

Draeger Safety UK Ltd
Annual report and financial statements
for the year ended 31 December 2017

Registered number 777464



Draeger Safety UK Ltd

Annual report and financial statements for the year ended 31 December 2017

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Draeger Safety UK Ltd

Strategic report for the year ended 31 December 2017

The director presents his Strategic Report on the company for the year ended 31 December 2017.

Results and dividends

The company results show revenue for the year of £99.3m (2016: £88.1m) and profit for the financial year of £8.6m (2016: £9.1m).

An interim dividend of £1.20 (2016: £0.73) per £1 ordinary share amounting to £9.1m (2016: £5.5m) was paid on 21 June 2017. No final dividend was paid or recommended (2016: nil).

Business environment

Trading conditions in UK and worldwide have remained uncertain and the group 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 2017, the diverse Draeger product portfolio and customer base has enabled the company to maintain and develop its position in the market. CABA 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

The global economic climate remains extremely uncertain and the effects of government austerity measures in many countries are continuing to act as a drag on markets in the developed world. The company is assessing the potential impact of the UK's decision to leave the EU and will implement any resulting changes to its business model in good time during 2018 in order to avoid any adverse impact on customers. We continue to monitor the trends in the UK and global markets and to adapt the organisation in order to meet our future targets.

Strategy

The Draeger Group'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 group'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 group 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.

Draeger Safety UK Limited

Strategic report for the year ended 31 December 2017 (*continued*)

Strategy (*continued*)

Research, development and innovation

The group 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.

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.

Key performance indicators (KPIs)

KPI	Definition & method of calculation	2017	2016
Change in turnover	Year on year turnover growth expressed as a percentage	12.7%	(6.4%)
Operating profit to turnover	EBIT in year expressed as a percentage of turnover	10.1%	11.2%
Return on capital employed	EBIT as a percentage of net assets	29.2%	28.3%
Employee turnover	Number of employees in the year leaving to seek alternative employment expressed as a percentage of the average workforce in the year.	12.6%	13.0%

Principal risks and uncertainties

Competition

The group 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 regular customer satisfaction surveys, maintain close relationships with customers and seek their input to new products.

Supply chain and cost competitiveness

The company and the group rely on a healthy and robust supply chain in order to meet growing market demands. 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 group to reliance on these key suppliers. The group 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 2017 (*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 the worldwide economy strives to reduce fiscal deficits, at least in developed economies, the likelihood of government austerity measures is recognised. Business intelligence is the key to planning for these market swings and potential impacts.

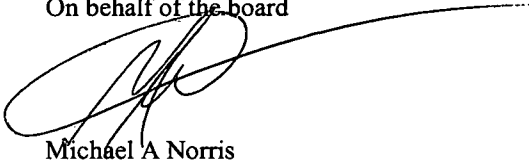
Brexit

Management is undertaking a review of the potential impacts of the decision by the United Kingdom to exit from the European Union in March 2019. In particular the company will adjust its supply chain as necessary to ensure that where it has commitments to deliver goods on specific or limited timescales, this can be achieved without delays or additional costs.

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.

On behalf of the board



Michael A Norris

Director

28 February 2018

Draeger Safety UK Limited

Director's report for the year ended 31 December 2017

The Director presents his report and the audited financial statements of the company for the year ended 31 December 2017.

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.
- After sales service and support.

Directors

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

Mr MA Morris

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.

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.

Draeger Safety UK Limited

Director's report for the year ended 31 December 2017 (*continued*)

Employment of disabled persons (*continued*)

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 group 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 group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its.

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 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 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 them 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.

Disclosure of information to auditors

In the case of each of the persons who are directors 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.

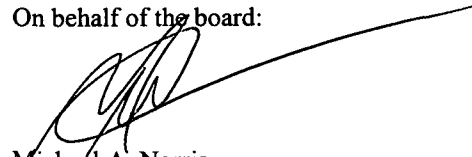
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Director's report for the year ended 31 December 2017 (*continued*)

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.

On behalf of the board:



Michael A. Norris

Director

28 February 2018

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

Report on the audit of the financial statements

Opinion

In our opinion, Draeger Safety UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 2017; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; the 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 when:

- 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.

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.

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 directors are 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 or, 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.

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

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 2017 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 directors for the financial statements

As explained more fully in the Statement of Director's Responsibilities set out on page 7, the directors are 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 directors are 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 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.

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 directors' 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.



Richard Lingwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
28 February 2018

Draeger Safety UK Limited

Income statement for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	1	99,308	88,088
Cost of sales		(68,938)	(60,037)
Gross profit		30,370	28,051
Distribution costs		(10,204)	(10,619)
Administrative and R&D expenses		(10,092)	(7,534)
Operating profit	2	10,074	9,898
Finance income	3	32	14
Finance expense	4	-	-
Profit on ordinary activities before taxation		10,106	9,912
Tax on profit on ordinary activities	8	(1,504)	(829)
Profit for the financial year	16	8,602	9,083

All operations of the company are continuing.

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Statement of comprehensive income for the year ended 31 December 2017

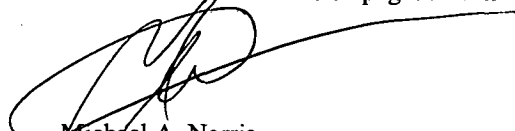
	Note	2017 £'000	2016 £'000
Profit for the year	16	8,602	9,083
Other comprehensive income for the year		-	-
Total comprehensive income for the year	17	8,602	9,083

Draeger Safety UK Limited

Statement of financial position as at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Fixed assets			
Intangible assets	9	82	97
Tangible assets	10	15,423	13,177
		15,505	13,274
Current assets			
Inventory	11	15,644	12,171
Debtors	12	21,162	18,212
Cash at bank and in hand		285	1,685
		37,091	32,068
Creditors: amounts falling due within one year	13	(18,089)	(9,794)
Net current assets		19,002	22,274
Total assets less current liabilities		34,507	35,548
Provisions for liabilities	14	-	(560)
Net assets		34,507	34,988
Capital and reserves			
Ordinary shares	15	7,589	7,589
Retained Earnings	16	26,918	27,399
Total shareholders' funds	17	34,507	34,988

The financial statements on pages 9 to 29 were approved by the Director and signed on 28 February 2018:


Michael A. Norris
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 2017

	Note	Called-up Share Capital £'000	Retained Earnings £'000	Total Shareholders' Funds £'000
Balance as at 1 January 2016		7,589	23,856	31,445
Profit for the financial year	16	-	9,083	9,083
Total comprehensive income for the year	17	-	9,083	9,083
Dividends	7	-	(5,540)	(5,540)
Balance as at 31 December 2016		7,589	27,399	34,988
Balance as at 1 January 2017		7,589	27,399	34,988
Profit for the financial year	16	-	8,602	8,602
Total comprehensive income for the year	17	-	8,602	8,602
Dividends	7	-	(9,083)	(9,083)
Balance as at 31 December 2017		7,589	26,918	34,507

Draeger Safety UK Limited

Statement of accounting policies

General information

The company is a private company and is incorporated and domiciled in England. 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.

Draeger Safety UK Limited

Statement of accounting policies (continued)

Basis of preparation (continued)

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

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.

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

Draeger Safety UK Limited

Statement of accounting policies (continued)

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.

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.

Leases

Operating lease rentals are charged as an expense in the income statement on a straight line basis in the period in which they are incurred.

Assets held for use as operating leases to third parties are included within fixed assets at cost. Cost comprises raw materials, labour and overhead at standard rates. They are depreciated over their useful economic life. Lease charges made in respect of these assets are taken to the income statement as turnover in the year to which they relate.

Pensions

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

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.

Draeger Safety UK Limited

Statement of accounting policies (continued)

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 10 for the carrying amount of the property plant and equipment, and above for the useful economic lives for each class of assets.

(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 11 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 12 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 2017

1 Revenue

Analysis of revenue by destination:

	2017	2016
	£'000	£'000
United Kingdom	29,032	23,375
Rest of Europe	58,432	53,502
Rest of World	11,844	11,211
	99,308	88,088

Analysis of revenue by business segment:

	2017	2016
	£'000	£'000
Sales to third parties	36,922	31,629
Sales to Draeger affiliates	62,386	56,459
	99,308	88,088

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

2 Operating profit

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

	2017	2016
	£'000	£'000
Operating lease expenses	663	712
Foreign exchange losses/(gains)	179	(117)
Depreciation of tangible fixed assets	2,510	2,319
Amortisation of intangible fixed assets	54	127
Research and development costs	6,576	5,147
Auditors' remuneration		
Audit	42	41
Taxation compliance services	-	23

3 Finance income

	2017	2016
	£'000	£'000
Interest receivable from Group undertakings	32	12
Interest receivable other	-	2
	32	14

4 Finance expense

	2017	2016
	£'000	£'000
Interest payable to Group undertakings	-	-
Interest payable other	-	-
	-	-

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Notes to the financial statements for the year ended 31 December 2017 (continued)

5 Staff costs

	2017	2016
	£'000	£'000
Wages and salaries	16,719	16,511
Social security costs	1,648	1,627
Other pension costs (note 20)	802	754
	19,169	18,892

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

	2017	2016
	Number	Number
Office and management	48	47
Selling, distribution and servicing	177	177
Manufacturing	173	175
Research and development	65	62
	463	461

6 Director's emoluments

	2017	2016
	£'000	£'000
Director		
Aggregate emoluments	185	193
Company contributions paid to money purchase schemes	23	23
	208	216

Aggregate emoluments for the year relate to remuneration for one executive director (2016: one).

One director (2016: one) has benefits accruing under money purchase pension schemes.

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Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Dividends

	2017	2016
	£'000	£'000
Interim dividend paid: £1.20 (2016: £0.73) per £1 ordinary share	9,083	5,540
Final dividend paid: £0.00 (2016: £0.00) per £1 ordinary share	-	-
	9,083	5,540

8 Tax on profit on ordinary activities

	2017	2016
	£'000	£'000
Current tax		
UK corporation tax on profits of the year	1,705	1,407
Adjustments in respect of prior years	383	(480)
Total current tax	2,088	927
Deferred tax		
Origination and reversal of timing differences	(31)	(98)
Adjustments in respect of prior years	(553)	-
Total deferred tax (notes 12 & 14)	(584)	(98)
Tax on profit on ordinary activities	1,504	829

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting current tax charges

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax (19.25%) (2016 20%) in the UK for the year ended 31 December 2017. The differences are explained below:

	2017	2016
	£'000	£'000
Profit on ordinary activities before taxation	10,106	9,912
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 2017 19.25% (2016 20%)	1,945	1,982
Effects of:		
Expenses not deductible for tax purposes	90	7
Remeasurement of deferred tax – change in UK tax rate	-	(98)
Innovation reliefs	(361)	(582)
Adjustments in respect of prior years – current tax	383	(480)
Adjustments in respect of prior years – deferred tax	(553)	-
Total tax charge	1,504	829

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 2017. Accordingly, the Company's profits for the accounting period are taxed at an effective rate of 19.25%. Reductions in the standard rate of corporation tax to 17% from 1 April 2020 was substantively enacted on 6 September 2017. Accordingly, deferred taxation has been calculated at 17% (2016: 17%).

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Notes to the financial statements for the year ended 31 December 2017 (continued)

9 Intangible assets

At 31 December 2017

	Total £'000
Cost	
At 1 January 2017	604
Additions	36
Transfers	3
Disposals	-
At 31 December 2017	643
Accumulated amortisation and impairment	
At 1 January 2017	507
Amortisation	54
Amortisation on Disposals	-
At 31 December 2017	561
Net book amount	
At 31 December 2017	82
At 31 December 2016	97

Intangible assets comprise purchased software. Intangible assets amortisation is recorded in administrative expenses in the income statement.

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Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Tangible assets

At 31 December 2017

	Freehold land and buildings £'000	Plant, equipment and motor vehicles £'000	Assets in course of construction £'000	Total £'000
Cost				
At 1 January 2017	11,181	18,597	1,383	31,161
Additions	1,945	1,745	1,072	4,762
Transfers	913	342	(1,258)	(3)
Disposals	(153)	(205)	-	(358)
At 31 December 2017	13,886	20,479	1,197	35,562
Accumulated depreciation				
At 1 January 2017	5,154	12,830	-	17,984
Charge for the year	587	1,923	-	2,510
Disposals	(153)	(202)	-	(355)
At 31 December 2017	5,588	14,551	-	20,139
Net book amount				
At 31 December 2017	8,298	5,928	1,197	15,423
At 31 December 2016	6,027	5,767	1,383	13,177

Leased plant and machinery

At 31 December 2017 the net carrying amount of leased plant and machinery was £50,000 (2016: £40,000).

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Notes to the financial statements for the year ended 31 December 2017 (continued)

11 Inventory

	31 December 2017	31 December 2016
	£'000	£'000
Raw materials	6,105	3,940
Work in progress	3,902	2,647
Finished goods and goods for resale	5,637	5,584
	15,644	12,171

Inventories are stated after provision for impairment of £1,378,000 (2016: £1,348,000)

12 Debtors

	31 December 2017	31 December 2016
	£'000	£'000
Trade debtors	10,216	7,087
Amounts owed by group undertakings	10,086	10,090
Corporation tax	-	531
VAT & other taxation	336	166
Deferred taxation	24	-
Other debtors	63	80
Prepayments	437	258
	21,162	18,212

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 £0 (2016: £0)

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Notes to the financial statements for the year ended 31 December 2017 (continued)

13 Creditors: amounts falling due within one year

	31 December 2017 £'000	31 December 2016 £'000
Trade creditors	6,249	3,844
Amounts owed to group undertakings	5,705	2,438
Corporation tax	1,365	-
Deferred income	1,002	700
Other creditors	126	152
Accruals	3,642	2,660
	18,089	9,794

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.

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Notes to the financial statements for the year ended 31 December 2017 (continued)

14 Provisions for liabilities

	Deferred tax provision £'000	Total £'000
At 1 January 2017	560	560
(Credited) to profit and loss account	(560)	(560)
At 31 December 2017	-	-

	31 December 2017 £'000	31 December 2016 £'000
Deferred tax comprises:		
Excess of capital allowances over depreciation	-	560
	-	560

15 Called up share capital

	31 December 2017 £'000	31 December 2016 £'000
Authorised		
15,714,000 (2016: 15,714,000) ordinary shares of £1 each	15,714	15,714
Allotted and fully paid		
7,589,000 (2016: 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 2017 (continued)

16 Retained Earnings

	£'000
At 1 January 2016	23,856
Profit for the financial year	9,083
Dividends (note 7)	(5,540)
At 31 December 2016	27,399

	£'000
At 1 January 2017	27,399
Profit for the financial year	8,602
Dividends (note 7)	(9,083)
At 31 December 2017	26,918

17 Reconciliation of movements in shareholders' funds

	31 December 2017 £'000	31 December 2016 £'000
Profit for the financial year and total comprehensive income for the financial year	8,602	9,083
Dividends (note 7)	(9,083)	(5,540)
Net (reduction)/increase in shareholders' funds	(481)	3,543
Opening shareholders' funds	34,988	31,445
Closing shareholders' funds	34,507	34,988

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

18 Commitments under operating leases

As at 31 December 2017, the company had future obligations under non-cancellable operating leases as follows:

	31 December 2017			31 December 2016		
	Vehicles and equipment	Land and buildings	Total	Vehicles and equipment	Land and buildings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	407	167	574	351	163	514
Within two to five years	434	487	921	369	569	938
After five years	-	14	14	-	96	96
	841	668	1,509	720	828	1,548

19 Capital commitments

	31 December 2017	31 December 2016
	£'000	£'000
Capital expenditure authorised and contracted for	1,594	2,392

20 Pension commitments

The pension cost charge for 2017 represents contributions payable by the company to the group personal pension plan during the year and amounts to £802,000 (2016: £754,000). 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 2017 there were outstanding bank guarantees in place that amounted to £1,515,000 (2016: £1,930,000).

Draeger Safety UK Limited

Notes to the financial statements for the year ended 31 December 2017 (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 2017. 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.