

Company Registration No. 05632471

SENSTRONICS HOLDINGS LIMITED

Report and Financial Statements

31 December 2019



SENSTRONICS HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

CONTENTS

Page

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities	6
Independent auditor's report	7
Consolidated profit and loss account	10
Consolidated statement of comprehensive income	10
Consolidated balance sheet	11
Company balance sheet	12
Statements of changes in equity	13
Consolidated cash flow statement	14
Notes to the financial statements	15

SENSTRONICS HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H Obermeier

J Baldwin (Appointed – 5 December 2019)

N Behrensen (Appointed – 5 September 2019)

N Blomfield (Appointed – 4 August 2020)

T M Sinkinson (Resigned – 4 August 2020)

A Junker (Resigned – 5 September 2019)

C Mulhall (Resigned – 20 December 2019)

SECRETARY

Bird & Bird Company Secretaries Limited

REGISTERED OFFICE

12 New Fetter Lane
London
EC4A 1JP

SOLICITOR

Ward Hadaway Solicitors
Sandgate House
102 Quayside
Newcastle Upon Tyne
NE1 3DX

AUDITOR

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

SENSTRONICS HOLDINGS LIMITED

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The group is principally engaged in the design and manufacture of pressure sensors that are sold through the various sales channels of its parent companies. Key markets for the group include Industrial, Mobile Hydraulics and HVAC/R.

BUSINESS MODEL

The aim of the group is to deliver high quality, low cost pressure sensors which add value to the customer and enable its parent companies to compete in global markets.

The group continues to focus on driving lean manufacturing practices utilizing the extensive resources of its parent companies. Critical focus areas are quality, on time delivery and cost reduction, utilizing these as market differentiators and becoming the supplier of choice for customers.

BUSINESS REVIEW AND RESULTS

Turnover for the year increased 11.3% to £19,102,469 (2018: £17,168,491). The directors feel that this performance to market continues to demonstrate the broad appeal for the Senstronics pressure transducer line.

With increased sales volumes in 2019, profitability increased year on year to £414,000 (2018: £135,000)

The Group procures 84% of its material needs from low cost regions, primarily China. These purchases are also mainly denominated in US Dollars which the company naturally hedges by invoicing most of its sales in US Dollars.

KEY PERFORMANCE INDICATORS (KPIs)

The group sets performance targets in all areas of its business. Performance is measured against a broad range of financial and business metrics. This enables the board to measure progress in the business.

KPIs are measured in quality, yield, on time delivery, procurement costs and variances together with a range of financial performance ratios.

Group financial performance KPI's relating to revenue, EBIT and cash levels were achieved in the year to the satisfaction of the directors.

FUTURE PROSPECTS

The directors continue to expect to drive growth organically, due to COVID-19 it is expected 2020 to meet the same levels as 2019 with anticipated higher sales volumes in 2021 onwards. New product development will continue to provide increased access to new applications and markets.

PRINCIPAL RISKS AND UNCERTAINTIES

The group manufactures products that are sold into different markets by its parent companies. Competition is robust in these markets where performance, cost and sensor package size are key differentiators. The directors feel that our products are well suited to compete globally. Treasury management is considered to be a high priority and is monitored on an ongoing basis to optimise cash flow to continue to fund both new product development as well investments in manufacturing capacity where necessary.

SENSTRONICS HOLDINGS LIMITED

STRATEGIC REPORT

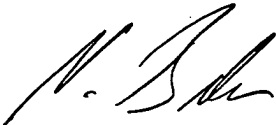
COVID-19

We have started the new financial year in a strong position despite the unprecedented times we are navigating with the COVID-19 crisis.

During the COVID-19 crisis the company has ensured the Health and Safety of our employees has been met and production has been able to continue. We have monitored any movement in product demand and have utilised the Government Job Retention Scheme where necessary, adjusting the workforce according to demand.

The full extent to which COVID-19 pandemic may affect the future results, operations or liquidity is uncertain, however Management has given serious consideration to the consequence of this disruption and our robust model has allowed us to take all appropriate action to steer the company through this difficult period which should enable us to emerge in a favourable position.

On behalf of the Board



N Behrens
Director

Date: *Dec 14, 2020*

12 Fetter Lane
London
EC4A 1JP

SENSTRONICS HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the group, together with the financial statements and independent auditor's report for the company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The group's profit for the financial year was £413,650 (2018: £135,324). The directors do not recommend the payment of a dividend (2018: £nil).

RESEARCH AND DEVELOPMENT

During the year the company continued its development of high pressure sensors. The associated direct costs amounted to £55,551 (2018: £49,650) and have been charged to the profit and loss account. Continuing investment in Research and Development supports the opening of new market potential which allows Senstronics to maintain its current growth rate.

DIRECTORS

The directors who served during the year were as follows:

H Obermeier

J Baldwin (Appointed – 5 December 2019)

N Behrens (Appointed – 5 September 2019)

N Blomfield (Appointed – 4 August 2020)

T M Sinkinson (Resigned – 4 August 2020)

A Junker (Resigned – 5 September 2019)

C Mulhall (Resigned – 20 December 2019)

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2.

The group meets its day to day working capital requirements through cash resources and cash generated from operations. In addition, the Group is subject of a joint venture agreement under which the shareholders have agreed to a specific process for raising or borrowing funds for trade working capital or other funds (Ref: Clause 4. JV Agreement).

The directors believe that the group is well placed to successfully manage its business risks. The risks may include economic conditions that could create an element of uncertainty over demand for the group's products and services. The group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the group is expected to have a sufficient level of financial resources available despite any economic uncertainty that may develop.

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

SENSTRONICS HOLDINGS LIMITED

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



N Behrens

Director

Date: *Dec 14, 2020*

12 Fetter Lane
London
EC4A 1JP

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the 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 year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SENSTRONICS HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSTRONICS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Senstronics Holdings Limited ("the company") for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated and Company Statements of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSTRONICS HOLDINGS LIMITED (CONTINUED)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSTRONICS HOLDINGS LIMITED (CONTINUED)

The purpose of our audit work and to whom we owe our responsibilities

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.

A handwritten signature in black ink, appearing to read 'C. Vaulks', with a horizontal line underneath.

Christopher Vaulks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

Date: 17 December 2020

SENSTRONICS HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
TURNOVER	2	19,102	17,168
Cost of sales		<u>(13,822)</u>	<u>(12,369)</u>
GROSS PROFIT		5,280	4,799
Distribution costs		(416)	(418)
Administrative expenses		<u>(4,450)</u>	<u>(4,246)</u>
OPERATING PROFIT	3	414	135
Interest payable and similar expenses	5	<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION		414	135
Tax on profit	6	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION		<u>414</u>	<u>135</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

During both the current and preceding financial year there has been no income, expenditure, gains and losses other than those recognised in the profit and loss account.

The accompanying notes form an integral part of the financial statements.

SENSTRONICS HOLDINGS LIMITED

Registered number 05632471

CONSOLIDATED BALANCE SHEET At 31 December 2019

	Note	2019 £000	2018 £000
FIXED ASSETS			
Goodwill	7	1,484	1,731
Tangible assets	8	<u>3,231</u>	<u>2,389</u>
		<u>4,715</u>	<u>4,120</u>
CURRENT ASSETS			
Stock	10	2,754	2,460
Debtors	11	3,920	4,251
Cash		<u>1,949</u>	<u>1,575</u>
		8,623	8,286
CREDITORS: amounts falling due within one year	12	<u>(4,220)</u>	<u>(3,702)</u>
NET CURRENT ASSETS		<u>4,403</u>	<u>4,584</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,118</u>	<u>8,704</u>
NET ASSETS		<u>9,118</u>	<u>8,704</u>
CAPITAL AND RESERVES			
Called up share capital	13	108	108
Share premium account		10,811	10,811
Profit and loss account		<u>(1,801)</u>	<u>(2,215)</u>
TOTAL SHAREHOLDERS' FUNDS		<u>9,118</u>	<u>8,704</u>

These financial statements were approved by the Board of Directors on 14 December 2020

Signed on behalf of the Board of Directors



N Behrens

Director

The accompanying notes are an integral part of these financial statements.

SENSTRONICS HOLDINGS LIMITED

Registered number 05632471

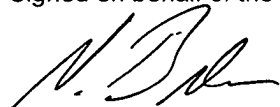
COMPANY BALANCE SHEET

As at 31 December 2019

	Note	2019 £000	2018 £000
FIXED ASSETS			
Investments	9	10,919	10,919
		10,919	10,919
CREDITORS: amounts falling due within one year	12	(65)	(65)
NET CURRENT LIABILITIES		(65)	(65)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,854	10,854
NET ASSETS		10,854	10,854
CAPITAL AND RESERVES			
Called up share capital	13	108	108
Share premium account		10,811	10,811
Profit and loss account		(65)	(65)
TOTAL SHAREHOLDERS' FUNDS		10,854	10,854

These financial statements were approved by the Board of Directors on 14 December 2020

Signed on behalf of the Board of Directors



N Behrens

Director

The accompanying notes are an integral part of this balance sheet.

SENSTRONICS HOLDINGS LIMITED

Registered number 05632471

STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2019

GROUP

	Share Capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	108	10,811	(2,350)	8,569
Retained profit for the year	-	-	135	135
At 1 January 2019	108	10,811	(2,215)	8,704
Retained profit for the year	-	-	414	414
At 31 December 2019	108	10,811	(1,801)	9,118

COMPANY

	Share Capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	108	10,811	(65)	10,854
Retained profit for the year	-	-	-	-
At 1 January 2019	108	10,811	(65)	10,854
Retained profit for the year	-	-	-	-
At 31 December 2019	108	10,811	(65)	10,854

SENSTRONICS HOLDINGS LIMITED**CONSOLIDATED CASH FLOW STATEMENT****Year ended 31 December 2019**

	2019	2018
	£000	£000
Cash flows from operating activities		
Profit for the year	414	135
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	615	555
Foreign exchange losses	3	95
Taxation	-	-
	<u>1,032</u>	<u>785</u>
Decrease / (increase) in trade and other debtors	332	(304)
Increase in stocks	(295)	(565)
Increase in trade and other creditors	518	220
	<u>1,587</u>	<u>136</u>
Net cash from operating activities		
Cash flows from investing activities		
Acquisition of tangible fixed assets	(1,209)	(953)
	<u>(1,209)</u>	<u>(953)</u>
Net cash from investing activities		
Net increase in cash and cash equivalents	378	(817)
Cash and cash equivalents at 1 January	1,575	2,488
Effect of exchange rate fluctuations on cash held	(4)	(96)
	<u>1,949</u>	<u>1,575</u>
Cash and cash equivalents at 31 December		

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. ACCOUNTING POLICIES

Senstronics Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account and company cash flow statement.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2.

The directors have prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements (the going concern assessment period). These forecasts, taking into account reasonably possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available despite any economic uncertainty that may develop, and the potential impacts of further restrictions and economic volatility caused by the Covid-19 pandemic.

In making the going concern assessment the Directors have considered a severe but plausible downside scenario whereby the Group's monthly revenues reduce by 20% compared to the current forecast performance of the Group for the entirety of the going concern period, and further Covid-19 lockdown restrictions are imposed affecting the Group's supply chain. Even in this severe scenario the Group does not require new financing and has sufficient cash reserves throughout the going concern assessment period.

The group meets its day to day working capital requirements through cash resources and cash generated from operations. In addition the Group is subject of a joint venture agreement under which the shareholders have agreed to a specific process for raising or borrowing funds for trade working capital or other funds (ref: Clause 4.6 of the JV Agreement).

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover represents the value of sales of high pressure sensors to third parties, net of trade discounts and value added tax. Turnover is recognised when the sensors are despatched to third parties.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of Assets when there is an indication that goodwill or an intangible asset may be impaired.

Investments

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Tangible fixed assets

Tangible fixed assets are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the profit and loss account so as to write off the cost of tangible fixed assets to their estimated residual value over their estimated useful economic lives using the straight line method.

Assets under construction are not depreciated until fully complete and productionised, ready for use.

The estimated useful economic lives are as follows:

Plant and machinery	3 to 10 years
Fixtures, fittings and office equipment	3 years

Stocks

Stocks are stated at the lower of cost and net realisable value and held on FIFO basis. Cost comprises the purchase cost of raw materials plus all directly related conversion costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currency

Transactions in foreign currencies are translated to the Group functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions

The company operates an independently administered money purchase (defined contribution) pension scheme for all of its employees. Pension costs are recognised in the profit and loss account as they fall due.

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. TURNOVER

	2019 £000	2018 £000
Turnover by destination		
United Kingdom	2,684	2,269
Rest of Europe	10,161	9,811
North America	4,912	3,934
China	1,061	940
Rest of World	284	214
	<u>19,102</u>	<u>17,168</u>

In the opinion of the directors all turnover is attributable to one continuing activity.

3. EXPENSES AND AUDITOR'S REMUNERATION

Profit on ordinary activities before taxation is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets - owned	367	307
Amortisation	247	248
Operating lease rentals		
- plant and machinery	3	2
- other assets	198	194
Research and development	56	50
Exchange differences	<u>3</u>	<u>95</u>
Auditors' remuneration		
- audit	<u>18</u>	<u>18</u>

4. STAFF COSTS

(a) Staff costs

	2019 £000	2018 £000
Staff costs during the year		
Wages and salaries	4,093	3,576
Social security costs	344	322
Other pension costs	<u>228</u>	<u>207</u>
	<u>4,665</u>	<u>4,105</u>

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

4. STAFF COSTS (CONTINUED)

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

	2019 No.	2018 No.
Average numbers of persons employed		
Directors	4	4
Finance and administration	13	13
Operations	129	123
	<u>146</u>	<u>140</u>

(b) Directors' emoluments

	2019 £000	2018 £000
Aggregate emoluments in respect of qualifying services	<u>-</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £000	2018 £000
Bank interest payable	<u>-</u>	<u>-</u>

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

6. TAXATION

Total tax expense recognised in the profit and loss account

	2019 £000	2018 £000
<i>The tax charge/(credit) Comprises:</i>		
Current tax - UK		
Corporation tax at the standard rate of 19.00% (2018: 19.00%)	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
	-	-
Taxation charge/(credit) for the year	-	-

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

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit before tax	414	135
Corporation tax at the standard rate of 19.00% (2018: 19.00%)	78	25
Effects of:		
Expenses not deductible for tax purposes	49	50
Utilisation of previously unrecognised other timing differences	(127)	(75)
Total taxation charge/(credit) for the year	-	-

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

6. TAXATION (CONTINUED)

Factors that may affect the future charges

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19.00% (2018: 19%).

The amounts provided for deferred taxation are set out below:

	Recognised		Not Recognised	
	2019	2018	2019	2018
	£000	£000	£000	£000
Fixed Assets	-	-	(133)	(387)
Trade losses	(300)	(300)	(1,251)	(1,112)
Short term timing differences	-	-	(6)	(5)
	<u>(300)</u>	<u>(300)</u>	<u>(1,390)</u>	<u>(1,504)</u>

A reduction in the rate of corporation tax to 17% (effective 1 April 2020) was enacted in 2016. The impact of any resulting changes to the valuation of deferred tax assets and liabilities is reflected within the financial statements.

In his budget of 2020, the Chancellor of the Exchequer proposed measures to hold the rate of corporation tax at 19%, effective 1 April 2020. The change was substantively enacted on 17 March 2020, after the balance sheet date, and therefore does not impact on the carrying value of deferred tax assets and liabilities in the financial statements.

7. INTANGIBLE ASSETS- GROUP

	Goodwill £000
Cost	
At 1 January 2019 and 31 December 2019	<u>4,946</u>
Amortisation	
At 1 January 2019	3,215
Charge for the year	<u>247</u>
At 31 December 2019	<u>3,462</u>
Net book value	
At 31 December 2019	<u>1,484</u>
At 1 January 2018	<u>1,731</u>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill of £4,946,000 arose on the acquisition of Senstronics Limited. Goodwill is being amortised in full, on a straight line basis, over 20 years. In the opinion of the directors this represents a prudent estimate of the period over which the group will derive direct economic benefit from the business acquired.

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

8. TANGIBLE FIXED ASSETS - GROUP

	Plant & equipment £000	Fixtures, fittings and office equipment £000	Assets under Construction £000	Total £000
Cost				
At 1 January 2019	6,025	88	1,027	7,140
Additions	831	78	300	1,209
Disposals	-	-	-	-
At 31 December 2019	6,856	166	1,327	8,349
Depreciation				
At 1 January 2019	4,666	85	-	4,751
Charge for the year	353	14	-	367
Disposals	-	-	-	-
At 31 December 2019	5,019	99	-	5,118
Net book value				
At 31 December 2019	1,837	67	1,327	3,231
At 1 January 2019	1,359	3	1,027	2,389

9. FIXED ASSET INVESTMENTS – COMPANY

	Subsidiary undertakings £000	Total £000
Cost		
At 1 January 2019 and 31 December 2019	10,919	10,919
Impairment		
At 1 January 2019 and 31 December 2019	-	-
Net book value		
At 31 December 2019	10,919	10,919
At 1 January 2019	10,919	10,919

Principal subsidiary undertakings

The company owns the share capital of the following subsidiary undertaking:

<u>Company Name</u>	<u>Address</u>	<u>Country of Incorporation</u>	<u>Principal activity</u>	<u>Class</u>
Senstronics Limited	12 New Fetter Lane, London, UK EC4A 1JP	England and Wales	Design, manufacture and distribution of high pressure sensors	Ordinary

At 31 December 2019 Senstronics Limited had aggregate capital and reserves of £7,699k (2018 - £7,038k) and made a profit after tax for the year then ended of £661k (2018 £383k).

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10. STOCKS – GROUP

	2019 £000	2018 £000
Raw materials and consumables	2,135	1,956
Work in progress	394	306
Finished goods	225	198
	<u>2,754</u>	<u>2,460</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £9,833,042 (2017: £8,316,025).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 Group £000	2019 Company £000	2018 Group £000	2018 Company £000
Trade debtors	373	-	469	-
Amounts owed by other group undertakings	3,011	-	3,294	-
Prepayments and accrued income	236	-	188	-
Deferred tax asset (see note 6)	300	-	300	-
	<u>3,920</u>	<u>-</u>	<u>4,251</u>	<u>-</u>

Bad debt expenses recognised as a charge in the Profit and Loss account of £Nil (2017: £Nil) and the current reserve in the balance sheet is £Nil (2017: £Nil)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 Group £000	2019 Company £000	2018 Group £000	2018 Company £000
Trade creditors	3,669	-	3,248	-
Amounts owed to related undertakings (see note 19)	29	65	35	65
Other taxation and social security	107	-	82	-
Other creditors	109	-	72	-
Accruals and deferred income	306	-	265	-
	<u>4,220</u>	<u>65</u>	<u>3,702</u>	<u>65</u>

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

13. CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Called up. Allotted and fully paid		
5,413,456 "A" Ordinary shares of £0.01 each	54	54
5,413,456 "B" Ordinary shares of £0.01 each	54	54
	<u>108</u>	<u>108</u>

The "A" and "B" Ordinary shares rank Pari passu in all respects.

14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Contracted capital commitments to purchase tangible fixed assets at the end of the financial year for which no provision has been made are £99,541 (2018: £427,656). Capital expenditure authorised but not contracted at the end of the financial year was £99,181 (2018 £226,098).

Charge in the year is disclosed in Note 3.

Total future commitments under non-cancellable operating leases are as follows:

	Land and buildings 2019 £000	Other 2019 £000	Land and buildings 2018 £000	Other 2018 £000
Payments due date				
- within one year	197	13	195	33
- between two and five years	786	20	-	15
- after five years	-	-	-	-
	<u>983</u>	<u>33</u>	<u>195</u>	<u>48</u>

15. PENSIONS

The group contributes to an individual money purchase pension scheme for the benefit of the employees. The assets of the schemes are in funds independent from those of the companies. The amount outstanding as at 31 December 2019 was £25,183 (2018: £20,763).

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

16. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the directors to make certain estimates which can affect the valuation of assets and liabilities and the result for the year. The directors consider the most significant estimate made in the accounts relates to the recognition and estimation of the deferred tax asset in relation to unutilised losses (note 6)

The company holds a significant value in respect of investments in subsidiaries (note 9). In line with the accounting policies set out in note 1 these investments are held at cost less impairment. A provision would therefore be made if the Directors did not believe the carrying value of the investments was not fully recoverable. This requires an estimate of the cash flows available for distribution from the subsidiary undertakings. There is no impairment of investments in the year.

The directors have applied judgement in determining the functional currency of the Group as transactions are denominated in a number of different currencies. After consideration, as disclosed in note 1, the functional currency is Sterling which the directors consider to be the currency of the primary economic environment in which the Group operates.

17. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

	2019	2018
	£'000	£'000
Assets measured at amortised cost	3,398	3,828
Liabilities measured at amortised cost	3,756	3,355

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is jointly controlled by Danfoss A/S, incorporated in Denmark, and TGA Industries Limited (a subsidiary of Fortive Corporation, incorporated in the United States of America), who each own 50% of the ordinary shares of the company.

SENSTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19. RELATED PARTY DISCLOSURES

Group

Included within debtors is £65,040 (2018: £65,040) owed by the immediate parent undertaking, Senstronics Holdings Limited.

Danfoss A/S and Fortive Corporation each control 50% of the share capital of Senstronics Holdings Limited, the company's immediate parent undertaking.

The following related party transactions occurred during the year with companies that are under the control of either Danfoss A/S or Fortive Corporation:

Sales of £2,346,121 (2019: £2,269,506) were made to TGA Industries Limited. At 31 December 2019, a balance of £445,072 (2018: £731,248) was due from TGA Industries Limited.

Sales of £3,687,523 (2018: £2,737,113) were made to Gems Sensors Inc. At 31 December 2019, a balance of £667,174 (2018: £812,655) was owed by Gems Sensors Inc.

Sales of £995,358 (2018: £887,614) were made to Fortive Setra-ICG (Tianjin) Co. Limited. The balance outstanding from Fortive Setra-ICG (Tianjin) Co. Limited at 31 December 2019 was £158,916 (2018: £111,310).

Sales of £282,806 (2018: £200,630) were made to Fortive ICG Japan Co. Limited. The balance outstanding at 31 December 2019 was £48,678 (2018: £29,783).

Sales of £1,225,130 (2018: £1,181,174) were made to Setra Systems Inc. The balance outstanding at 31 December 2019 was £192,525 (2018: £290,625).

Sales of £10,497,276 (2018: £9,808,113) were made to Danfoss A/S. The balance outstanding at 31 December 2019 was £1,563,123 (2018: £1,383,266).

Sales of £628 (2018: £91) were made to Danfoss (Tianjin) Limited. The balance due from Danfoss (Tianjin) Limited at 31 December 2019 was £136 (2018: £80).

Purchases of £6,406 (2018: £895) were made from Danfoss Limited and a balance of £1,933 (2018: £Nil) was owed to Danfoss Limited at 31 December 2019.

Purchases of £736 (2018: £Nil) were made from Danfoss Sensors GmbH and a balance of £Nil (2018: £Nil) was owed to Danfoss Sensors GmbH at 31 December 2019.

Purchases of £3,648 (2018: £Nil) were made from Tektronix UK Limited and a balance of £2,368 (2018: £Nil) was owed to Tektronix UK Limited at 31 December 2019.

Purchases of £18,383 (2018: £12,466) were made from Gems Sensors Inc and a balance of £Nil (2018: £12,457) was owed to Gems Sensors Inc at 31 December 2019.

Purchases of £3,600 (2018: £Nil) were made from Gems Sensors (A Division of TGA) and a balance of £2,160 (2018: £Nil) was owed to Gems Sensors (A Division of TGA) at 31 December 2019.

Purchases of £Nil (2018: £45,037) were made from Setra Systems Inc and a balance of £Nil (2018: £22,851) was owed to Setra Systems Inc at 31 December 2019.

Purchases of £78,016 (2018: £1,879) were made from West Control Solutions and a balance of £22,284 (2018: £Nil) was owed to West Control Solutions at 31 December 2019.

All amounts due to / from the company by related parties at the balance sheet date, as set out above, are included in amounts owed by / to related undertakings in notes 11 and 12 respectively.

Company

Included within creditors falling due within one year is £65,040 (2018 - £65,040) owed to Senstronics Limited, a wholly owned subsidiary, in Note 12.