

Hach Lange Limited
Annual Report and Financial Statements
for the year ended 31 December 2018

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Hach Lange Limited

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for the Year Ended 31 December 2018**

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**Hach Lange Limited
Company Information
for the Year Ended 31 December 2018**

DIRECTORS:

Mr Keith Graham Ward
Mr Darin Stell
Mr Graeme Francis Cullinan

REGISTERED OFFICE:

19 Jessops Riverside
800 Brightside Lane
Sheffield
South Yorkshire
S9 2RX

AUDITORS:

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Hach Lange Limited
Strategic Report
for the Year Ended 31 December 2018

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

Fair review of the business

The principal activities of the company are the distribution of water monitoring equipment and the design, manufacture and supply of products for the testing of construction materials. The company expects to continue its current activities. The loss on ordinary activities after taxation for the year was £199,000 (2017 – Loss of £791,000).

During the year turnover of £30 million was generated.

Turnover increased by £355,000 during the year. The company's Laboratory division performed strongly in the year with sales growth of 6%. The company's Process division delivered growth of 1%. These two divisions yield the major portion of the annual turnover of Hach Lange Limited. The gross margin in these divisions increased in 2018. Both the increased turnover and improved margin in the Laboratory and Process divisions compensated for a reduction in turnover in the company's ELE International division. ELE International underwent a reorganisation in 2017 which was completed in 2018. This division is currently not profitable but the Directors expect the reorganisation to yield positive benefits by returning the division to profitability after 2020.

The company sells through a distributor network and also sells to end users.

The company reduced its Operating Loss during the year. The increase in revenue which was delivered at a higher gross margin than in 2017 was the primary driver of the reduction in Operating Loss.

The company's key financial and other performance indicators during the year were as follows:

	2018 £000	2017 £000	Change %
Turnover	29,952	29,597	1.20
Operating loss	(300)	(524)	42.75
Net assets	3,585	2,802	27.94

Future developments

The company will continue to add products to its portfolio from its own research and development work as well as products that have been developed by other Danaher group companies in order to maximise the efficiency of sales channels.

It is expected that the reorganisation at the company's ELE International division, together with the other measures undertaken to address the division's operating loss will have a positive impact on its ability to generate an increased gross margin in the future. While the division is not expected to return to profitability until after 2020, the Directors are confident that the steps taken in 2017 and 2018 to address the operating loss were necessary and were of benefit to the future of the division.

Hach Lange Limited
Strategic Report (continued)
for the Year Ended 31 December 2018

Principal risks and uncertainties

The principal risks and uncertainties are grouped as competitive and financial.

Competitive risks:

The company has identified the following competitive risks;

- The intensity of the competition in the global markets and also the cheaper / low-maintenance / non test-tube measurement principles could lead to increased pricing pressure for the process metrology and also increasingly in the laboratory area. In addition to cost adaptations we will take counter measures with further technical innovations and Service & Software innovations.
- The Public utilities could limit their tight monetary policy on account of the lower budgets and reduced economic expectations. This could influence sales in the waste water market.
- The business in the industrial customer sector is also at risk from the impact of the general economic climate.

Financial risks:

Purchases are made in foreign currency (mostly Euro) and subject to exchange rate variations.

Credit risk is the risk that customers default on amounts due. Credit is given to customers on the basis of Dun and Bradstreet credit reports, and debtors are continually reviewed and chased for payments to ensure this risk is mitigated. Business activity is subject to US parent company's risk mitigation procedures. These include satisfying Danaher's corporate governance principals and Sarbanes Oxley controls audit.

Approved by the Board on 29th November 2019 and signed on its behalf by:



Mr Keith Graham Ward
Director

Hach Lange Limited
Directors' report
for the Year Ended 31 December 2018

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

Directors of the company

The directors who held office during the year were as follows:

Mr Keith Graham Ward

Mr Darin Stell

Mr Graeme Francis Cullinan (appointed as director 14 September 2018)

Mr Andy Helmers (resigned as director 14 September 2018)

Principal activity

The principal activities of the company are the distribution of water monitoring equipment and the design, manufacture and supply of products for the testing of construction materials. The company expects to continue current activities.

Dividends

No dividends will be distributed for the year ended 31 December 2018. (2017 Nil).

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to competitive and financial risks are described in the Business Review and Principal Risks and Uncertainties on page 3.

The company is part of one of the three multi-currency Danaher UK cash pool arrangements. Within these cash pools, each company has entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies. Each company is also subject to an indemnity offered by Danaher Corporation for all participating companies (for the period during which they remain wholly owned subsidiaries of Danaher Corporation), such that any liability falling on the company as a result of the borrowings from the bank of any other party to the cash pool arrangement will be done by Danaher Corporation in the event of default.

Despite the fact that the company has generated a loss in the current and previous year, it has a strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due.

The cash position of the UK group as a whole is strong and therefore the company should have access to sufficient operating funds when necessary.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Third party indemnities

Danaher Corporation has provided to all directors limited indemnities in respect of the cost of defending claims against them and third party liabilities. These are all third party provisions for the purpose of the Companies Act 2006 and are all currently in force.

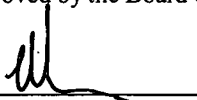
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 29th November 2019 and signed on its behalf by:


Mr Keith Graham Ward
Director

Hach Lange Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HACH LANGE LIMITED

Opinion

We have audited the financial statements of Hach Lange Limited for the year ended 31 December, 2018 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 19, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HACH LANGE LIMITED (continued)

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.

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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

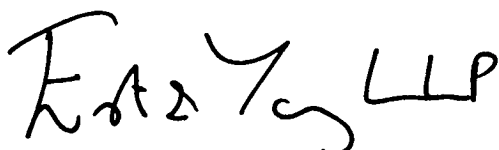
Auditor's responsibilities for the audit of the financial statements

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.

Handwritten signature of Fraser Bull in black ink.

Fraser Bull (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date: 4 December 2019

Hach Lange Limited
Profit and Loss Account
for the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	3	29,952	29,597
Cost of sales		<u>(22,593)</u>	<u>(22,554)</u>
Gross Profit		7,359	7,043
Administrative expenses		(9,103)	(8,428)
Other operating income		<u>1,444</u>	<u>861</u>
Operating Loss	4	(300)	(524)
Other interest (payable)	5	<u>(2)</u>	<u>(3)</u>
Loss before taxation		(302)	(527)
Tax on profit/loss on ordinary activities	8	<u>103</u>	<u>(264)</u>
Loss for the year		<u><u>(199)</u></u>	<u><u>(791)</u></u>

The above results were derived from continuing operations.

The notes on pages 13 to 26 form an integral part of these financial statements.

Hach Lange Limited
Statement of Comprehensive Income
for the Year Ended 31 December 2018

	2018	2017
	£000	£000
Loss for the year	(199)	(791)
Other comprehensive income		
Items that cannot be reclassified to profit or loss	<u>504</u>	<u>(626)</u>
Total comprehensive loss for the year	<u><u>305</u></u>	<u><u>(1,417)</u></u>

The notes on pages 13 to 26 form an integral part of these financial statements.

Hach Lange Limited
Balance Sheet
As at 31 December 2018

	Notes	2018 £000	2017 £000
Fixed Assets			
Intangible assets	9	129	129
Property, plant and equipment	10	<u>430</u>	<u>636</u>
		<u>559</u>	<u>765</u>
Current Assets			
Stocks	11	1,026	989
Debtors	12	7,555	7,076
Cash at bank and in hand		2,849	1,513
Deferred tax asset	8	<u>987</u>	<u>380</u>
		12,417	9,958
Creditors: Amounts falling due within one year	13	<u>(9,391)</u>	<u>(7,921)</u>
Net Current Assets		<u>3,026</u>	<u>2,037</u>
Net Assets		<u><u>3,585</u></u>	<u><u>2,802</u></u>
Capital and reserves			
Called up share capital	15	10	10
Profit and loss account		<u>3,575</u>	<u>2,792</u>
Shareholders' funds		<u><u>3,585</u></u>	<u><u>2,802</u></u>

Approved by the Board on 29th November 2019 and signed on its behalf by:



Mr Keith Graham Ward
Director

The notes on pages 13 to 26 form an integral part of these financial statements.

Hach Lange Limited
Statement of Changes in Equity
for the Year Ended 31 December 2018

	Share Capital £000	Retained earnings £000	Total equity £000
At 1 January 2017	<u>10</u>	<u>3,641</u>	<u>3,651</u>
Loss for the year	-	(791)	(791)
Other comprehensive loss	<u>-</u>	<u>(626)</u>	<u>(626)</u>
Total comprehensive loss	-	(1,417)	(1,417)
Share based payment transactions	<u>-</u>	<u>568</u>	<u>568</u>
At 31 December 2017	<u><u>10</u></u>	<u><u>2,792</u></u>	<u><u>2,802</u></u>

	Share Capital £000	Retained earnings £000	Total equity £000
At 1 January 2018	<u>10</u>	<u>2,792</u>	<u>2,802</u>
Loss for the year	-	(199)	(199)
Other comprehensive income	<u>-</u>	<u>504</u>	<u>504</u>
Total comprehensive income	-	305	305
Share based payment transactions	<u>-</u>	<u>478</u>	<u>478</u>
At 31 December 2018	<u><u>10</u></u>	<u><u>3,575</u></u>	<u><u>3,585</u></u>

The notes on pages 13 to 26 form an integral part of these financial statements.

Hach Lange Limited
Notes to the Financial Statements
for the Year Ended 31 December 2018

1. General information

The address of the company's registered office is:

19 Jessops Riverside
800 Brightside Lane
Sheffield
South Yorkshire
S9 2RX

These financial statements were authorised for issue by the Board on 29th November 2019.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill.

The Company's financial statements are presented in Sterling, which is also the functional currency. All figures are presented in £000s unless otherwise stated.

The results of Hach Lange Limited are included in the Consolidated Financial Statements of Danaher Corporation which are available from 2200 Pennsylvania Ave, Suite 800 West, Washington, DC 20037, USA.

2. Accounting Policies

Summary of significant accounting policies and key accounting estimates

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 were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A 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;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Hach Lange Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2018

2. Accounting Policies - continued

Changes in accounting standards

IFRS 15 Revenue from Contracts with Customers

The company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The standard has resulted in clarification of the revenue recognition accounting policies as detailed below in the revenue recognition policy.

IFRS 15 establishes a five-step model to account for revenues arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring services or goods to a customer. However, no adjustments were required for the comparative period profit and loss account or to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017).

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in the clarification of the accounting policies, which are set out below, but no changes in the amounts included in the financial statements. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The company's trade receivables for sales of stock are subject to IFRS 9's new expected credit loss model, and the company was required to revise its impairment methodology under IFRS 9 for this class of assets. The impact of the change in impairment methodology on the company's retained earnings and equity is not considered to be material.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was also considered to be immaterial.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

IFRS 16 Leases

IFRS16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires the lessees to account for all leases in the Statement of Financial Position in a similar way to the accounting treatment prescribed in IAS17 for finance leases. The company is continuing to evaluate the impact of adopting IFRS 16, and expects the new standard to have a significant impact on the financial statements. The company expects to apply the modified retrospective approach, with an adjustment to equity at 1 January 2019 and no adjustment to comparatives.

Transition will require the company's lease arrangements to be presented in the Balance Sheet, and adoption will impact on noncurrent assets and liabilities, together with certain measures of profitability.

Following transition IFRS16 will, at the commencement of a new lease, require the lessee to recognise a liability for future lease payments, and an intangible asset representing the right to use that asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability, and the amortisation expense on the right of use asset in profit and loss account.

Disclosure of the nature of the company's existing operating leases, as well as the aggregate of the company's operating lease commitments on a gross basis is provided in note 16 to these financial statements

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

- The amount of revenue can be reliably measured;
- It is probable that future economic benefits will flow to the entity; and
- Specific criteria have been met for each of the company's activities.

Other operating income

Other operating income mainly comprises intercompany recharges.

Hach Lange Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2018

3. Accounting Policies - continued

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives as follows:

Asset class	
Improvements to property	5 to 25 years
Other Equipment	3 to 5 years (12 months if hired)

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amounts. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively.

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

2. Accounting Policies - continued

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised. It is reviewed for impairment at the end of the first financial year following acquisition and in the periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors or over its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore not invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress 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. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade payables

Trade payables 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

2. Accounting Policies - continued

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Financial assets

The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. In accordance with IFRS 9 the company applies the expected credit loss (ECL) model for the measurement and recognition of impairment loss on loans and receivables.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

Judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

The following estimates are dependent upon the assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

Provisions

Management assesses the carrying value of debtor balances based on current trading patterns and anticipated future events to consider whether any impairment provision is required.

Impairment of Goodwill

Where there are indicators of impairment, management performs impairment tests based on fair value less cost to sell or value in use, which includes estimates of future profitability, discount rates and market prices.

3. Turnover

An analysis of turnover by geographical segment is given below:

	2018	2017
	£000	£000
Europe	26,818	25,914
Rest of world	<u>3,134</u>	<u>3,683</u>
	<u><u>29,952</u></u>	<u><u>29,597</u></u>

No revenue was derived from the exchanges of goods or services (2017: nil).

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

4. Operating Loss

Arrived at after charging:

	2018	2017
	£000	£000
Cost of inventories recognised as expense	22,634	21,114
Depreciation expense	103	100
Auditors' remuneration	31	36
Foreign currency exchange differences	48	26
Leasing office equipment	20	21
Car leasing	215	215
Rent	<u>259</u>	<u>256</u>

5. Interest receivable/(payable)

	2018	2017
	£000	£000
Interest expense	<u>(2)</u>	<u>(3)</u>

6. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018	2017
	£000	£000
Wages and salaries	6,161	5,335
Social security costs	605	806
Pension costs, defined contribution scheme	<u>519</u>	<u>446</u>
	<u>7,285</u>	<u>6,587</u>

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

2018	2017
No.	No.
<u>110</u>	<u>110</u>

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

7. Directors' remuneration

The directors' remuneration for the year was as follows:

	2018	2017
	£000	£000
Remuneration	197	52
Contributions paid to money purchase schemes	<u>43</u>	<u>3</u>
	<u><u>240</u></u>	<u><u>55</u></u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2018	2017
	No.	No.
Exercised share options	<u><u>2</u></u>	<u><u>1</u></u>

The services of K G Ward to this company are of a non-executive nature and considered incidental to its overall services to other group companies.

The services of A Helmers to this company were of a non-executive nature and his emoluments were deemed to be wholly attributable to his qualifying services to Hach Lange GmbH (DE).

Accordingly, these financial statements include no emoluments in respect of these directors (2017: £Nil).

8. Income tax

The tax (credit)/charge comprises:

	2018	2017
	£000	£000
Current tax – UK		
Corporation tax at the standard rate	-	-
Adjustment in respect of prior periods	-	-
Withholding tax	<u>-</u>	<u>-</u>
Total current tax	<u><u>-</u></u>	<u><u>-</u></u>
Deferred tax		
(Credit) / charge for current year	(59)	284
Adjustment in respect of prior periods	<u>(44)</u>	<u>(20)</u>
Deferred tax charge / (credit)	<u><u>(103)</u></u>	<u><u>264</u></u>
Taxation charge / (credit) for the year	<u><u>(103)</u></u>	<u><u>264</u></u>

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

8. Income tax - continued

The differences between the total current tax shown overleaf and the amount calculated by applying the rate of UK corporation tax to the profit before tax are as follows:

	2018 £000	2017 £000
Loss before tax	<u>(302)</u>	<u>(527)</u>
Corporate tax at standard rate	(57)	(101)
Difference in tax rates	57	(4)
(Income not taxable) / expenses not deductible for tax purposes	(435)	31
Group relief	376	358
Prior year adjustment to deferred tax	<u>(44)</u>	<u>(20)</u>
Total taxation charge / (credit)	<u>(103)</u>	<u>264</u>

	2018 £000	2017 £000
Deferred tax (asset) / liability	(380)	(1,270)
(Credit) / charge to the Income Statement	(59)	284
Adjustment in respect of prior years	(44)	(20)
Debit / (credit) to the SOCIE for share based payments	<u>(504)</u>	<u>626</u>
Deferred tax (asset) / liability as at 31 December	<u>(987)</u>	<u>(380)</u>

The amounts provided for deferred taxation are set out below:

	Recognised		Unrecognised	
	2018 £000	2017 £000	2018 £000	2017 £000
Fixed assets	(49)	(70)	-	-
Trade losses	-	-	-	-
Short term timing differences	<u>(938)</u>	<u>(311)</u>	<u>-</u>	<u>-</u>
Deferred tax (asset) / liability as at				
31 December	<u>(987)</u>	<u>(380)</u>	<u>-</u>	<u>-</u>

Notes regarding change in tax rates:

The Summer Finance Act 2015 included legislation to reduce the main rate of corporation tax to 19% effective from 1 April 2017. The Finance Act 2016 included legislation to reduce the main rate of corporation tax to 17% effective from 1 April 2020.

Under FRS 101, deferred tax should be measured using the tax rates that are expected to apply to the reversal of the timing differences. As such, deferred tax has been calculated at 17%.

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

9. Intangible assets

	Goodwill £000
Cost or valuation	
At 1 January 2018	4,291
Additions	-
Disposal	<u>-</u>
At 31 December 2018	<u>4,291</u>
Amortisation	
At 1 January 2018	4,162
Charged in year	-
Released on disposal	<u>-</u>
At 31 December 2018	<u>4,162</u>
Carrying amount	
At 31 December 2018	<u>129</u>
At 31 December 2017	<u>129</u>

Goodwill acquired through business acquisition has been allocated to the cash generating unit Buhler Montec. The recoverable amount of the goodwill in relation to Buhler Montec has been determined based on a value in use calculation using cash flow projection based on financial projections approved by the Board covering a 10 year period. No further impairment is required as a result of these calculations.

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

10. Property, plant and equipment

	Furniture, fittings and equipment £000	Other property, plant and equipment £000	Totals £000
Cost or valuation			
At 1 January 2018	386	761	1,147
Additions	-	50	50
Disposals	<u>(70)</u>	<u>(222)</u>	<u>(292)</u>
At 31 December 2018	<u>316</u>	<u>589</u>	<u>905</u>
Depreciation			
At 1 January 2018	243	268	511
Charge for the year	12	91	103
Released on disposal	<u>(70)</u>	<u>(69)</u>	<u>(139)</u>
At 31 December 2018	<u>185</u>	<u>290</u>	<u>475</u>
Carrying amount			
At 31 December 2018	<u>131</u>	<u>299</u>	<u>430</u>
At 31 December 2017	<u>143</u>	<u>493</u>	<u>636</u>

11. Stocks

	2018 £000	2017 £000
Finished goods and goods for resale	<u>1,026</u>	<u>989</u>

12. Debtors

	2018 £000	2017 £000
Trade debtors	5,856	5,967
Amounts owed by group undertakings	1,446	914
Prepayments	248	186
Other receivables	<u>5</u>	<u>9</u>
Total current trade and other receivables	<u>7,555</u>	<u>7,076</u>

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

13. Creditors: amounts due within one year

	2018	2017
	£000	£000
Trade payables	756	916
Amounts owed to group undertakings	2,402	2,187
Social security and other tax	229	172
VAT	966	1,010
Other creditors	28	26
Deferred income	897	647
Bank overdraft	2,209	982
Accrued expenses	<u>1,904</u>	<u>1,981</u>
Total current trade and other receivables	<u><u>9,391</u></u>	<u><u>7,921</u></u>

14. Guarantees and obligations under leases

An unlimited multi-lateral guarantee exists between all members of the cash pool in which the company participates and HSBC Plc. No liability is expected to arise due to the financial support provided by the parent company and due to the cash pool being maintained in credit.

Other guarantees which are not financial guarantees are as follows:

- A guarantee limited to £150,000 exists between the company and HMRC in respect of import VAT and customs deferment.
- A guarantee limited to £70,839 exists between the company and the Environment Agency.
- The company has issued Advance Payment bonds as follows:
 - £13,436 to the Government of Malta

15. Share capital

Authorised, allotted, called up and fully paid shares

	No.	2018	No.	2017
		£000		£000
Ordinary shares of £1 each	<u>10,000</u>	<u>10</u>	<u>10,000</u>	<u>10</u>

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

16. Obligations under leases and hire purchase contracts

Operating leases

The company leases premises, motor vehicles and office equipment. Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and Buildings 2018 £000	Other 2018 £000	Land and Buildings 2017 £000	Other 2017 £000
No later than one year	252	153	258	188
After one year but not more than five years	1,052	105	1,062	227
After five years	<u>636</u>	<u>-</u>	<u>1,600</u>	<u>-</u>
Total lease commitments	<u>1,940</u>	<u>258</u>	<u>2,920</u>	<u>415</u>

The reduction in lease commitments in respect of Land and Building is due to the closure of a site in Hoddesdon, Hertfordshire. This site had been held under a lease with termination date of 2069.

17. Pension and other schemes

A Company Personal Pension Scheme (the Buhler Montec Group Personal Pension Plan) was set up in the year 2000 with Aviva. The Scheme commenced with effect from 1st May 2000 for members previously in the Servomex Scheme and 1 June for new entrants. The Scheme operates on a money purchase basis.

The pension cost for the period was £ 519,730 (2017: £446,271). At the balance sheet date an amount of £ 46,824 remained to be paid over (2017: £42,240).

18. Share-based payments

Stock options and restricted stock units (RSU's) have been issued to officers and other employees under to Group's 1998 Stock Option Plan and the 2007 Stock Incentive Plan. No further equity awards will be issued under the 1998 Stock Option Plan.

The 2007 Stock Incentive Plan provides for the grant of stock options, stock appreciation rights, RSU's restricted stock or any other stock based award. In May 2011 and May 2013, Danaher Corporation's shareholders approved amendments to the 2007 Stock Incentive Plan that, amongst other items, authorised the issuance of an additional 24 million shares pursuant to the plan, bringing the total number of shares authorised for issuance under the plan to 52 million. No more than 19 million authorised shares may be granted in any form other than stock options or stock appreciation rights.

Stock options generally vest pro-rata over a five year period and terminate ten years from the grant date. Options exercise prices for options granted by Danaher Corporation are the closing price on the New York Stock Exchange of the common stock of Danaher Corporation on the date of the grant.

RSU's issued under the 2007 Stock Incentive Plan and the 1998 Stock Option Plan provides the issuance of a share of the common stock of Danaher Corporation at no cost to the holder. Most RSU awards granted prior to the third quarter of 2009 are subject to performance criteria determined by the compensation committee. The RSU's that have been granted to employees under the 2007 Stock Incentive Plan and the 2008 Stock Option Plan generally provide for time-based vesting over a five year period, although specific time-based vesting terms vary depending on the grant date. Prior to vesting, RSU's do not have a dividend equivalent right or voting rights and the shares underlying the RSU's are no considered issued or outstanding.

Hach Lange Limited
Notes to the Financial Statements - (continued)
for the Year Ended 31 December 2018

18. Share-based payments - continued

The options, RSU's and restricted shares generally vest only if the employee is employed by the company on the vesting date or in other limited circumstances. To cover the exercise of options and vesting of RSU's, Danaher Corporation generally issues new shares from its authorised but unissued share pool although it may instead issue treasury shares in certain circumstances.

The weighted average remaining contractual life for the share options outstanding at 31st December 2018 were 5 years (2017: 5 years).

The range of exercise price for the options outstanding at the end of the year was \$23.39 to \$99.33 (2017: \$19.89 to \$86.08).

The weighted average share price at the date of exercise for the options exercised in 2018 is \$101.64 (2017: \$85.49).

The company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, RSU's and restricted shares, based on the fair value of the award as of the grant date. The company recognises the compensation expense over the requisite service period, which is generally the vesting period but may be shorter than the vesting period if the employee becomes retirement eligible before the end of the vesting period. The fair value of RSU and restricted stock awards was calculated using the closing price of the common stock of Danaher Corporation on the date of the grant. The fair value of the options granted was calculated using a Black Scholes Merton option pricing model ("Black-Scholes").

The charge for the year was £478,000 (2017: £568,000)

19. Parent and ultimate parent undertaking

The company's immediate parent undertaking is Launchchange Operations Limited, a company registered in England and Wales.

The ultimate parent and controlling party is Danaher Corporation, a company incorporated in the USA. These financial statements are available upon request from 2200 Pennsylvania Avenue, Suite 800 West, Washington DC 20037, USA.