Principal risks and uncertainties

Competition

The company operates in highly competitive well organised markets worldwide with customer focus on price, quality and product availability. This results not only in downward pressure on margins but also in increased customer expectations and the risk that we might not meet these. In order to mitigate this risk we carry out maintain close relationships with customers and seek their input into new product developments.

Supply chain and cost competitiveness

Our strategy is to work closely with key suppliers over the long term in order to develop innovative and cost competitive materials, components and finished products. This in itself exposes the company to reliance on these key suppliers. The company tries to mitigate this risk through effective supplier selection and procurement practices supplemented by appropriate insurance coverage.

Draeger Safety UK Limited

Strategic report for the year ended 31 December 2019 *(continued)*

Principal risks and uncertainties *(continued)*

Government spending worldwide

Major customers include governments, military, fire services and other departments that are directly affected by government spending and other initiatives; this could have a significant impact on the business. In recent years governmental spending reductions have been shown to impact on our major markets. As governments worldwide continue to attempt to reduce fiscal deficits, the potential for government austerity measures is recognised. Business intelligence is the key to planning for these market swings and potential impacts.

Brexit

Management has undertaken a review of the potential impacts of the decision by the United Kingdom to exit from the European Union in March 2019. The company has adjusted its supply chain as necessary to ensure that where it has commitments to deliver goods on specific or limited timescales, this can continue to be achieved without delays.

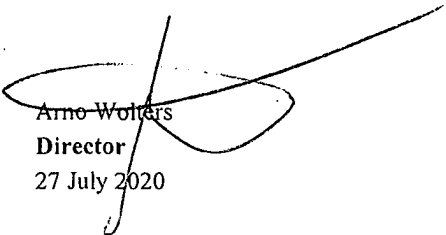
Covid-19

Management has also reviewed the potential impact of the Covid-19 outbreak and the resulting measures implemented by the UK government. These are expected to have a positive impact on the Company's results in the short term, with potential reduction in longer-term business as a result of reduced investment in several industries including Oil & Gas. Management will keep these impacts under review and will adjust the Company's activities and cost base accordingly. The Company has worked closely with its suppliers to ensure continuity of supply and meet customer demands. The Company's IT systems have proven resilient and have supported home-working for all employees where practical. Manufacturing and other activities requiring a physical presence on site have been maintained throughout, operating at all times in accordance with Covid-19 secure guidance from the Government and Public Health England. Where employees have been required to attend customer sites in order to support critical Safety equipment, the company has been able to provide appropriate PPE in line with PHE guidelines.

Corporate social responsibility

The company takes regular account of the significance of social, environmental and ethical (SEE) matters. It has identified and assessed the significant risks to the company's short- and long-term value arising from SEE matters, as well as the opportunities to enhance value that may arise from an appropriate response. The Director has received adequate information on the SEE-related risks and opportunities identified, and how they may impact the business, to make this assessment. The company has effective systems for managing significant risks which, where relevant, incorporate performance management systems and appropriate remuneration incentives.

Approved and signed on behalf of the board



Anne Wolters

Director

27 July 2020

Draeger Safety UK Limited

Director's report for the year ended 31 December 2019

The Director presents his report and the audited financial statements of the company for the year ended 31 December 2019.

Principal activities

The company's principal activities during the year were:

- The design, manufacture and supply of industrial respiratory protection equipment. Draeger Safety UK Limited supplies 100% of the group worldwide requirement of the compressed air breathing equipment (CABE) product range;
- The design, manufacture and supply of gas detection systems and equipment;
- Sales and marketing in the UK of Draeger Group safety products including those manufactured in other countries;
- The provision of safety training courses; and
- After sales service and support.

Directors

The Directors of the company who served during the year and up to the date of signing the financial statements were:

Mr M Norris (resigned 31 March 2020)
Mr A Wolters (appointed 31 March 2020)

Strategic report

Dividends and future developments are disclosed within the Strategic report.

Qualifying third party indemnity provision

For the purposes of the Companies Act 2006, a qualifying third party indemnity provision was in place for the director of the company during the year and up to the date of signing the financial statements.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and foreign exchange risk. These risks are monitored on a regular basis in order to limit any adverse effects on financial performance.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made and the regular updating of customer credit ratings.

Liquidity risk

The company manages its working capital to minimise additional funding requirements. However, the company has access to group and external funds if required for ongoing operations and future investments.

Foreign exchange risk

The company is exposed to foreign exchange risk as a result of its operation and manages this risk via cash management activities carried out at a group level.

Draeger Safety UK Limited

Director's report for the year ended 31 December 2019 (*continued*)

Employment of disabled persons

It is the company's policy to offer equal opportunity to disabled persons applying for vacancies having regard to their aptitudes and abilities in relation to the jobs for which they apply.

As far as possible arrangements are made to continue the employment of those employees who have become disabled persons during the course of their employment with the company. In all instances consideration will be given to arranging appropriate training facilities or providing special aids where necessary. It is the company's policy to provide disabled persons with the same opportunities for training, career development and promotion that are available to all employees within the limitation of their aptitude and abilities.

Employee involvement

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness of the financial and economic factors affecting the company plays a major role in aligning the efforts of all employees.

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

- Under company law the director must not approve the financial statements unless he is 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 director is required to:
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. The director is 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.

Draeger Safety UK Limited

Director's report for the year ended 31 December 2019 (*continued*)

s172 statement

All Draeger companies and employees adhere to the Group's Guiding Philosophy "Technology for Life" and its four Strengths: Customer Intimacy; Employees; Innovation; and Quality. The Corporate Employee Handbook sets out the following framework for all actions and decisions: *"We treat our customers, colleagues, suppliers and sales partners professionally and reliably. Our actions influence the company. Therefore, each one of us is responsible for protecting and improving Dräger's reputation around the world."*

Accordingly the Company has implemented processes designed to ensure decisions align with these goals. In making decisions, the Director considers the short- and long-term impact of those decisions on employees, customers and suppliers. Employee targets and incentives are aligned with this framework to ensure that decisions at all levels in the company take account of these factors. The Directors are not of the view that any decisions made in the current year represent such a change in strategic direction that they should be considered Principal decisions.

The Directors identify the Company's stakeholders as its shareholders, employees, customers, and suppliers. The impact on each stakeholder is considered during the process of making strategic decisions.

The views of customers are carefully assessed. The Company receives feedback from customers both directly through daily interactions with the marketplace and through intermediaries. A sample of customers are routinely contacted on a structured basis following completion of a sale for specific feedback on the transaction. The resulting data, including 'Net Promoter Score' is regularly fed back to the Director and wider company management; and consideration given to the feedback and comments received and resulting scores and trends.

Suppliers are assessed on a rolling schedule, depending on scale of the relationship and risk assessment for each supplier relationship. Feedback and comments are reported regularly to management.

Significant effort is put into employee information and engagement. Regular 'All Employee Briefings' and a weekly 'Company Brief' are produced, including feedback about the results of the company and the main factors impacting its performance. It is common for major decisions affecting employees to be discussed and considered in advance by a group of employees with the resulting feedback provided to the Director and management prior to final decision. Employee incentive schemes are linked directly to the performance of the company and/or achievement of specific targets; and these are aligned to the long-term goals of the company and the shareholder. Employees are provided with the necessary training required to be able to perform their role in accordance with the internal governance framework and external laws and regulations.

The reputation of the Company, the Draeger Group and the Dräger family are of paramount importance and there is an explicit expectation, communicated to all employees, that all decisions and behaviour will support and enhance that reputation, which is a source of pride and strength for the Company.

Draeger Safety UK Limited

Director's report for the year ended 31 December 2019 (*continued*)

Disclosure of information to auditors

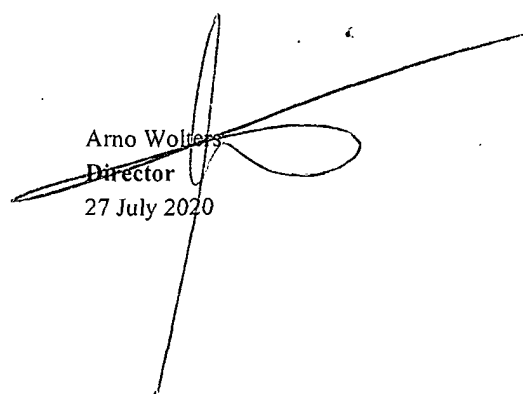
In the case of the director in office at the time when the report is approved, the following applies:

- As far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved and signed on behalf of the board:



Arno Wolters
Director
27 July 2020

Draeger Safety UK Limited

Independent auditors' report to the members of Draeger Safety UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Draeger Medical UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2019; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; the Statement of accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Draeger Safety UK Limited

Independent auditors' report to the members of Draeger Safety UK Limited (*continued*)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Director's report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Director's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's report.

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

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

In preparing the financial statements, the director is 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 director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Draeger Safety UK Limited

Independent auditors' report to the members of Draeger Safety UK Limited (*continued*)

Responsibilities for the financial statements and the audit (*continued*)

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
27 July 2020

Draeger Safety UK Limited

Income statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	1	108,612	104,141
Cost of sales		(78,481)	(70,561)
Gross profit		30,131	33,580
Distribution costs		(11,065)	(10,282)
Administrative expenses		(11,890)	(10,661)
Operating profit	2	7,176	12,637
Finance income	3	1	6
Finance expenses	4	(325)	(98)
Profit before taxation		6,852	12,545
Tax on profit	8	(918)	(1,482)
Profit for the financial year		5,934	11,063

All operations of the company are continuing.

Draeger Safety UK Limited

Statement of comprehensive income for the year ended 31 December 2019

	2019	2018
	£'000	£'000
Profit for the financial year	5,934	11,063
Other comprehensive expense for the year	-	(2)
Total comprehensive income for the year	5,934	11,061

Draeger Safety UK Limited

Statement of financial position as at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Intangible assets	10	143	54
Tangible assets	11	18,478	16,571
Right-of-use assets	12	1,399	-
		20,020	16,625
Current assets			
Inventories	13	19,911	17,700
Debtors	14	29,280	25,614
Cash at bank and in hand		387	205
		49,578	43,519
Creditors: amounts falling due within one year	15	(33,877)	(20,776)
Lease liabilities falling due within one year	16	(598)	-
Net current assets		15,103	22,743
Total assets less current liabilities		35,123	39,368
Lease liabilities falling due after more than one year	16	(821)	-
Net assets		34,302	39,368
Capital and reserves			
Called up share capital	17	7,589	7,589
Retained Earnings		26,713	31,779
Total shareholders' funds		34,302	39,368

The financial statements on pages 11 to 32 were approved by the Director and signed on its behalf on 27 July 2020:

Arno Wolters
Director

Draeger Safety UK Limited
Registered in England number 777464

Draeger Safety UK Limited

Statement of changes in equity for the year ended 31 December 2019

	Note	Called-up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 January 2018		7,589	26,918	34,507
Profit for the financial year		-	11,063	11,063
Other comprehensive expense for the year		-	(2)	(2)
Total comprehensive income for the year		-	11,061	11,061
Dividends	7	-	(6,200)	(6,200)
Balance as at 31 December 2018		7,589	31,779	39,368
Balance as at 1 January 2019		7,589	31,779	39,368
Profit for the financial year		-	5,934	5,934
Other comprehensive expense for the year		-	-	-
Total comprehensive income for the year		-	5,934	5,934
Dividends	7	-	(11,000)	(11,000)
Balance as at 31 December 2019		7,589	26,713	34,302

Draeger Safety UK Limited

Statement of accounting policies

General information

The company is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of the registered company is Ullswater Close, Blyth Riverside Business Park, Blyth, Northumberland, NE24 4RG.

Basis of preparation

The financial statements of Draeger Safety UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to FRS 101. The financial statements have been prepared under the historical cost convention. The accounting policies have been applied consistently.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - statement of compliance with all IFRS;
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

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

Draeger Safety UK Limited

Statement of accounting policies (continued)

New standards, amendments and IFRSIC interpretations

The company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

In the context of the transition to IFRS16, right-of-use assets of £1,122,000 and lease liabilities of £1,122,000 were recognised as at 1 January 2019. The Company transitioned to IFRS16 in accordance with the modified retrospective approach. The prior year figures were not adjusted. The Company has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case The Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

The off-balance lease obligations as of 31 December 2018 are reconciled to the recognised lease liabilities as of 1 January 2019 as follows:

	£'000
Minimum Lease Payment Obligation from Operating Lease Contracts 31 Dec 2018	1,509
Short-term lease exemption	(348)
Discount effect	(39)
Lease Liability from formerly Operating Leases as of 1 Jan 2019	1,122

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and intercompany borrowings. The company's forecasts and projections, taking into account reasonable possible changes in trading performance, show that the company should be able to operate within the level of its current cash and reserves. After making enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence and therefore continues to adopt the going concern basis in preparing its financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed below.

Revenue

Revenue, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied by the company in the ordinary course of business. Revenue is recognised when the goods are despatched to the customer, and when the service is supplied. Where income is received from customers in respect of goods or services to be supplied in the future, this gives rise to deferred income.

Draeger Safety UK Limited

Statement of accounting policies (continued)

Intangible fixed assets

Intangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Amortisation is provided on the cost of intangible fixed assets on a straight-line basis at the following rates, which are calculated to write off each asset over its estimated useful life:

Software - 25% per annum

Property plant and equipment

Property plant and equipment are stated at historical cost less accumulated depreciation. In the case of leased assets cost comprises purchase price or standard manufacturing costs. For other tangible fixed assets, cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of assets, less their residual values, over their expected lives using the straight line basis.

The following rates are used:

Freehold land	- nil
Freehold buildings	- 2% per annum
Plant, equipment and motor vehicles	- 10% - 33% per annum
Assets in course of construction	- nil

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Freehold buildings	- 2% per annum
Plant, equipment and motor vehicles	- 10% - 33% per annum

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Draeger Safety UK Limited

Statement of accounting policies (continued)

Leases

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of plant and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Inventory

Inventory is stated at the lower of cost (including works overheads in the case of own manufactured goods) and net realisable value, determined on a FIFO basis. Where necessary provision is made for obsolete, slow moving and defective stocks.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

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Statement of accounting policies (continued)

Foreign currencies

Monetary assets and liabilities which are denominated in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All exchange differences have been taken to the income statement.

Research and development

Research and development expenditure is written off to the income statement as it is incurred.

Warranty provisions

Provision is made for expected future costs in respect of warranties given on goods sold, based upon evidence of claims. Provisions are recognised when the company has a present obligation as the result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Pensions

Pension contributions to defined contribution arrangements are charged to the income statement in the year in respect of which they are payable.

Cash flow

The company is a wholly-owned subsidiary company of a Group headed by Drägerwerk AG & Co KGaA and is included in the consolidated financial statements of that company. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of IAS 7 'Statement of cash flows'.

Trade receivables

Trade receivables are non-interest-bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Trade payables

Trade payables are non-interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Critical judgements assumptions and estimates

Application of certain company accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below:

(a) *Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and above for the useful economic lives for each class of assets.

Draeger Safety UK Limited

Statement of accounting policies (continued)

Critical judgements assumptions and estimates (continued)

(b) *Inventory provisioning*

The company designs, manufactures and sells equipment and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory and associated provision.

(c) *Impairment of trade receivables*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 14 for the net carrying amount of the receivables and associated impairment provision.

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019

1 Revenue

Analysis of revenue by destination:

	2019	2018
	£'000	£'000
United Kingdom	33,425	29,137
Europe	59,539	59,523
Rest of World	15,648	15,481
	108,612	104,141

Analysis of revenue by business segment:

	2019	2018
	£'000	£'000
Sales to third parties	40,426	37,096
Sales to Draeger affiliates	68,186	67,045
	108,612	104,141

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Operating profit

The operating profit is stated after charging/(crediting):

	2019	2018
	£'000	£'000
Operating lease expenses	-	657
Foreign exchange losses/(gains)	113	(75)
Depreciation of tangible fixed assets	2,921	2,867
Depreciation of right-of-use assets	538	-
Amortisation of intangible fixed assets	53	40
Research and development costs	7,259	7,276
Auditors' remuneration		
Audit	41	42

3 Finance income

	2019	2018
	£'000	£'000
Interest receivable from Group undertakings	-	6
Interest receivable from third parties	1	-
	1	6

4 Finance expenses

	2019	2018
	£'000	£'000
Interest payable to Group undertakings	276	98
Other interest payable	49	-
	325	98

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Staff costs

	2019	2018
	£'000	£'000
Wages and salaries	19,535	18,037
Social security costs	1,893	1,974
Other pension costs (note 20)	1,169	1,002
	22,597	21,013

The average monthly number of employees during the year (including director) was as follows:

	2019	2018
	Number	Number
Office and management	54	51
Selling, distribution and servicing	188	180
Manufacturing	172	173
Research and development	72	68
	486	472

6 Director's emoluments

	2019	2018
	£'000	£'000
Director		
Aggregate emoluments	206	209
Company contributions paid to money purchase schemes	26	24
	232	233

Aggregate emoluments for the year relate to remuneration for one executive director (2018: one). One director (2018: one) had benefits accruing under money purchase pension schemes. No director (2018: nil) holds any share options.

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Dividends

	2019	2018
	£'000	£'000
Interim dividend paid: £1.45 (2018: £0.817) per £1 ordinary share	11,000	6,200
Final dividend paid: £0.00 (2018: £0.00) per £1 ordinary share	-	-
	11,000	6,200

No final dividend is proposed (2018: nil)

8 Tax on profit

	2019	2018
	£'000	£'000
Current tax		
UK corporation tax on profits of the year	933	1,801
Adjustments in respect of prior years	35	(149)
Total current tax	968	1,652
Deferred tax		
Origination and reversal of timing differences	(50)	(43)
Adjustments in respect of prior years	-	(127)
Total deferred tax (note 9)	(50)	(170)
Tax on profit	918	1,482

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Tax on profit (continued)

Factors affecting current tax charges

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax 19% (2018 19%) in the UK for the year ended 31 December 2019. The differences are explained below:

	2019	2018
	£'000	£'000
Profit before taxation	6,852	12,545
Profit multiplied by standard rate of corporation tax in the UK of 2019 19% (2018 19%)	1,302	2,384
Effects of:		
Expenses not deductible for tax purposes	20	4
Income not chargeable to tax	-	(86)
R&D Tax Credits	(439)	(544)
Adjustments in respect of prior years – current tax	35	(149)
Adjustments in respect of prior years – deferred tax	-	(127)
Total tax charge	918	1,482

Factors affecting and future tax charges

The standard rate of corporation tax in the UK reduced from 20% to 19% with effect from 1 April 2018. Accordingly, the Company's profits for the accounting year are taxed at a rate of 19% (2018: 19%). A further reduction in the standard rate of corporation tax to 17% from 1 April 2020 was substantively enacted on 6 September 2018. Accordingly, deferred taxation has been calculated at 17% (2018: 17%).

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Deferred tax

An analysis of deferred tax is set out below:

	2019	2018
	£'000	£'000
Brought forward balance	194	24
Income statement	50	170
Accelerated capital allowances	244	194

10 Intangible assets

	Software	Total
	£'000	£'000
Cost		
At 1 January 2019	651	651
Additions	21	21
Transfers	121	121
Disposals	(270)	(270)
At 31 December 2019	523	523
Accumulated amortisation		
At 1 January 2019	(597)	(597)
Amortisation	(53)	(53)
Disposals	270	270
At 31 December 2019	(380)	(380)
Net book amount		
As at 31 December 2018	54	54
At 31 December 2019	143	143

Intangible assets amortisation is recorded in cost of sales and expenses in the income statement as appropriate.

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Tangible assets

	Freehold land and buildings £'000	Plant, equipment and motor vehicles £'000	Assets in course of construction £'000	Total £'000
Cost				
At 1 January 2019	14,342	22,716	1,603	38,661
Additions	592	2,098	2,452	5,142
Transfers	46	1,008	(1,175)	(121)
Disposals	(256)	(1,993)	-	(2,249)
At 31 December 2019	14,724	23,829	2,880	41,433
Accumulated depreciation				
At 1 January 2019	(5,947)	(16,143)	-	(22,090)
Charge for the year	(645)	(2,276)	-	(2,921)
Disposals	206	1,850	-	2,056
At 31 December 2019	(6,386)	(16,569)	-	(22,955)
Net book amount				
At 31 December 2019	8,338	7,260	2,880	18,478
At 31 December 2018	8,395	6,573	1,603	16,571

Leased plant and machinery

At 31 December 2019 the net carrying amount of leased plant and machinery was £149,000 (2018: £129,000).

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Right-of-use assets

	2019 Land and buildings £'000	2019 Other & vehicles £'000	2019 Total £'000
Restated opening balances	484	638	1,122
Acquisitions	256	603	859
Disposals	(20)	(24)	(44)
Depreciation	(171)	(367)	(538)
Total	549	850	1,399

13 Inventories

	31 December 2019 £'000	31 December 2018 £'000
Raw materials	8,182	6,092
Work in progress	2,144	4,099
Finished goods and goods for resale	9,585	7,509
	19,911	17,700

The total cost of Inventories recognised as an expense and included in "Cost of Sales" amounted to £58,808,000 (2018: £54,941,000).

The carrying amount of inventories is stated after provision for impairment of £1,648,000 (2018: £1,434,000). The amount of write-down in the year was £1,008,000 (2018: £586,000) and reversals of write-downs in the year were £692,000 (2018: £26,000)

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Debtors

	31 December 2019	31 December 2018
	£'000	£'000
Trade debtors	6,751	7,109
Amounts owed by group undertakings	19,661	17,055
Corporation tax	1,044	4
VAT & other taxation	789	502
Deferred taxation (note 9)	244	194
Other debtors	455	292
Prepayments	336	458
	29,280	25,614

Amounts owed by group undertakings in respect of trading balances are interest-free if paid within agreed terms, whilst all other balances owed by group undertakings incur interest charges on an arm's length basis. All balances are unsecured and repayable on demand.

Receivables are stated after provision for impairment of £138,000 (2018: £0).

15 Creditors: amounts falling due within one year

	31 December 2019	31 December 2018
	£'000	£'000
Trade creditors	6,736	6,592
Amounts owed to group undertakings	20,542	8,513
Corporation tax	-	377
Deferred income	1,163	1,178
Other creditors	321	548
Accruals	5,115	3,568
	33,877	20,776

Amounts owed to group undertakings in respect of trading balances are interest free if paid within agreed terms, whilst all other balances owed to group undertakings incur interest charges on an arm's length basis. All balances are unsecured and repayable on demand.

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Lease liabilities

	31 December 2019	31 December 2018
	£'000	£'000
Current liability	598	-
Non current liability	821	-
	1,419	-

The ageing is broken down as follows:

Liability <1 year	598	-
Liability >1 – 2 years	452	-
Liability <2 – 5 years	369	-
	1,419	-

17 Called up share capital

	31 December 2019	31 December 2018
	£'000	£'000
Authorised		
15,714,000 (2018: 15,714,000) ordinary shares of £1 each	15,714	15,714
Allotted and fully paid		
7,589,000 (2018: 7,589,000) ordinary shares of £1 each	7,589	7,589

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

18 Operating lease liabilities

As at 31 December, the company had future obligations under non-cancellable operating leases as follows:

	31 December 2019			31 December 2018		
	Vehicles and equipment	Land and buildings	Total	Vehicles and equipment	Land and buildings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	-	-	-	344	149	493
Within two to five years	-	-	-	353	348	701
Total	-	-	-	841	668	1,509

19 Capital commitments

	31 December 2019	31 December 2018
	£'000	£'000
Capital expenditure authorised and contracted for	1,874	1,623

20 Pension commitments

The pension cost charge for 2019 represents contributions payable by the company to the group personal pension plan during the year and amounts to £1,169,000 (2018: £1,002,000). Contributions were made in accordance to the rules of the scheme and all contributions due were paid in the year.

21 Contingent liabilities

As at 31 December 2019 there were outstanding bank guarantees in place that amounted to £1,775,000 (2018: £1,575,000).

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

22 Related party transactions

The company has taken advantage of the exemptions available under paragraph 8(k) of FRS101 "Related party disclosures" and has not disclosed transactions between group companies. This is on the grounds that it is a wholly-owned subsidiary of a group headed by Drägerwerk AG & Co KGaA whose financial statements are publicly available.

23 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Dräger Safety AG & Co KGaA. The ultimate parent undertaking and controlling party is Drägerwerk AG & Co KGaA, incorporated in Germany.

Drägerwerk AG & Co KGaA is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Drägerwerk AG & Co KGaA are available from Drägerwerk AG & Co KGaA, Moislinger Allee 53/55, 23541 Lubeck, Germany.

Dräger Safety AG & Co KGaA is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statement of Dräger Safety AG & Co KGaA can be obtained from Drägerwerk AG & Co KGaA, Moislinger Allee 53/55, 23541 Lubeck, Germany.