Endress + Hauser Limited

Annual report and financial statements for the year ended 31 December 2018

Registered Number 942157

Endress + Hauser Limited

Annual report and financial statements

for the year ended 31 December 2018

Contents

Endress + Hauser Limited

Directors and advisers for the year ended 31 December 2018

Directors
Mr S Endress (Managing Director)
Mr R Stone
Mr C Horan

Company secretary and registered office
Mr J H Langford
Floats Road
Manchester
M23 9NF

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Bankers
Lloyds Bank Plc
223 Finney Lane
Heald Green
Cheadle
Cheshire
SK8 3PY

Registered Number 942157

Endress + Hauser Limited

Strategic report for the year ended 31 December 2018

The directors present their strategic report on the company for the year ended 31 December 2018.

Principal activities
The company's principal activities continue to be the design, manufacture, supply, installation and servicing of electronic process control systems and equipment.

Review of the business
The results for the year show a profit before taxation of £2,682,637 (2017: £2,167,415). Despite a year of economic uncertainty and political unrest we increased incoming orders by 3.9%., although net sales did not match this growth. Turnover has increased by 0.2% in 2018. Increased margins on flow, level and pressure products contributed to the increase in gross profit. The balance sheet remains strong with an equity ratio of 80%. (Total Shareholder Funds' as a percentage of Total Assets)

Principal risks and uncertainties
The key business risks affecting the company are considered to relate to the macro-economic environment, competition, foreign exchange rates and availability of key skills. The company faces risk due to the uncertainty of the terms on which the UK may leave the European Union. As part of a globally active group Endress+Hauser are extensively preparing for various scenarios in order to minimize the associated risks for the company. This includes in particular the consequences of additional borders and customs controls, the effects of potential customs regulations and increased documentation requirements for imports and exports. In the case of a 'no deal' scenario significant uncertainties arise from the necessity of import customs clearance and form overloading of truck routes. To counter this Endress+Hauser Ltd is currently engaged in obtaining accreditation as an Authorized Economic Operation (AEO), which will ensure preferential treatment in customs clearance.

Financial risk management
The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs.

Price risk
The company continually monitors how prices are moving in the process automation market and takes into account economic outlook and investment intentions in the market price when reviewing prices. The company will perform market analysis for new products.

Foreign exchange risk
The company is exposed to foreign exchange risk as a result of its operations; however these are managed by use of hedging forward exchange contracts and with currency support from group companies. The directors do not believe this constitutes a significant risk to the business.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before contracts are negotiated. Credit control assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

Liquidity risk
The company manages and uses its working capital to ensure that it has sufficient funds for ongoing operations and future investments.

Strategic report for the year ended 31 December 2018 (continued)

Financial risk management (continued)

Interest rate risk
The directors do not believe this constitutes a significant risk to the business. The company has no interest bearing liabilities.

Future developments
The external commercial environment is expected to continue to remain competitive. The directors however look forward to growth in the next financial year.

Key performance indicators ("KPIs")
The Board monitors progress on the company's strategy by reference to certain KPIs as follows:

	2018 %	2017 %	
Sales increase	**0.2**	13.6	Year on year sales growth expressed as a percentage
Operating profit	**6.2**	5.0	Operating profit expressed as a percentage of sales
Return on net assets	**15.3**	12.6	Operating profit expressed as a percentage of net assets

By order of the Board

Mr J H Langford
Company secretary

24 June 2019

Endress + Hauser Limited

Directors' report for the year ended 31 December 2018

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

Future developments
Future developments are detailed in the strategic report on page 3.

Results and dividends
The profit for the financial year is £2,143,972 (2017: £1,723,975). A dividend of £10.63 (2017: £7.19) per share amounting to £1,700,000 (2017: £1,150,000) has been paid in the year. Based on the 2018 results, a dividend of £13.13 (2017: £10.63) per ordinary share amounting to £2,100,000 (2017: £1,700,000) is proposed and, if approved, will be paid by 30 September 2019. The board monitors performance by reference to certain KPI's as detailed in the Strategic Report on page 3.

Directors
The directors who held office during the year and up to the date of approving the financial statements were as follows:

Mr S Endress	(Managing Director)
Mr R Stone	
Mr C Horan	(Resigned 31 December 2018)

Directors' indemnities
The company maintains liability insurance for its directors and officers. The company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. It was in force during the financial year and at the time of signing these financial statements.

Employees
Employees are regularly updated on matters affecting their relationship to the company. This includes but is not restricted to, new legislation and economic factors affecting the company's performance.

It is the company's policy to provide equal opportunity for employees or applicants for employment irrespective of colour, race, nationality, ethnic origin, sex or marital status.

It is also the policy of the company to give full and fair consideration to employment applications made by disabled persons, having regard to their particular aptitudes and abilities, and to continue where possible the employment of, and to arrange appropriate training for employees who become disabled while employed by the company.

Directors' report for the year ended 31 December 2018 (continued)

Research and development
The company has dedicated in-house software and engineering design development engineers with primary focus on development of bespoke engineering solutions for customers. Costs relating to development are re-charged to customers' in-line with agreed contractual terms.

Required disclosures incorporated by cross reference
Required disclosures on the Company's performance and position, financial risk management, principal risks and uncertainties and KPIs are included in the Strategic Report and are incorporated into this report by cross reference.

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

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the 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 102, 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 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.

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.

Directors' report for the year ended 31 December 2018 (continued)

Disclosure of information to auditors

In accordance with Section 418, the directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

By order of the Board

Mr J H Langford
Company secretary

24 June 2019

Registered Number 942157

Independent auditors' report to the members of Endress + Hauser Limited

Report on the audit of the financial statements

Opinion

In our opinion, Endress + Hauser Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Balance sheet as at 31 December 2018; the Statement of income and retained earnings 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Endress + Hauser Limited (continued)

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

Strategic Report and Directors' Report

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 year ended 31 December 2018 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 Directors' 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 Directors' responsibilities, 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.

Samantha Loughney

Samantha Loughney (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
24 June 2019

Endress + Hauser Limited

Statement of income and retained earnings for the year ended 31 December 2018

	Note	2018	2017
		£	£
Turnover	1	**43,520,748**	43,427,312
Cost of sales		**(30,288,319)**	(31,638,351)
Gross profit		**13,232,429**	11,788,961
Distribution costs		**(7,560,298)**	(6,789,613)
Administrative expenses		**(3,033,379)**	(2,873,897)
Other operating income		**45,814**	37,869
Operating profit	2	**2,684,566**	2,163,320
Interest receivable and similar income	4	**9,546**	5,914
Interest payable and similar expenses	5	**(11,475)**	(1,819)
Profit before taxation		**2,682,637**	2,167,415
Tax on profit	6	**(538,665)**	(443,440)
Profit for the financial year		**2,143,972**	1,723,975
Retained earnings at 1 January		**16,962,420**	16,388,445
Profit for the financial year		**2,143,972**	1,723,975
Dividends paid	7	**(1,700,000)**	(1,150,000)
Retained earnings at 31 December		**17,406,392**	16,962,420

There is no comprehensive income in the years ended 31 December 2017 and 31 December 2018, other than the profits for the respective financial years. Accordingly, a separate statement of comprehensive income has not been presented.

Endress + Hauser Limited

Balance sheet as at 31 December 2018

	Note	2018	2017
		£	£
Fixed assets			
Tangible assets	8	**6,411,971**	6,378,443
		6,411,971	6,378,443
Current assets			
Stocks	9	**1,213,516**	1,102,599
Debtors	10	**7,931,394**	9,201,865
Cash and cash equivalents		**6,097,116**	4,499,835
		15,242,026	14,804,299
Creditors: amounts falling due within one year	11	**(3,564,110)**	(3,671,633)
Net current assets		**11,677,916**	11,132,666
Total assets less current liabilities		**18,089,887**	17,511,109
Creditors: amounts falling due after more than one year	12	**(155,435)**	-
Provisions for liabilities	14	**(368,060)**	(388,689)
Net assets		**17,566,392**	17,122,420
Capital and reserves			
Called up share capital	16	**160,000**	160,000
Retained earnings		**17,406,392**	16,962,420
Total shareholders' funds		**17,566,392**	17,122,420

The financial statements on pages 9 to 30 were approved by the Board on 24 June 2019 and signed on its behalf by:

Mr S Endress
Director

24 June 2019

Endress + Hauser Limited

Registered number 942157

Statement of accounting policies

General Information

Endress+Hauser Limited ('the company') is a supplier of products, solutions and services for industrial process measurement and automation. The company operates from its registered office in Manchester.

The company is a private company limited by shares and incorporated and domiciled in the UK. The address of its registered office is Floats Road, Manchester, M23 9NF.

Statement of compliance

The individual financial statements of Endress+Hauser Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') and the Companies Act 2006.

Summary of significant accounting policies

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

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 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 statements are disclosed on page 17.

The company is a wholly owned subsidiary of Endress+Hauser Investments Limited and of its ultimate parent Endress+Hauser AG. It is included in the consolidated financial statements of Endress+Hauser AG, a company incorporated in Switzerland. The financial statements of Endress+Hauser AG are publicly available (see note 20).

Exemptions for qualifying entities under FRS 102

The company is a wholly owned subsidiary of Endress+Hauser Investments Limited and of its ultimate parent Endress+Hauser AG. It is included in the consolidated financial statements of Endress+Hauser AG which are publicly available.

Consequently the company is a qualifying entity as per FRS 100 and has taken advantage of the disclosure exemptions of FRS 102, Section 1, paragraph 1.12(a) reconciliation of the number of shares outstanding at the beginning and end of the period, 1.12(b) statement of cash flows, 1.12(c) financial instruments, 1.12(d) certain share based payments disclosures and 1.12(e) key management compensation in total. The Company's shareholders have been notified of the exemptions being applied and the Company's shareholders have not objected to the application of these exemptions.

Statement of accounting policies (continued)

Foreign Currency
(i) Functional and presentation currency
The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Turnover
Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably and (d) it is probable that future economic benefits will flow to the entity.

Sales of goods are recognised on delivery to the customer or when collected by the customer. Sales are normally made with credit terms of 30 days. The element of financing is deemed immaterial and is disregarded in the measurement of turnover.

The company sells a variety of services such as Maintenance services of Field Instrumentation, Calibration and commissioning services, Reactive services and Engineering Services for process automation. Turnover is recognised in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably.

Interest Income
Interest income is recognised using the effective interest rate method.

Statement of accounting policies (continued)

Employee benefits
The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted by the period end and that are expected to apply to the reversal of the timing difference. Deferred tax is measured on an undiscounted basis.

Statement of accounting policies (continued)

Tangible assets and depreciation
Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Freehold buildings	- over 40 years
Plant and equipment	- over 4 to 10 years
Furniture, fixtures and fittings	- over 4 to 10 years
Computer and electronic equipment	- over 5 years
Motor vehicles	- over 4 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss.

Leased Assets
At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the sum of digits method.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Statement of accounting policies (continued)

Stock
Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Stock is recognised as an expense in the period in which the related turnover is recognised.

In general, cost is determined on an average purchase cost basis. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

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

Provisions and contingencies
(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

Warranties

Provision is made for the expected cost of maintenance under warranty obligations and other work in respect of products delivered and invoiced. The provision is undiscounted as the time value of money is not considered to have a material impact.

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Statement of accounting policies (continued)

Financial instruments
The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit and loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities including trade and other creditors and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Statement of accounting policies (continued)

Financial instruments (continued)
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including forward foreign exchange contracts are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not currently apply hedge accounting for foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of income and retained earnings.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets 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 8 for the carrying amount of the tangible assets.

Statement of accounting policies (continued)

Critical accounting estimates and assumptions (continued)

(ii) Stock provisioning

The company holds stock for resale, for service, commissioning and repairs and raw materials for the assembly of bespoke temperature products. 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. The inventory provision for goods purchased from sister companies is calculated on a line-by-line basis using the stock reach criterion and take also slow moving and specific cases into consideration. See note 9 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade debtors and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 10 for the net carrying amount of the debtors and associated impairment provision.

Notes to the financial statements for the year ended 31 December 2018

1 Turnover

A geographical analysis of turnover by destination is given below:

	2018	2017
	£	£
United Kingdom	**41,559,583**	41,379,328
Europe	**849,991**	1,236,908
United States of America	**32,798**	1,124
Rest of the world	**1,078,376**	809,952
	43,520,748	43,427,312

2 Operating profit

Operating profit is stated after (crediting) / charging:

	2018	2017
	£	£
Wages and salaries	**7,826,816**	7,756,468
Social security costs	**740,171**	746,225
Other pension costs (note 17)	**551,049**	555,119
	9,118,036	9,057,812
Depreciation:		
Owned tangible assets	**432,286**	484,229
Assets held under finance leases	**178,269**	113,933
Profit on disposal of tangible assets	**(22,053)**	(26,426)
Reversal of provision for impairment of trade receivables	**(26,261)**	26,422
Stock recognised as an expense	**24,540,842**	25,229,716
Reversal of provision for impairment of stocks (included in cost of sales)	**(40,851)**	(21,100)
Operating lease rentals	**21,633**	16,589
Research and development	**381,783**	344,266
(Gain) / Loss on foreign exchange	**(94,774)**	36,418

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Operating profit (continued)

	2018	2017
	£	£
Services provided by the company's auditors:		
- Fees payable for audit related regulatory reporting	**50,000**	50,000
- Tax compliance services	**15,000**	16,000

3 Employees and directors

Employees

The average monthly number of persons (including directors) employed by the company during the year was as follows:

By activity	**2018**	2017
	Number	Number
Administration	**23**	24
Sales and service/distribution	**172**	168
Manufacturing and development	**12**	12
	207	204

Directors

The directors' emoluments were as follows:	**2018**	2017
	£	£
Aggregate emoluments	**348,616**	345,880
Payments to defined contribution pension schemes	**27,728**	25,847
	376,344	371,727

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Employees and directors (continued)

Number of directors receiving:	**2018**	2017
	Number	Number
Payments to defined contribution pension schemes	**3**	3

The highest paid directors' emoluments comprise:	**2018**	2017
	£	£
Aggregate emoluments	**160,268**	153,437
Payments to defined contribution pension schemes	**8,893**	8,542
	169,161	161,979

4 Interest receivable and similar income

	2018	2017
	£	£
Bank interest received	**2,880**	331
Interest on short term deposits	**6,666**	4,360
Interest on corporation tax refund	**-**	1,223
	9,546	5,914

5 Interest payable and similar expenses

	2018	2017
	£	£
Bank interest	**7**	7
Interest on Corporation Tax payment	**363**	-
Finance lease interest	**11,105**	1,812
	11,475	1,819

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Tax on profit

(a) Analysis of tax charge in the year

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the year	**512,062**	421,508
Adjustments in respect of prior periods	**(101)**	-
Total current tax	**511,961**	421,508
Deferred tax		
Origination and reversal of timing differences	**29,746**	21,701
Adjustments in respect of prior years	**89**	-
Impact of changes in tax rates and laws	**(3,131)**	231
Total deferred tax (note 14)	**26,704**	21,932
Tax on profits for the year	**538,665**	443,440

(b) Factors affecting tax charge in the year

The tax assessed for the year is higher (2017: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018	2017
	£	£
Profit before tax	**2,682,637**	2,167,415
Profit for the year multiplied by the standard rate in the United Kingdom of 19% (2017: 19.25%)	**509,701**	417,227
Effects of:		
Expenses not deductible for tax purposes	**32,107**	25,982
Adjustments in respect of prior periods	**(12)**	-
Re-measurement of deferred tax – change in UK tax rate	**(3,131)**	231
Tax charge for the year	**538,665**	443,440

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Tax on profit (continued)

c) Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

Deferred taxes at the balance sheet date have been measured using these substantially enacted tax rates and reflected in these financial statements.

7 Dividends

	2018	2017
	£	£
Equity – Ordinary		
Final paid £10.63 (2017: £7.19 per ordinary share)	**1,700,000**	1,150,000

The directors have proposed a final dividend for the year ended 31 December 2018 of £13.13 per share which is a total of £2,100,000. This dividend has not been accounted for within the current year financial statements as it has yet to be approved.

8 Tangible assets

	Freehold land & buildings £	Plant and equipment £	Furniture, fixtures and fittings £	Computer and electronic equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2018	8,025,053	1,974,709	700,888	1,028,128	965,858	12,694,636
Additions	-	81,643	8,289	386,265	169,912	646,109
Disposals	-	-	-	(145,613)	(124,182)	(269,795)
At 31 December 2018	**8,025,053**	**2,056,352**	**709,177**	**1,268,780**	**1,011,588**	**13,070,950**

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tangible assets (continued)

	Freehold land & buildings £	Plant and equipment £	Furniture, fixtures and fittings £	Computer and electronic equipment £	Motor vehicles £	Total £
Accumulated Depreciation						
At 1 January 2018	2,680,937	1,392,515	605,121	879,968	757,652	6,316,193
Charge for the year	191,003	112,965	15,670	121,965	168,952	610,555
Disposals	-	-	-	(143,587)	(124,182)	(267,769)
At 31 December 2018	**2,871,940**	**1,505,480**	**620,791**	**858,346**	**802,422**	**6,658,979**
Net book amount						
At 31 December 2018	**5,153,113**	**550,872**	**88,386**	**410,434**	**209,166**	**6,411,971**
At 31 December 2017	5,344,116	582,194	95,767	148,160	208,206	6,378,443

The net book amount of tangible assets includes an amount of £372,943 (2017: £134,338) in respect of assets held under finance leases. All assets held under finance leases relate to motor vehicles.

There are no material differences between the market value and net book value of land and buildings.

Depreciation is charged in the profit and loss to costs of sales (£181,636), distribution costs (£328,298) and administrative expenses (£100,621).

9 Stocks

	2018 £	2017 £
Raw materials and consumables	**197,347**	188,148
Work in progress	**236,842**	156,961
Finished goods held for resale	**779,327**	757,490
	1,213,516	1,102,599

There is no significant difference between the replacement cost of stocks and their carrying amount.

Stocks are stated after provisions for impairment of £391,750 (2017: £432,601).

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Debtors

	2018	2017
	£	£
Trade debtors	**7,458,467**	8,794,723
Amounts owed by group undertakings	**241,371**	114,491
Other debtors	**5,326**	13,248
Derivative financial instruments	**82,894**	2,235
Prepayments and accrued income	**143,336**	277,168
	7,931,394	9,201,865

Amounts owed by group undertakings are unsecured, interest free and have no fixed date for repayment.

Trade debtors are stated after provisions for impairment of £22,275 (2017: £65,839). The Directors consider the fair value of trade and other debtors to be consistent with the carrying value given their short term nature.

11 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade Creditors	**770,741**	1,038,209
Amounts owed to group undertakings	**756,224**	943,959
Finance leases	**125,584**	25,538
Corporation tax	**174,310**	101,334
Other taxation and social security	**541,405**	552,754
Accruals and deferred income	**1,195,846**	1,009,839
	3,564,110	3,671,633

Amounts owed to group undertakings are unsecured and are repayable on demand.

The Directors consider the fair value of trade and other creditors to be consistent with the carrying value given their short term nature.

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Finance leases	**155,435**	-

13 Finance leases

The future minimum finance lease payments are as follows:

	2018	2017
	£	£
Not later than one year	**134,324**	25,735
Later than one year and not later than five years	**162,516**	-
Total gross payments	**296,840**	25,735
Less: Finance charges	**(15,821)**	(197)
	281,019	25,538

The finance leases relate to motor vehicles and computer equipment

14 Provisions for liabilities

	2018	2017
	£	£
Deferred tax	**89,688**	62,984
Warranty costs	**278,372**	325,705
	368,060	388,689

Deferred tax liability

	£
Liability at 1 January 2018	62,984
Debited to the profit and loss account (note 6)	26,704
Liability at 31 December 2018	**89,688**

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Provisions for liabilities (continued)

Deferred tax provided in the financial statements comprises:

	2018	2017
	£	£
Short term timing differences	**(17,911)**	(25,103)
Accelerated capital allowances	**107,599**	88,087
	89,688	62,984

The net deferred tax liability expected to reverse in 2019 is £16,272 (2017: reverse in 2018; £18,895).

Warranty costs

	£
At 1 January 2018	325,705
Amounts utilised during the year	(229,453)
Unutilised amount reversed during the year	(96,252)
Provision made in the year	278,372
At 31 December 2018	**278,372**

The provision for warranty costs has been recognised for expected warranty claims arising on products sold during the financial year. It is expected that this expenditure will be incurred in the next financial year.

Notes to the financial statements for the year ended 31 December 2018 (continued)

15 Financial instruments

The company has the following financial instruments

	Note	2018	2017
		£	£
Financial assets			
Financial assets that are debt instruments measured at amortised cost			
Trade debtors	10	**7,458,467**	8,794,723
Amounts owed by group undertakings	10	**241,371**	114,491
Other debtors	10	**5,326**	13,248
Cash and cash equivalents		**6,097,116**	4,499,835
		13,802,280	13,422,297
Financial assets measured at fair value through profit or loss			
Derivative financial instruments		**82,894**	2,235
		82,894	2,235
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade creditors	11	**770,741**	1,038,209
Amounts owed to group undertakings	11	**756,224**	943,959
Finance leases	13	**281,019**	25,538
		1,807,984	2,007,706

Derivative financial instruments
The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2018 the outstanding contracts all mature within 3 months of the year end. The company is committed to buy EUR 2,375,000 and CHF 3,375,000 and sell a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:EUR and GBP:CHF.

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Called up share capital

	2018	2017
	£	£
Allotted and fully paid		
160,000 (2017: 160,000) ordinary shares of £1 each	**160,000**	160,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17 Pensions

From 1 January 1993, the company has operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. Aggregate contributions payable in the year by the company to the staff pension scheme amounted to £551,049 (2017: £555,119). There are no contributions outstanding or prepaid.

18 Contingent liabilities

	2018	2017
	£	£
Performance bonds with recourse	**21,592**	-
H M Turnover and Customs guarantee with recourse	**200,000**	200,000
	221,592	200,000

Performance bonds with recourse relate to bank guarantees issued to customers against specific orders to cover performance, warranty and retentions. There has been no recent history of payment of these guarantees being demanded.

H M Turnover and Customs guarantee with recourse relates to a bank guarantee linked to the collection of import VAT and duty.

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases to each of the following years:

Payments due	2018	2017
	£	£
Later than one year and not later than five years	90,910	92,598
Later than five years	-	-
	90,910	92,598

In addition, the company has an ongoing financial commitment of approximately £560,000 per annum as regards the use and operation of its Endress+Hauser Group computer software (2017: £511,000).

20 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Endress + Hauser Investments Limited, a company incorporated in England.

The company's ultimate parent company and largest and smallest group to consolidate these financial statements, is Endress + Hauser AG, a company incorporated in Switzerland. Copies of Endress + Hauser AG consolidated financial statements are available upon request from Endress + Hauser AG, Kägenstrasse 2, CH-4153 Reinach/BL Switzerland.

The ultimate controlling party is the Endress family.

21 Related party disclosure

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102 on the grounds that at 31 December 2018 it was a wholly owned subsidiary.

Endress+Hauser Limited have elected to take advantage of key personnel compensation disclosure exemption under FRS 102 paragraph 1.12(e) and 33.7