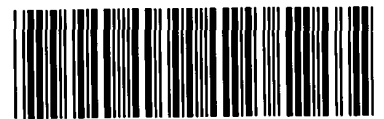


Company Registration No. 02197267

Pfaudler Limited

**Annual Report and Financial Statements
For the year ended 31 August 2017**

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Pfaudler Limited

Annual report and financial statements

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Pfautler Limited

Officers and professional advisers

Directors

M Goldsmith

J A Drury

K P McCann

Secretary

P Dunn

Auditors

Deloitte LLP

Saltire Court

20 Castle Terrace

Edinburgh EH1 2DB

Bankers

Commerzbank

30 Gresham Street

London EC2V 7PG

Solicitors

Brodies LLP

15 Atholl Crescent

Edinburgh

EH3 8HA

Registered Office

Unit 5

Lyon Road Industrial Estate

Kearsley

Bolton, BL4 8TG

Pfautler Limited

Strategic report

The directors present their strategic report for the year ended 31 August 2017.

Review of the business

The company operates its trade through the following business units:

- Pfautler Technologies: a unit engaged in:
 - the manufacture of glassed steel pressure vessels and associated products; and
 - the manufacture, site installation and commissioning of engineered process systems, evaporation systems and thermal fluid systems.
- Edlon: a unit engaged in the manufacture of fluoropolymer products
- Pfautler Services: a unit engaged in the repair, reglassing and on-site servicing of chemical equipment and manufacture of polytetrafluoroethylene (PTFE) parts.

The company's key financial performance indicators during the period were as follows:

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Turnover	15,349	15,994
Operating profit	1,769	418
Profit/(loss) on ordinary activities before taxation	2,140	(642)
Shareholder's funds	12,156	8,243
Current assets as a percentage of current liabilities	473%	362%

The turnover of the company has decreased slightly mainly due to the reduction in sales of original equipment as the company focuses on more profitable aftermarket sales. The restructuring that took place in the prior year has improved gross margins from 14% to 26% as projected. Prior year Operating Profit was favourable impacted by £525 curtailment gain from closure of the Defined Benefit Pension Scheme. Prior year loss before tax was impacted by £1,111K restructuring costs. The improvement in current asset to liability ratio is primarily due to a reduction in intercompany creditors.

Future developments

The main drivers for the business will be to further improve manufacturing efficiencies and to increase gross margin throughout the business and become fully integrated with the Pfautler Global Structure. New vessel work has been transferred to Germany allowing the UK operations to focus and grow the Edlon, Engineering Services Reglass and Aftermarket which are all high margin products.

Principal risks and uncertainties

The company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade creditors and group balances, arise directly from the company's operating activities. The company does not consider geographical market, product and customer risk as principal risks to the company as the company does not rely on any one market, product or customer.

Pfautler Limited

Strategic report (continued)

The result of the recent 2016 Referendum and the UK's decision to leave the European Union may have an impact on the business. The extent of the impact is unknown at this time and is currently being assessed by the directors, pending further clarity from the UK government.

There have been no significant impacts noted since the referendum date.

Financial instruments and risk management

The main risks associated with the company's financial assets and liabilities are set out below.

Credit risk

The company's main customer base lies primarily within the chemical and pharmaceutical industries. These are large multi-national companies which are regarded as having limited associated credit risk. Past experience reinforces our view that the company has minimal credit risk.

Liquidity risk

The company manages liquidity risk by closely monitoring cash flow and forecasting cash flow for future periods with reference to the consolidated position of Pfautler Holding S.a.r.l group of companies ('the Group'). The Group's cash flow forecasts are updated regularly to ensure that sufficient funds are available to meet all financial commitments. Adequate cash reserves and banking facilities are maintained to support the future growth of the business.

Foreign currency risk

In the event that the company enters into a foreign currency contract, a senior management decision will be taken to hedge the contract against foreign currency exposure. This is generally carried out for major contracts, with smaller contracts for both sales and purchases largely offsetting each other.

Approved by the Board of directors on 24 November 2017 and signed on behalf of the Board.



K McCann
Director

Pfautler Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2017.

Results and dividends

The profit for the period after taxation amounted to £1,741,292 (2016: loss £837,536). Gross margin has improved from 14% to 26% and this is mainly attributable to the restructuring that took place during 2016 and the increased focus on more profitable aftermarket products. The prior year included restructuring costs of £1,111,018. There were no restructuring costs in 2017.

The directors do not recommend payment of a dividend. No dividends were paid during the current or prior period.

During the period the Directors struck off the Company's dormant subsidiary Pfautler Process Solutions Group Stonehouse Ltd. ("PPSGS"). In order to facilitate this, the indebtedness of the Company to the sum of £300,154 to PSGS was eliminated by means of set off against the dividend declared by PSGS for £300,153. The residual £1 was written off.

Financial results, financial risk management, objectives and policies and future developments

These matters are discussed in the strategic report on page 2.

Directors

The directors who served the company during the period and up to the date of signing were as follows:

M Goldsmith
J Drury
K McCann

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through regular employee briefing sessions and a variety of formal and informal meetings. Employee representatives are consulted on a wide range of matters affecting employees' conditions of employment and on current and future business activities.

Going concern

The current economic conditions create an element of uncertainty over demand for some of the company's services but the directors' forecasts and projections, taking account of reasonable possible changes in trading performance, show that the company is expected to have a sufficient level of financial resources available and therefore the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty. After making enquiries and taking into consideration the net current assets position, the directors have a strong expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis, as noted in note 1.

Events after the balance sheet date

There are no significant events since the balance sheet date that require disclosure.

Pfaunder Limited

Directors' report (continued)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of directors on 24 November 2017 and signed on behalf of the Board.



K P McCann
Director

Pfautler Limited

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 Pfaudler Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pfaudler Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

Independent auditor's report to the members of Pfaudler Limited (continued)

Other information (continued)

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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: 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.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

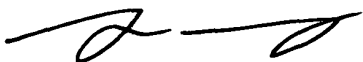
Independent auditor's report to the members of Pfaudler Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



James Boyle CA (senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

24 November 2017

Pfaunder Limited

Statement of comprehensive income For the year ended 31 August 2017

	Notes	Year ended 31 August 2017	Year ended 31 August 2016
		£	£
Turnover	3	15,348,658	15,994,310
Cost of sales		<u>(11,285,694)</u>	<u>(13,784,547)</u>
Gross profit		4,062,964	2,209,763
Administrative expenses		(1,142,241)	(754,519)
Distribution expenses		<u>(1,152,014)</u>	<u>(1,037,597)</u>
Operating profit		1,768,709	417,647
Exceptional items	5	-	(1,111,018)
Dividend Income	22	300,153	-
Interest income (net)	8	<u>70,985</u>	<u>51,006</u>
Profit/(loss) before taxation	4	2,139,847	(642,365)
Tax on profit/(loss)	9	<u>(398,555)</u>	<u>(195,171)</u>
Profit/(loss) for the financial period		<u>1,741,292</u>	<u>(837,536)</u>
Other comprehensive income			
Actuarial profit/(loss) on defined benefit pension schemes	20	2,682,000	(2,244,000)
Tax relating to other comprehensive income		<u>(509,580)</u>	<u>448,800</u>
Total other comprehensive income		<u>2,172,420</u>	<u>(1,795,200)</u>
Total comprehensive income		<u><u>3,913,712</u></u>	<u><u>(2,632,736)</u></u>

The results for the current period have been derived from wholly continuing activities. There are no other gains and losses in either the current or prior period other than the gains reported above.

Pfaunder Limited

Balance sheet 31 August 2017

	Notes	31 August 2017 £	31 August 2016 £
Fixed assets			
Tangible assets	10	1,620,742	1,600,559
Investments	11	633,914	633,914
		<u>2,254,656</u>	<u>2,234,473</u>
Current assets			
Stock	12	3,815,963	4,082,369
Debtors	13	8,295,375	9,556,651
Cash at bank and in hand		4,133,574	2,441,526
		<u>16,244,912</u>	<u>16,080,546</u>
Creditors: amounts falling due within one year	15	<u>(3,338,574)</u>	<u>(4,391,071)</u>
Net current assets		<u>12,906,338</u>	<u>11,689,475</u>
Total assets less current liabilities		<u>15,160,994</u>	<u>13,923,948</u>
Provisions for liabilities	16	(96,860)	(45,207)
Accruals and deferred income	17	<u>(5,771)</u>	<u>(7,090)</u>
Net assets excluding pension liability		<u>15,058,363</u>	<u>13,871,651</u>
Pension liability	20	<u>(2,902,000)</u>	<u>(5,629,000)</u>
Net assets including pension liability		<u><u>12,156,363</u></u>	<u><u>8,242,651</u></u>
Capital and reserves			
Called up share capital	18	7,831	7,831
Contributed capital		3,009,339	3,009,339
Profit and loss account		<u>9,139,193</u>	<u>5,225,481</u>
Shareholders' funds		<u><u>12,156,363</u></u>	<u><u>8,242,651</u></u>

The financial statements of Pfaunder Limited with registration number 02197267 were approved and authorised for issue by the board and were signed on its behalf on 24 November 2017.



K P McCann
Director

Pfaunder Limited

Statement of changes in equity For the year ended 31 August 2017

	Called up share capital £	Contributed Capital £	Profit and loss account £	Total £
At 1 September 2015	7,831	3,009,339	7,858,217	10,875,387
Loss for the financial period	-	-	(837,536)	(837,536)
Other comprehensive income	-	-	(1,795,200)	(1,795,200)
At 31 August 2016	<u>7,831</u>	<u>3,009,339</u>	<u>5,225,481</u>	<u>8,242,651</u>
Profit for the financial year	-	-	1,741,292	1,741,292
Other comprehensive income	-	-	2,172,420	2,172,420
At 31 August 2017	<u>7,831</u>	<u>3,009,339</u>	<u>9,139,193</u>	<u>12,156,363</u>

Pfudler Limited

Notes to the financial statements For the year ended 31 August 2017

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period and the preceding year.

a. General information and basis of accounting

Pfudler Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The address of the principal place of business is Riverside, Leven, Fife, KY8 4RT, Scotland. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The functional currency of Pfudler Limited is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates. The financial statements have been presented in pounds sterling.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) issued by the Financial Reporting Council.

b. Group financial statements

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Pfudler Limited is consolidated in the financial statements of its parent, Pfudler Holdings S.a.r.l., which may be obtained from the address given in note 23. Exemptions have been taken in these financial statements in relation to presentation of a cash flow statement and related parties disclosure as disclosed in note 22.

c. Going concern

The directors, in their consideration of whether the company is a going concern, have reviewed the company cash flow forecasts and revenue projections, which have been prepared on the basis of market knowledge, past experience and current trading conditions, and believe, based on those forecasts and projections and the company's current committed debt position and projected cash generation from trading, that it is appropriate to prepare the company financial statements on a going concern basis.

d. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 Company after deducting all of its liabilities.

Pfaunder Limited

Notes to the financial statements (continued) **For the year ended 31 August 2017**

1. Accounting policies (continued)

d. Financial instruments (continued)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

e. Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised as and when significant risks and rewards of the goods have been transferred to the buyer.

f. Tangible fixed assets

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Buildings	– 33 to 50 years
Plant and machinery	– 3 to 10 years
Computer equipment	– 3 to 5 years
Motor vehicles	– 4 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

g. Investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

h. Government grants

Government grants received are recognised in the balance sheet as deferred income. Deferred income is amortised in order to match the income with the expenditure towards which it is expected to contribute.

As all grants received to date are in the nature of capital grants, deferred income is being amortised over the expected useful life of the assets towards the purchase of which the grants were awarded.

Pfautler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

1. Accounting policies (continued)

i. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value.

Cost includes material, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

j. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to fixed assets measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Pfaunder Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

1. Accounting policies (continued)

k. Leases

The Company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

l. Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

m. Warranty costs

Provision for the expected cost of repair or replacement of goods under warranty is made when products have been invoiced and the amount of the provision is shown in note 16.

n. Pensions

The company provides pensions to employees through two separate pension schemes, one defined benefit and one defined contribution scheme. Each one is administered by trustees, and have their assets held separately from the group in independently administered funds.

Defined contribution schemes

The amount charged to the profit and loss account represents the contributions payable in the period. Any difference between amounts charged in the profit and loss account and paid to the pension scheme is shown in the balance sheet as an asset or liability.

Defined benefit schemes

It is the general policy of the company to provide for and fund pension liabilities, on the advice of external actuaries, by payments to separate trustee administered funds. An independent actuarial valuation on a going concern basis is carried out every three years. The Defined Benefit Scheme was closed to future accruals in 2015. The amount charged to the profit and loss account (the regular pension cost) is the payment by the company to close the deficit in the fund. Further information on pension costs is provided in note 20.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Surplus and Obsolete Stock

The company has a policy in place to determine when stock is considered to be either surplus or obsolete and makes all necessary reserves according to this policy. Inventory in excess of the most recent twelve months and in excess of all time service requirements is considered surplus. Inventory having zero future usage due to design change, product discontinuance or deterioration is considered obsolete. Management are able to apply to Corporate Directors for clearance to make exceptions, where, in their opinion, the policy is too stringent given the nature of the business. The current reserve is £589k.

Pfautler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

Key source of estimation uncertainty

Assessing impairment for investments

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management consider each period whether there is any indication of impairment in relation to its investments. No such indicators have been identified in the current or prior period. There is no requirement to perform a full impairment review unless such indicators exist.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

3. Turnover

Analysis of turnover by geography:

	Year ended 31 August 2017	Year ended 31 August 2016
	£	£
UK	9,200,803	9,657,030
Far East	1,033,517	2,416,919
Europe, Middle East and Africa	4,140,050	3,206,427
North and South America	974,288	713,934
	<u>15,348,658</u>	<u>15,994,310</u>

Analysis of turnover by category:

	Year ended 31 August 2017	Year ended 31 August 2016
	£	£
Original equipment	4,025,270	6,473,651
Aftermarket	8,691,405	7,633,434
Inter-company	2,631,983	1,887,225
	<u>15,348,658</u>	<u>15,994,310</u>

Pfautler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

4. Profit/(loss) before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 August 2017	Year ended 31 August 2016
	£	£
Depreciation of tangible fixed assets	235,901	248,915
Operating lease rentals - plant and machinery	199,422	190,436
Audit fees payable to the company's auditor	60,000	60,000
Amortisation of government grants	(1,318)	(1,458)
Foreign exchange losses	87,169	39,749

5. Exceptional items

	Year ended 31 August 2017	Year ended 31 August 2016
	£	£
Restructuring costs	-	(1,111,018)
	-	(1,111,018)

During the prior year the company implemented a new policy whereby new vessel manufacture was ceased in the UK and transferred to its sister plant in Germany. This resulted in restructuring costs of £1,111k. This was made up of redundancy costs of £663k, stock obsolescence of £360k, fixed asset write off £82k and switchboard upgrade £6K.

6. Directors' remuneration

	Year ended 31 August 2017	Year ended 31 August 2016
	£	£
Remuneration (excluding pension contributions)	356,979	489,276
Employer contributions paid to company pension scheme	22,981	26,059
Number of directors who are members of company pension scheme	3	2

The amounts in respect of the highest paid director are as follows:

	Year ended 31 August 2017	Year ended 31 August 2016
	£	£
Remuneration (excluding pension contributions)	183,122	379,804
Employer contributions paid to company pension scheme	13,331	17,770

Pfaunder Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

7. Staff costs

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Wages and salaries	3,971,587	4,500,792
Social security costs	408,062	458,875
Other pension costs	288,924	195,470
Curtailment gain	-	(525,000)
	<u>4,668,573</u>	<u>4,630,137</u>

The average monthly number of employees during the period was made up as follows:

	Year ended 31 August 2017	Year ended 31 August 2016
Production	110	134
Sales	15	13
Administration	5	9
	<u>130</u>	<u>156</u>

8. Interest income (net)

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Expected return on pension scheme assets (note 20)	335,000	633,000
Interest on pension scheme liabilities (note 20)	(446,000)	(779,000)
Interest received from HMRC	2,415	-
Amounts due from group undertakings	192,159	207,388
Amounts due to group undertakings	(12,589)	(10,382)
	<u>70,985</u>	<u>51,006</u>

Pfautler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

9. Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Current tax		
Corporation tax on profit on ordinary activities at 19.58% (2016: 20.00%)	239,940	-
Adjustment in respect of previous periods	-	-
	<u>239,940</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	94,570	103,266
Tax on pension cost adjustment	64,840	102,600
Adjustment in respect of prior periods	(795)	(10,695)
	<u>158,615</u>	<u>195,171</u>
	<u>398,555</u>	<u>195,171</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.58% (2016: 20.00%).

In the budget statement of 2015, it was announced that the full rate of UK corporation tax would be reduced from 20% to 19% effective from 1 April 2017.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit/(loss) before tax is as follows:

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Profit/(loss) before tax	<u>2,139,847</u>	<u>(642,365)</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.58% (2016: 20.00%)	419,052	(128,473)
Effects of:		
Income not taxable	102,136	192,512
Capital allowances less than depreciation	(103,720)	(107,303)
Short-term timing differences	(10,101)	1,292
Pension provision	(8,812)	(102,600)
Losses carried forward	-	339,743
	<u>398,555</u>	<u>195,171</u>

Pfudler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

10. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 September 2016	2,539,528	4,673,690	1,235,078	28,703	8,476,999
Additions	-	256,084	-	-	256,084
At 31 August 2017	2,539,528	4,929,774	1,235,078	28,703	8,733,083
Depreciation					
At 1 September 2016	1,737,697	4,004,154	1,118,319	16,270	6,876,440
Charge for the year	52,579	121,670	57,725	3,927	235,901
At 31 August 2017	1,790,276	4,125,824	1,176,044	20,197	7,112,341
Net book value					
At 31 August 2017	749,252	803,950	59,034	8,506	1,620,742
At 31 August 2016	801,831	669,536	116,759	12,433	1,600,559

Freehold land amounting to £579,329 (2016 – £579,329) has not been depreciated.

11. Investments

	31 August 2017 £	31 August 2016 £
Joint venture undertakings	633,914	633,914

The company holds a 20% share in the equity capital of Suzhou-Pfudler Glass-Lined Equipment Limited for a consideration of £633,914. This is a company based in China, whose principal business activity is the manufacture of glass-lined steel pressure vessels.

Pfudler Limited acquired their portion of the share capital as part of a larger Pfudler Group joint venture project.

Control of the joint venture company is being handled at Pfudler group level and consolidation of Pfudler's share of the operating profit will be made within the group financial statements.

12. Stocks

	31 August 2017 £	31 August 2016 £
Raw materials	2,096,271	1,568,076
Work-in-progress	667,067	871,393
Finished goods	1,052,625	1,642,900
	3,815,963	4,082,369

Pfudler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

13. Debtors

	31 August 2017	31 August 2016
	£	£
Amounts falling due within one year :		
Trade debtors	2,045,980	2,382,241
Amounts owed by other group undertakings	506,343	275,485
Loans to other group undertakings	5,212,750	5,191,476
Other debtors	25,721	27,346
Prepayments and accrued income	244,778	559,882
Corporation tax receivable	-	192,224
Deferred tax asset (note 14)	259,803	927,997
	<u>8,295,375</u>	<u>9,556,651</u>

Loans to group undertaking are £3,700,000 to Pfudler GmbH, renewed annually and £1,166,589 to Pfudler US Inc. repayable May 2018. Interest is fixed rate at 4.50%.

14. Deferred tax asset

	31 August 2017	31 August 2016
	£	£
Accelerated capital allowances	(321,096)	(237,848)
Defined benefit pension scheme (note 20)	551,380	1,125,800
Other timing differences	29,519	40,045
	<u>259,803</u>	<u>927,997</u>
	31 August 2017	31 August 2016
	£	£
Deferred tax asset at beginning	927,997	674,369
Defined benefit pension scheme (note 20)	(574,420)	346,200
Profit and loss charge for year	(93,774)	(92,572)
	<u>259,803</u>	<u>927,997</u>

Pfautler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

15. Creditors: amounts falling due within one year

	31 August 2017	31 August 2016
	£	£
Payments received on account	1,185,788	518,627
Trade creditors	922,503	818,615
Amounts due to other group undertakings	171,051	901,651
Loan from group undertaking	-	700,000
Other creditors – Social Security and PAYE	114,630	113,362
– other	161,684	160,305
Corporation tax payable	102,819	-
Accruals and deferred income	680,099	1,178,511
	<u>3,338,574</u>	<u>4,391,071</u>

The Group Loan from Pfautler UK Ltd bearing interest at 4.76% was repaid in November 2016.

16. Provisions for liabilities

	31 August 2017	31 August 2016
	£	£
Warranty (see below)	<u>96,860</u>	<u>45,207</u>
At 1 September 2016	45,207	159,195
Warranty claims in the period	(29,736)	(125,853)
Charged to profit and loss	81,389	11,865
	<u>96,860</u>	<u>45,207</u>

General warranty provisions are calculated based on sales in the prior two years. Specific warranties are made against any customers who have raised quality issues. This does not admit liability and uncertain timing as this may or may not result in a claim.

17. Accruals and deferred income

	31 August 2017	31 August 2016
	£	£
At 1 September 2016	7,090	8,548
Released during the period	(1,319)	(1,458)
At 31 August 2017	<u>5,771</u>	<u>7,090</u>

Pfaunder Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

18. Issued share capital

	31 August 2017		31 August 2016	
	No.	£	No.	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	7,831	7,831	7,831	7,831

19. Financial commitments

Capital commitments are as follows:

	31 August 2017	31 August 2016
	£	£
Authorised and contracted for	105,275	-

Total future minimum lease payment under non-cancellable operating leases are as follows:

	31 August 2017	31 August 2016
	£	£
Within one year	113,457	113,354
In two to five years	158,658	139,538
	272,114	252,892

20. Pension commitments

The company operates two pension schemes, one defined benefit, Pfaunder Balfour Pension Plan, and one defined contribution, all of which are funded by the payment of contributions to separately administered trust funds. The Defined Benefit Pfaunder Balfour Pension Plan was closed to future accruals on 31 October 2015.

Defined benefit schemes

Contributions to the schemes for the employees of Pfaunder Limited are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The most recent full actuarial valuation of the Pfaunder Balfour Pension Plan was at 1 November 2016. This valuation showed that the market value of the scheme's assets was £17,141,000 which represented 94% of the accrued pension benefits. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the life expectancy of the members. It was assumed that the investment returns would be 5.15% per annum and that salary increases would average 2.4% per annum.

Pfaunder Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

20. Pension commitments (continued)

The company will continue to pay contributions to the plan in respect of the shortfall in funding of £180,000 per annum in accordance with the recovery plan dated 4 April 2017.

The contributions to the scheme are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method.

Pfaunder-Balfour Pension Plan

The assets and liabilities in the scheme in respect of the defined benefit section and relevant information for disclosure under FRS102 are as follows:

A full actuarial valuation was updated to 31 August 2017 and was converted to a basis consistent with FRS 102 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	31 August 2017	31 August 2016
	%p.a.	%p.a.
Inflation (RPI)	3.15	2.75
Inflation (CPI)	2.15	1.75
Rate of general long-term increase in salaries	0.0	0.0
Pensions increases (RPI max 5%)	3.00	2.75
Pensions increases (RPI max 2.5%)	2.00	2.5
Discount rate for plan liabilities	2.40	2.0
Expected rate of return on assets	5.0	4.5
Post retirement mortality – years:		
Current pensioners at 65 – male	19.4	19.4
Current pensioners at 65 – female	21.3	21.3
Future pensioners at 65 – male	20.7	20.6
Future pensioners at 65 – female	22.9	22.8

The assumptions used to value the liabilities may, within limits, take a range of values, and the financial variables are derived from market conditions at one particular point in time. The reductions in the post retirement mortality rates have been made as a result of post code analysis reports that have been reviewed by the actuary, Trustees and Deloitte pension consultants

The fair value of the assets in the scheme and the present value of the liabilities in the scheme at each balance sheet date were:

	31 August 2017	31 August 2016
	£'000	£'000
Equities	2,814	2,387
Bonds	766	477
Diversified growth fund	14,159	14,036
Cash	341	243
Total fair value of assets	18,080	17,143
Present value of scheme liabilities	(20,982)	(22,772)
Deficit in the scheme	(2,902)	(5,629)
Related deferred tax asset (note 14)	551	1,126
Net pension liability	(2,351)	(4,503)

Pfaunder Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

20. Pension commitments (continued)

Analysis of the amount charged to operating costs:

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Current service cost	-	36
Amount credited/(charged) to other net finance costs:		
Expected return on pension scheme assets	335	633
Interest on pension liabilities	(446)	(779)
Components of defined benefit costs recognised in profit or loss	(111)	(146)

Analysis of the actuarial gain/(loss) in the statement of comprehensive income:

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Expected return less actual return on pension scheme assets	1,408	295
Changes in assumptions underlying the present value of the scheme liabilities	1,274	(2,539)
	2,682	(2,244)

Analysis of the changes in the present value of the defined benefit obligations during the period:

	31 August 2017 £'000	31 August 2016 £'000
Value at beginning of period	(22,772)	(21,006)
Movement in period:		
Current service costs	-	(36)
Interest cost	(446)	(779)
Employee contributions	-	(18)
Benefits paid	962	1,081
Gain on curtailment	-	525
Actuarial gain/(loss)	1,274	(2,539)
Value at end of period	(20,982)	(22,772)

Pfaunder Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

20. Pension commitments (continued)

Analysis of the changes in the fair value of the plan assets during the period:

	31 August 2017 £'000	31 August 2016 £'000
Value at beginning of period	17,143	17,108
Movements in period:		
Interest Income	335	633
Employer contributions	156	170
Employee contributions	-	18
Benefits paid	(962)	(1,081)
Actuarial gain	1,408	295
	<hr/>	<hr/>
Value at end of period	18,080	17,143

History of experience gains and losses:

	31 August 2017 £'000	31 August 2016 £'000	31 August 2015 £'000	31 December 2014 £'000
Fair value of scheme assets	18,080	17,143	17,108	17,198
Present value of defined benefit obligation	(20,982)	(22,772)	(21,006)	(21,440)
Deficit in scheme	<hr/> (2,902)	<hr/> (5,629)	<hr/> (3,898)	<hr/> (4,242)
Experience gains and (losses) on scheme assets	2,682	(2,244)	(329)	271

Following the government's announcement of the change in the minimum pension increases from RPI to CPI, pension revaluation in deferment and pension increases in payment for all members are now linked to CPI.

Defined contribution scheme

The group operates a scheme for the employees of Pfaunder Limited. The pension cost charge of this scheme for the year was £104,925 (2016 – £149,598). Outstanding contributions £27,785 (2016 – £21,126) are shown in the balance sheet under creditors falling due within one year.

Pfautler Limited

Notes to the financial statements (continued) For the year ended 31 August 2017

21. Contingent liabilities

	31 August 2017 £'000	31 August 2016 £'000
Advance payment/retention release guarantees	126	70
Customs bonds	212	212
Performance bonds	19	137
Total	357	419

The contingent liabilities are provided by Zurich Insurance under a group credit facility. £73K of advance payment bonds are held with Commerzbank. The Customs bond is provided on an ongoing basis to enable the use of a deferred VAT facility. The advance payment guarantees relate to payments received from customers for contracts not yet fulfilled. There is no uncertainty regarding these contracts so the guarantees will lapse upon completion. The performance bonds are provided against failure to comply with warranties on goods. The maximum period of warranty is two years and the company has had no major claims in recent years and does not foresee any change to this. Contractual warranty obligations would be fulfilled so there is no indication that claims would be made against these bonds.

22. Related party transactions

The company has not disclosed details of transactions with other companies within the Pfautler Group as it has taken advantage of the exemptions conferred by FRS 102 (Section 33) on the grounds that it is a wholly owned subsidiary. The dividend income relates to a wholly owned subsidiary. There are no other related party transactions.

23. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary undertaking of Pfautler UK Limited, a company incorporated in the United Kingdom.

The company's ultimate parent undertaking and controlling party is Pfautler Holding S.a.r.l., a company incorporated in Luxembourg. Copies of its financial statements can be found at:

Pfautler Holding S.a. r.l.
59 Rue de Rollingergrund
L-2440 Luxembourg
Luxembourg