Company Registration No. 902205 (England and Wales)

HUBER+SUHNER (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

HUBER+SUHNER (UK) LIMITED

COMPANY INFORMATION

Directors	U Ryffel I Wechsler D Nixon
Secretary	Mr L Kolbjerg
Company number	902205
Registered office	Telford Road Bicester Oxfordshire OX26 4LA
Independent Auditors	Ernst & Young LLP 300 Capability Green Luton LU1 3LU

HUBER+SUHNER (UK) LIMITED

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HUBER+SUHNER (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Review of the business

The company's principal activity continues to be that of importing, manufacturing and selling electrical and optical connectivity components and cables and accessories related to the three key markets of Transportation, Communications and Industrial. This is coupled with an increasing level of "Value Add" and systems solutions to effectively differentiate the company from the traditional competitors in the UK market.

The HUBER+SUHNER Northern Europe Region consists of the UK, Sweden, Denmark, Norway, Finland and the Baltics. The centre of this region is HUBER+SUHNER (UK) where all of the central functions such as Finance, HR, IT and the majority of the front office are based with branch offices of HUBER+SUHNER (UK) in Sweden and Denmark. Norway, Finland and the Baltics continue to be serviced by third party distributors but are managed directly out of the UK.

The turnover for 2018 was up 10.1% relative to the prior year and gross margins increased to 22.8% (2017:18.5%).

The percentage of sales from Global Key Accounts and other large customers that trade in high volume but lower than average margin decreased slightly year on year, however margin more than doubled. This resulted in £1.5m increase in gross profit for these customers. To reduce the currency impact on purchases, the business continues a natural hedging policy with purchases made from its Parent Company in Switzerland, with the majority of purchases made in the same currency as the customer invoice currency, which mitigates some of the local currency risk. The balance of any net currency cash flows were covered with forward contracts.

Third Party sales increased by 10.1% to £62,463,000 in 2018 (2017: £56,736,000) and inter-group sales increased to £168,000 in 2018 (2017: £139,000). Turnover in 2018 made by the Denmark branch was £8,398,000 (2017: £7,499,000) and by Sweden was £22,250,000 (2017: £19,150,000).

The company generated profit before tax of 9.9% (2017: 4.8%).

Strategy

The company is a part of the HUBER+SUHNER Group whose main objectives are to focus on the 3 x 3 strategy of supplying our 3 core technologies - Fibre Optics, Cable and Radio Frequency into our 3 key markets of Communication, Transportation and Industrial and to introduce new innovative products and solutions that assist growth in those markets and in our core technologies.

In the UK the company supports the group strategy by operating in the same markets and introducing, promoting and selling the new products and services in the country. The UK has continued to successfully position itself to offer greater total solution packages to all strategic markets thereby differentiating itself from traditional component competitors.

Future outlook

Conditions in the UK market are expected to continue to be uncertain in 2019 due in large part to Brexit. Despite this, the expectation is that there will be similar organic growth to last year, in the region of 5-10%. This is mainly driven by growth in the Railway, Automotive and Data Centre markets, offsetting weakness in General Industrial and Energy markets. Aerospace and Defence continues to be a key focus for the business.

In 2019, Brexit and US foreign policy may lead to further currency fluctuations. The company will continue to look for natural hedging opportunities with our Parent Company to manage the local risk, however the mix of sales in non GBP currencies means the company is well positioned to absorb future impact to P&L. Overall the UK economy is showing resilience, however uncertainty in key areas such as post-Brexit trading may put pressure on sales revenue, margins and customer spend in 2019.

HUBER+SUHNER (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Principal Risks and Uncertainties

The key business risks and uncertainties affecting the company relate to the UK economic situation as well as changes in product technology and the fluctuation in the key exchange rates versus Sterling. The government awards of major new rolling stock contracts to offshore suppliers has had an effect on our longer term position in the Transportation market and although UK infrastructure spend is planned, it is sometime in the future. This is also true in the key Aerospace and Defence market where the awarding of projects can take a number of years.

The large Global Key Accounts where there are lower than average margins are also a key business risk. It has been observed that, due to their global nature, these customers may choose to place their business in other regions creating risk to turnover. Conversely, due to the low margins seen with these customers, any large increases in turnover from these same customers are a risk to margin.

Financial Risk Management Policy

In the ordinary course of business, the company is exposed to a variety of financial risks that include price risk, credit risk, exchange rate risk and liquidity risk. Company management monitors these risks regularly and makes every effort to minimise negative influences on the company's financial results.

Price risk

The company monitors the market prices and takes action to adjust prices where there are movements in commodity prices. Large material purchases are selectively hedged by the parent company at a group level.

Credit risk

The credit risk for sales debtors from trading is limited by the market spread of customers. In addition, this risk is reduced by regular checks of creditworthiness, withdrawing credit for slow payers and requesting cash with order for higher risk customers.

Exchange rate risk

The company is exposed directly to five currencies, the Euro, CHF, US Dollar and the Danish and Swedish Krone for both sales and purchases. The risk is minimised by including currency fluctuation clauses in standard terms and conditions. In addition to local hedging, the parent company uses foreign exchange forward contracts and options to control foreign currency risks at a group level.

Liquidity risk

Where necessary the company negotiates local facilities with UK financial institutions. In addition, the group will give liquidity support if required. However, improved sales at higher margin coupled with good cash collection resulted in vastly improved liquidity.

Key Performance Indicators

Key Performance Indicators are in place covering number of areas from efficiency and productivity to quote conversion, sales, orders and profit. KPI's are a fundamental part of the corporations' Global Management System (GMS).

On behalf of the board

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I Wechsler
Director
7 June 2019

HUBER+SUHNER (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic Report, Directors' Report and financial statements for the year ended 31 December 2018.

Results and dividends
The results for the year ending 31 December 2018 has been positive with year on year increase in turnover and profit before tax. The turnover increased by 10.1% to £62,631,000 (2017: 56,875,000).

The profit of the financial year amounted to £5,080,000 (2017: £2,295,000). During the year £750,000 of dividend was declared and paid (2017: nil).

Future Developments

Overall the UK economy is showing resilience, however uncertainty in key areas such as post-Brexit trading may put pressure on sales revenue, margins and customer spend in 2019.

Post Balance Sheet Events

There are no post balance sheet events to report for the year ending 31 December 2018.

Branches outside of the UK

The company fully owns and controls two branches in Denmark and Sweden and has done since 2014. The branch turnover increased by 12% to £8,398,000 (2017: £7,499,000) and increased by 16% to £22,250,000 (2017: £19,150,000) in Denmark and Sweden respectively.

Directors
The directors, who served throughout the year were as follows:

U Ryffel
I Wechsler
D Nixon

Directors' indemnities
The parent company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Going concern
The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors
Each director in office at the date of approval of this annual report confirms that:

- so 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 / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

Ernst & Young Ltd. have been appointed as the new auditors under section 485 of the Companies Independent Act 2006.

On behalf of the board

I Wechsler
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I Wechsler
Director
7 June 2019

HUBER+SUHNER (UK) LIMITED

Independent auditors' report to the members of Huber+Suhner (UK) Limited

FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Huber+Suhner (UK) Limited for the year ended 31 December 2018, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

HUBER+SUHNER (UK) LIMITED

Independent auditors' report to the members of Huber+Suhner (UK) Limited

FOR THE YEAR ENDED 31 DECEMBER 2018

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 7), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

HUBER+SUHNER (UK) LIMITED

Independent auditors' report to the members of Huber+Suhner (UK) Limited

FOR THE YEAR ENDED 31 DECEMBER 2018

Ernst & Young LLP

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Joanne Mason (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

10 June 2019

HUBER+SUHNER (UK) LIMITED

INCOME STATEMENT

AS AT 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	62,631	56,875
Cost of sales		(48,354)	(46,338)
Gross profit		14,277	10,573
Distribution costs		(853)	(959)
Administrative expenses		(7,266)	(7,138)
Other operating income		20	366
Operating profit/(loss)	3	6,178	2,806
Interest receivable and similar income	6	4	-
Interest payable and similar expenses	7	(3)	(54)
Profit before taxation		6,179	2,752
Tax on profit	8	(1,099)	(457)
Profit for the financial year	19	5,080	2,295

The income statement has been prepared on the basis that all operations are continuing operations. There were no other comprehensive income for 2018 other than those disclosed in the income statement.

HUBER+SUHNER (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Profit for the financial year	**19**	5,080	2,295
Other comprehensive income		-	-
Total comprehensive income for the year		5,080	2,295

HUBER+SUHNER (UK) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Property, plant and equipment	**9**	1,936	1,808
Debtors: amounts falling due more than one year			
Loan	**13**	1,500	-
Current assets			
Inventories	**10**	1,378	1,762
Deferred tax asset	**11**	-	200
Trade and other receivables	**12**	13,580	11,364
Cash at bank and in hand		1,903	810
		16,861	14,136
Creditors: amounts falling due within one year			
Creditors amounts falling due within one year	**14**	(10,052)	(8,880)
		(10,052)	(8,880)
Net current assets		6,809	5,256
Total assets less current liabilities		10,245	7,064
Creditors: amounts falling due after more than one year			
Borrowings	**15**	-	(1,050)
Provisions for liabilities			
Deferred tax liabilities	**11**	(83)	(182)
Net assets		10,162	5,832
Capital and reserves			
Called up share capital	**18**	4,000	4,000
Profit and loss account	**19**	6,162	1,832
Total shareholders' funds		10,162	5,832

The financial statements were approved by the Board of directors and authorized for issue on ....
Signed on its behalf by:

I. Wechsler
....
I Wechsler
Director

Company Registration No. 902205

HUBER+SUHNER (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total Share-holders' funds
	£'000	**£'000**	**£'000**
Balance at 1 January 2017	4,000	(463)	3,537
Profit for the financial year	-	2,295	2,295
Total comprehensive income for the year	-	2,295	2,295
Dividends	-	-	-
Balance at 31 December 2017	4,000	1,832	5,832
Profit for the financial year	-	5,080	5,080
Total comprehensive income for the year	-	5,080	5,080
Dividends		(750)	(750)
Balance at 31 December 2018	**4,000**	**6,162**	**10,162**

1 Accounting policies

1.1 Basis of preparations

The company's financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and the Companies Act 2006 and on a going concern basis.
The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group financial statements of Huber + Suhner AG. The group financial statements of Huber + Suhner AG are available to the public and can be obtained as set out in note 21.

The financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment in which the entity trades in.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 have had a material impact on the company.

1.4 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The adoption of IFRS 9 had no impact on the primary financial statements.

1.5 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption. The Company did not apply any of the available optional practical expedients.

The adoption of IFRS 15 had no impact on the primary financial statements for any years presented within the financial statements.

1.6 Turnover

Turnover, which is stated at net of value added tax, represents the invoiced value of goods and services supplied. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer which is usually on despatch of goods and on completion of services.
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1 Accounting policies (continued)

1.6 Turnover (continued)

(a) Sales of goods

The company manufactures and sells electronic cables and components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with the standard credit term of 30 days, which is consistent with market practice. Certain global key accounts have longer payment terms to the standard as agreed globally by the parent company. The company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 14.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales of services

The company provides services of design, project management, testing as well as installation by sub-contractors. Revenue from providing services is recognised in the accounting period in which the services are rendered. The transaction price is determined by fixed day rates and are charged to the customer based upon the number of days taken to complete the performance obligation.

A receivable is recognised when the services have been rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(c) Long term contracts

Turnover and a prudent estimate of the profit attributable to work completed on long term contracts is recognised once the outcome of the contract can be recognised with reasonable certainty which is normally based on the issue of test results certificate to the customer. The costs on long term contracts not yet taken to the profit and loss account less related foreseeable losses are shown in stocks as long term contract balances under work in progress. Long term contract costs incurred but yet to be received are shown in accruals. Foreseeable losses are recognised in full, and to the extent they exceed costs incurred to date are included within provisions.

A receivable is recognised when the final performance obligations has taken place, which normally is at the point when the final test results have been accepted by the customer. It is at this point that all performance obligations relating to the project including the sale of goods and services rendered are billed for and revenue is recognised.

1 Accounting policies (continued)

1.6 Turnover (continued)

Significant judgements in the application of IFRS 15

There were no significant judgements made in applying this standard that significantly affect the determination of the amount and timing of revenue from contracts with customers.

Determining the timing of satisfaction of performance obligations

The timing of satisfaction of performance obligations is as follows:

- For goods, it is at the point of delivery where the control is passed to the customer from the supplier.
- For services, it is at the point the services are fully rendered to the customer
- For projects, it is as the point the final performance obligation per the agreement has been satisfied. The final performance obligation is upon the completion of testing on the products supplied and installed, and the customer is satisfied.

Determining the transaction price and the amounts allocated to performance obligations

The transaction price is determined by internal price lists for both goods and services, and allocated to each performance obligation by the system automatically.

Global key accounts will have different agreed price list and are also allocated to the performance obligation by the system automatically.

Any variable consideration, such as for services, will be determined based on the number of service days provided. The prices are fixed by day rate and could be variable depended upon actual time worked. The prices, once determined, will be allocated to the service performed by the system.

All services provided by third party subcontractors are fixed at day rate and multiplied by the number of days service provided, and allocated to the relevant performance obligations on the system.

The company does not provide any obligations for returns or refunds to customers when goods and services are sold. Goods are sold with a standard warranty term of one year where the customer has the right to return the goods if faulty. There are no provision recognised for warranties as the obligations are not considered probable due to historical performance and data, and the economic benefits cannot be reliably estimated.

1.7 Property, plant and equipment

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land & buildings	2.5%
Plant and machinery	10-20%
Motor vehicles	25%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Impairment of tangible assets

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Inventory provisioning

The company designs, manufactures and sells electronic components and cables and is subject to changing consumer demands and technological changes. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. Inventory provision is recognised and reported in the profit and loss account. The provision is calculated by the system for each material in stock based on the consumption of over the last twelve months. Some system provision on materials will be overridden due to existing sales, and production demand, new materials brought in the last three months as well as by management decision due to known facts i.e. future demand. See note 10 for the net carrying amount of the inventory and associated provision

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Raw materials, consumables and goods for resale are valued on a purchase cost on first -in, first-out basis. Work in progress and finished goods are valued based on cost of direct materials and labour plus attributable overheads based on normal activities.

Net realisable value is the estimated selling price less all estimated costs of completion and disposal. Provision has been made, if necessary, for slow moving, obsolete and defective stock.

1.11 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

1.13 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Contract Assets

The contract assets relate to unbilled, work in progress and have substantially the same risk characteristics as the trade receivables that are not due. Most of the contract assets are billed in the same period the work is undertaken and therefore do not span across more than a few months. Therefore these contract assets are not adjusted for any expected credit losses.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The provision for the year has been calculated by applying a default % to various ageing receivable groups. The default % are based on the amounts defaulting within the next 12 months only. It is based on the likelihood of historically bad payers defaulting on their amounts due as well as current information about the individual balances.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.14 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1 Accounting policies (continued)

1.15 Equity instruments

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

1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.17 Employee benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Leases

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.19 Foreign exchange

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

2 Turnover

An analysis of the company's turnover is as follows:

	2018 £'000	2017 £'000
Radio frequency	19,683	18,004
Fibre Optics	20,038	19,346
Cable	22,910	19,525
	62,631	56,875

Geographical market

	2018 £'000	2017 £'000
United Kingdom	23,469	23,457
Switzerland	136	83
Denmark	7,197	6,681
Sweden	10,512	13,978
Ireland	153	210
Poland	1,107	816
Finland	2,684	1,854
Norway	4,105	3,972
Estonia	9,326	3,735
Bulgaria	126	66
Czech Republic	990	10
Germany	1,129	177
Spain	382	341
Iceland	206	259
Lithuania	405	350
Netherlands	331	369
Rest of World	373	517
	62,631	56,875

2.1 Assets and liabilities related to contracts with customers

The company has recognised the following assets and liabilities related to contracts with customers.

	31 Dec 2018	31 Dec 2017
Current contract asset relating to projects	67	22
Current contract liability relating to projects	9	9

Contract assets have increased slightly for the year 2018 as there were increased number of short-term projects towards the end of the year. The company has assessed the impact of IFRS 9 on allowance for contract assets, and no loss was recognised due to the ageing and history of project revenue receipts from customer.

3 Operating Profit

	2018 £'000	2017 £'000
Operating profit is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	27	45
Depreciation of property, plant and equipment	185	234
Loss on disposal of property, plant and equipment	-	5
Cost of inventories recognised as an expense	48,828	46,828
Staff costs	6,996	7,258
Operating lease charges	253	232
Inventory write down/impairment cost	255	364
Other operating income	(20)	(366)
Forex loss and gains on receivables and payables	(110)	(83)

Other operating income in 2017 of £366,000 includes the one-off receipt from the contractual sale of goods and services relating to the closure of the Derby manufacturing site.

4 Employees

The average monthly number of employees were:

	2018 Number	2017 Number
Manufacturing	18	34
Office and management	84	95
	102	129

Their aggregate remuneration comprised:

Employment costs	2018 £'000	2017 £'000
Wages and salaries	5,869	6,080
Social security costs	769	774
Other pension costs	358	404
	6,996	7,258

5 Directors' remuneration

There were no directors' emoluments paid during the year in respect of their services to the company, as these are borne by the parent undertaking (2017: £nil). These costs are not recharged to the company.

6 Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable and similar income		
Interest on bank deposits	-	-
Interest receivable from group undertakings	4	-

Total interest receivable and similar income for financial assets that are not held at fair value through profit or loss is £4,000 (2017: £nil).

7 Interest payable and similar expenses

	2018	2017
	£'000	£'000
Interest on financial liabilities measured at amortized cost:		
Interest payable to group undertakings	3	54
	3	54

8 Tax on profit

	Continuing operations	
	2018	2017
	£'000	£'000
Current tax		
Current year taxation	1,186	570
Adjustments in respect of prior periods	(188)	(53)
	998	517
Deferred tax		
Origination and reversal of temporary differences	18	
Adjustments in respect of prior periods	83	(60)
Total tax charged	**1,099**	**457**

8 Tax on profit (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018 £'000	2017 £'000
Profit before taxation	6,179	2,752
Expected tax charge based on a corporation tax rate of 19% (2017: 19.25%)	1,174	530
Expenses not deductible in determining taxable profit	14	25
Effect of overseas tax rates	18	15
Effect of changes in tax rates	(2)	-
Deferred tax adjustments	-	(60)
Tax adjustment relating to prior year	(105)	(53)
Tax charged for the year	1,099	457

Factors that may affect future tax charges

The Finance Act 2015, which was substantively enacted on 26 October 2015, included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

The March 2016 Budget Statement announced a further change to the UK corporation tax rate which will reduce the main rate of corporation tax to 17% from 1 April 2020, which was enacted in September 2016. The deferred tax has therefore been calculated at 17%.

Sweden corporation tax rate will reduce from 22% to 21.4% from 1 January 2019, and it is to be further reduced to 20.6% from 1 January 2021.

9 Property, plant and equipment

	Freehold land & buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Asset under construction £'000	Total £'000
Cost					
At 1 January 2018	2,833	664	17	-	3,514
Additions		29	-	284	313
Disposals	-	(342)	(17)	-	(359)
At 31 December 2018	2,833	351	-	284	3,468
Accumulated depreciation					
At 1 January 2018	(1,232)	(457)	(17)	-	(1,706)
Charge for the year	(83)	(102)	-	-	(185)
Eliminated on disposal		342	17	-	359
At 31 December 2018	(1,315)	(217)	-	-	(1,532)
Carrying amount					
At 31 December 2018	1,518	134	-	284	1,936
At 31 December 2017	1,601	207	-	-	1,808

Computer equipment is included within plant and machinery and are depreciated over 4 years.

10 Inventories

	2018 £'000	2017 £'000
Raw materials	220	313
Work in progress	69	26
Finished goods	1,089	1,423
Long term contract balances - work in progress	-	-
	1,378	1,762

Inventory written off in 2018 to the profit and loss account was £255,000 (2017: £364,000).

11 Deferred taxation

The following are the major deferred tax liabilities and assets recognized by the company and movements thereon during the current and prior financial year.

	Total £'000
Deferred tax liability at 1 January 2017	(274)
Deferred tax asset at 1 January 2017	232
Deferred tax movements in prior year	
Charge to the income statement	60
Credit to other comprehensive income	-
Deferred tax liability at 31 December 2017	(182)
Deferred tax asset at 31 December 2017	200
Deferred tax movements in current year	
Deferred tax asset prior year adjustment	-
Decrease in deferred tax asset - charge to the income statement	(200)
Decrease in deferred tax liability – charge to the income statement	99
Deferred tax liability adjustment on timing differences	-
Deferred tax assets prior year adjustment	-
Deferred tax liability at 31 December 2018	(83)
Deferred tax asset at 31 December 2018	-

Deferred tax asset consisted of carried forward losses from prior years related to HUBER+SUHNER (UK) Ltd. The amount was fully utilised against the taxable profit and reduced the income tax charged for the year.

Deferred tax liability is the accumulated value of capital allowance arising due to timing differences on non-current fixed asset.

All movements in deferred tax asset and liability in the balance sheet are reported in the profit and loss account.

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

The following is the analysis of the deferred tax balances:

	2018 £'000	2017 £'000
Deferred tax liabilities	(83)	(182)
Deferred tax assets	-	200
	(83)	18

12 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	12,367	10,843
	12,367	10,843

Trade receivables are stated after provisions for impairment of £55,000 (2017: £10,000)

Other receivables	27	8
Corporation tax recoverable	804	241
VAT recoverable	165	-
Amounts owed by group undertakings	52	42
Prepayments	165	230
	13,580	11,364

Bad debt provision

At 1 January 2018	10
Movement in income statement	45
At 31 December 2018	55

The bad debt provision has been calculated by applying an estimated default % to various receivables ageing due groups: 1-30 days, 31-60 days, 61-90 days and past 90 days. The default % are based on the amounts defaulting within the next 12 months only. This is based on the likelihood of historically bad payers defaulting on their amounts due as well as current information about the balances. The movement in the income statement in 2018 is primarily due to one customer for whom we have information regards to cash flow problems.

The % in each overdue categories from 1-90 days due have been reduced in comparison to last year, due to the debtors collection process having improved and being more controlled. The average overdues more than 30 days dropped to 0.9% in 2018 (2017: 1.2%).

13 Debtors: amount falling due after more than one year

	2018	2017
Total loans from group undertaking	1,500	-
	1,500	-

The loans with other group undertakings are unsecured and due for repayment by the 30 June 2020 and accrues interest at a LIBOR 6 months + 2% margin. The interest rate will be reviewed half yearly by the lender. Interest rate applied in 2018 was 2.83%.

14 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade payables	450	448
Amount due to parent undertaking	3,585	5,550
Amount due to group undertakings	1,540	412
Other payables	1,436	474
Social security and other taxation	1,326	857
Warranty provision	183	-
Accruals	1,532	1,139
	10,052	8,880

The amount due to parent undertaking comprises of intercompany payables with payment terms of 45 days nett.

15 Creditors: amount falling due after more than one year

	2018 £'000	2017 £'000
Total loans from parent undertaking	-	1,050

Loan payment outstanding to parent company of £1,050,000 was paid in full in the first quarter of 2018.

The company holds a bank guarantee with HMRC of £10,000 in respect of custom duty, excise and other taxes payable on the import of goods.

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018 £'000	2017 £'000
Current liabilities	-	-
Non-current liabilities	-	1,050
	-	1,050

16 Financial Instruments

An explanation of the Company's financial instrument risk management objectives, policies and strategies are set out in the Directors Report on page 5.

Foreign currency risk
The following table demonstrates the sensitivity to a reasonable possible change in the Sterling against the Swiss Franc, Euro, US dollar and Danish Krone exchange rates with all other variables held constant, of the Company's profit before tax (due to foreign exchange translation of monetary assets and liabilities and fair value movements on forward currency contracts) and the Company's equity (due to changes in the fair value of forward currency hedges).

	Change in rate	Effect on profit before tax	Effect on equity
2018			
CHF/GBP	5%	17	-
	-5%	(17)	-
EUR/GBP	5%	186	-
	-5%	(186)	-
USD/GBP	5%	62	-
	-5%	(62)	-
DKK/GBP	5%	19	-
	-5%	(19)	-

	Change in rate	Effect on profit before tax	Effect on equity
2017			
CHF/GBP	5%	12	-
	-5%	(12)	-
EUR/GBP	5%	139	-
	-5%	(139)	-
USD/GBP	5%	(19)	-
	-5%	19	-
DKK/GBP	5%	1	-
	-5%	(1)	-

Credit risk
There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

The Company has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

Liquidity risk

The tables below summarises the maturity profile of the Company's financial liabilities at 31 December 2018 and 2017 based on contractual undiscounted payments.

Year ended 31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative Financial Liabilities						
Trade payables	213	237	-	-	-	450
Amount due to parent undertaking	4	3,581	-	-	-	3,585
Amount due to group undertaking	-	1,540	-	-	-	1,540
Other payables	-	1,436	-	-	-	1,436
Social security and other taxation	-	140	1,186	-	-	1,326
Accruals	-	1,715	-	-	-	1,715

Year ended 31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative Financial Liabilities						
Trade payables	308	140	-	-	-	448
Amount due to parent undertaking	-	5,550	-	-	-	5,550
Amount due to group undertaking	-	412	-	-	-	412
Other payables	-	474	-	-	-	474
Social security and other taxation	-	123	734	-	-	857
Accruals	-	1,139	-	-	-	1,139

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

	Carrying Amount		**Fair Value**	
	2018	**2017**	**2018**	**2017**
Financial Assets				
Cash	1,903	810	1,903	810
Trade Receivables	12,367	10,843	*	*
Other Receivables	1,213	521	*	*
Loan notes	1,500	-	1,509	-
Financial Liabilities				
Trade Payables	5,575	6,410	*	*
Other Payables	4,477	2,470	*	*
Interest-bearing loan	-	1,050	-	1,053

**The carrying amount is a reasonable approximation of the fair value*

The fair value of loan notes, other financial assets and borrowings has been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.

The carrying value of short term receivables and payables are assumed to approximate their fair values where discounting is not material.

17 Retirement benefit schemes

Defined contribution schemes

The company operates a defined benefit contribution scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There are no accrued or prepaid pension costs at the year-end (2017: £nil).

The total costs charged to income in respect of defined contribution plans were £358,000 (2017: £404,000).

18 Called up share capital

	2018	2017
	£'000	£'000
Ordinary share capital		
Authorised Issued and fully paid		
4,000 (2017: 4,000) Ordinary shares of £1,000 each	4,000	4,000

19 Profit and loss account

	£'000
At 1 January 2017	(463)
Profit for the financial year	2,295
Dividends	-
At 31 December 2017	1,832
Profit for the financial year	5,080
Dividends	(750)
At 31 December 2018	6,162

Dividend of £750,000 was paid to the parent company on 19th December 2018

20 Operating leases commitments

Lease

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	58	78	76	67
Between two and five years	10	65	53	67
More than five years	-	-	-	-
	68	143	129	134

21 Related party transactions

The company have taken advantage of the exemption conferred by FRS101 which states that a qualifying entity is exempt from the IAS 24 requirement to disclose compensation to key management personnel and also exempt from disclosing transactions with entities wholly owned by the group.

22 Controlling party

The company is a wholly owned subsidiary of Huber + Suhner AG, a company incorporated in Switzerland and its results are included in the consolidated financial statements of Huber + Suhner AG, which can be obtained from Tumbelenstrasse 20, CH-8330 Pfaffikon ZH, Switzerland.

The largest and smallest group of undertakings for which group financial statements have been drawn up is that headed by Huber + Suhner AG.