

AmniTec Limited

Report and Financial Statements

Year ended 31 December 2018

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Company Information

Directors	C M Hurley Patrick Henry (appointed 20-Feb 2019)
Registered office	Abercanaid Merthyr Tydfil Mid Glamorgan CF48 1UX
Registered number	00587472
Independent auditor	BDO LLP Bridgewater House Counterslip Bristol BS1 6BX
Bankers	HSBC PLC PO Box 125 27-32 Poultry London BNP Paribas Commercial Finance Limited Westcombe House 2-4 Mount Ephraim Tunbridge Wells Kent TN4 8AS
Solicitors	Hugh James Hodge House 114-116 St Mary's Street Cardiff CF10 1DY

Strategic Report

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

During the period of this report the company and its immediate parent AmniTec Hose Ltd were wholly owned subsidiaries of a US company, United Flexible Inc. On 19 February 2019 United Flexible Inc, including AmniTec Ltd and AmniTec Hose Ltd were acquired by a UK company Smiths Group Plc and operate within its Flex-Tek division.

Principal activities

The principal activity of the company continues to be the manufacture of flexible tubing, hose and assemblies in composite, fluoropolymer and metallic materials. There have not been any significant changes in the company's principal activities in the year. The directors are not aware at the date of this report of any likely major changes in the company's activities in the next year.

Business review and future developments

The trading year 2018 represents AmniTec Ltd's fourth year as part of the United Flexible group. Following the group's purchase of three US based companies during 2016, no further acquisitions were made during the financial year 2018.

United Flexible Inc. was acquired by the Smiths Group Plc on 19 February 2019 and will be integrated into their Flex-Tek division. This acquisition will strengthen the company's brand within the global industrial hose market. The executive management team has remained in place following the acquisition.

The Company has remained profitable within a challenging global market, significant fluctuations in the value of Sterling against the US Dollar and Euro have resulted in lower margins on fixed price foreign exchange sales contracts. By focussing on improving the level of service given to customers, productivity and cost control the company managed to minimise the impact of the global economic situation and Brexit uncertainty and deliver an Operating profit after tax of £723k (2017: £1,147k).

The company is in a good position to face the challenges ahead. We expect to continue to grow the business by focussing on our core business, using our engineering expertise to win new contracts and customers. We shall maintain and build upon our current customer base, which includes our key global customers.

The directors remain confident that AmniTec Ltd will trade increasingly profitably and generate positive cash flows into the future.

Strategic Report

(Continued)

Key Performance Indicators

	2018	2017
Turnover (£000's)	£9,122	£9,174
Gross profit (£000's)	£2,025	£2,285
Operating profit (£000's)	£754	£1,054
Profit after tax (£000's)	£723	£1,147
Adjusted EBITDA (£000's)	£930	£1,381
Adjusted EBITDA %	10.2%	15.1%
Payroll to turnover ratio	32.6%	33.8%
Turnover to direct labour ratio	5.46	5.91

- Adjusted EBITDA = operating profit or loss before exceptional items plus depreciation and interest.
- Payroll to turnover = total payroll costs as a percentage of turnover.
- Turnover to direct labour ratio = turnover adjusted by the movement in finished goods divided by annualised direct labour cost.

Turnover, gross profit, operating profit and the result after tax for the year (and prior years) have been taken directly from the audited financial statements.

Annual turnover decreased in 2018 resulting in a slight decrease in profitability after excluding exceptional costs related to the sale of United Flexible Inc. This decrease can be attributed to the higher sterling exchange rate versus the dollar and euro currencies following the ongoing financial market fluctuations with Brexit uncertainty. At the beginning of the year exchange rates were set at 1.42 and 1.14 respectively before falling to 1.27 and 1.11 respectively.

The group aims to continually improve efficiencies and is confident that the payroll to turnover ratio will continue to show a positive trend through 2019 and onwards. The company believes that staff levels are now appropriate for the business and allows for future growth in output. The payroll to turnover fell from 33.8% in 2017 to 32.6% in 2018. As turnover increases, the company expects this ratio to improve in future years.

The group's primary objective continues to be to increase profit available to reinvest in the business and it measures performance against this objective by measuring adjusted EBITDA.

The directors are confident in achieving strong EBITDA returns in future years. A continued focus on improving efficiencies and lowering costs whilst targeting and winning higher margin business will enable the company to grow regardless of any future movements in foreign currency exchange rates.

During March 2018, a reconstruction of intercompany loans related to AmniTec Ltd and other Group subsidiaries was undertaken. The effect of this reconstruction significantly improved net assets and equity shareholders' funds to the value of £4.6m.

Strategic Report

(Continued)

Principal risks and uncertainties

There is continuing price pressure and competition in the marketplace as well as the afore mentioned uncertainty surrounding the value of Sterling. AmniTec plans on protecting its revenues and profit margins by continuing to focus on selling value added products and assemblies to global customers. This strategy is supported by the company's quality standards and accreditations, technical expertise, global reach and high quality products.

Financial instruments

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The company's principal financial instruments comprise sterling bank balances, an invoice discounting facility, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from financial instruments can be analysed as follows:-

Foreign currency risk

The company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The main foreign currencies in which the company operates are the Euro and the US dollar.

Management monitor the level of overall exposure and, where possible, the group will create a natural hedge by buying and selling in the same currency.

Credit risk

The company's principal financial assets are bank balances and trade debtors. The latter represents the company's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Funding Position

The company meets its day to day working capital requirements through an invoice discounting facility against trade receivables provided by BNP Paribas Commercial and there are also balances in place with group undertakings.

Strategic Report

(Continued)

The invoice discounting facility has been in place since August 2010 and can be terminated by either party subject to one month's notice. There are plans in place to replace the invoice discounting facility with alternative funding from Smiths Group Plc.

On the basis of their assessment of the financial position of the group and the company, and of the enquiries made of, and the responses received from, the directors of the parent company, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash flow interest rate risks

The interest rate on the company's third party borrowings is at a variable market rate and the policy is to keep downward pressure on borrowings such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company.

Approval

The strategic report was approved by the Board on ~~30 SEP~~ 2019 and signed on its behalf by:



C M Hurley
Director

Report of the Directors

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

Directors

The directors at the date of this report are set out on page 2. On completion of the acquisition of AmniTec Ltd by Smiths Group Plc Bilal Noor resigned as a Director on 31st January 2019 and Patrick Henry was appointed on the 20th February 2019.

Dividends

The directors do not recommend the payment of a dividend for the period (2017: Nil).

Financial risk management policies and procedures

Financial risk management policies and procedures are discussed in the Strategic Report.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the group. Retraining of employees who become disabled whilst employed by the group is offered where appropriate.

Employee involvement

The group maintains an HR intranet site providing employees with information on matters of concern to them as employees, including the financial and economic factors affecting the performance of the company. The intranet site includes functionality that enables employees to express views on matters that affect them anonymously. The group arranges regular meetings with staff to provide a forum for discussion of any significant matters. A bonus scheme, based on profitability compared to targets, is in place for all employees.

Report of the Directors

(Continued)

Statement of directors' responsibilities

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 the directors have elected to prepare Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- 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 enables 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.

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

Statement of disclosure of information to the auditor

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approval

This directors' report was approved by the Board on ~~30 sept~~ 30 sept 2019 and signed on its behalf by:



Colin Hurley
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMNITEC LIMITED**Opinion**

We have audited the financial statements of AmniTec Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the the Strategic Report and Directors' 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.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMNITEC LIMITED

(Continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMNITEC LIMITED

(Continued)

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.

Andrea Bishop (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol, UK

BDO LLP

30 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Income and Retained Earnings

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	9,122	9,174
Cost of sales		(7,097)	(6,889)
		<hr/>	<hr/>
Gross profit		2,025	2,285
Distribution costs		(208)	(113)
Selling and marketing costs		(213)	(259)
Administrative expenses – general		(938)	(953)
Administrative expenses retranslation of intercompany loans	6	88	94
Total Administration Costs		(849)	(859)
		<hr/>	<hr/>
Operating profit		754	1,054
Interest payable and similar charges	7	(31)	(44)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		723	1,010
Tax on profit on ordinary activities	8	-	137
		<hr/>	<hr/>
Profit for the financial year		723	1,147
Other comprehensive income		-	-
Total comprehensive income for the financial year		<hr/> 723 <hr/>	<hr/> 1,147 <hr/>
Retained losses at 1 January		(7,615)	(8,762)
Retained losses at 31 December		<hr/> (6,892) <hr/>	<hr/> (7,615) <hr/>

The notes on pages 15 to 26 form part of these financial statements.

Balance sheet

at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	9	431	449
Current assets			
Stocks	10	1,048	999
Debtors	11	7,037	5,061
Cash at bank and in hand		293	65
Creditors: Amounts falling due within one year	13	8,378 (2,976)	6,125 (6,045)
Net current assets/ (liabilities)		5,402	80
Total assets less current liabilities		5,402	529
Net assets/(liabilities)		5,402	529
Capital and reserves			
Called up share capital	15	7,732	7,732
Share premium account	16	192	192
Capital contribution	16	4,801	220
Profit and loss account	16	(6,892)	(7,615)
Equity shareholder's funds	17	5,833	529

The Financial Statements were approved by the Board and authorised for issue on ~~30-09-2019~~ and signed on its behalf by:



C M Hurley
Director

The accompanying accounting policies and notes form part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit for the financial year		723	1,147
Adjustments for:			
Depreciation of tangible fixed assets	9	90	89
Interest paid	7	31	44
(Increase) in trade and other debtors	11	(1,894)	(283)
(Increase)/Decrease in stocks	10	(49)	38
Decrease/(Increase) in trade creditors	13	1,575	(136)
Cash from operations		<u>476</u>	<u>899</u>
Interest paid	7	(31)	(44)
Net cash generated from operating activities		<u>445</u>	<u>855</u>
Cash flows from investing activities			
Purchases of tangible fixed assets	9	(72)	(24)
Disposal of tangible fixed assets		-	9
Net cash from investing activities		<u>(72)</u>	<u>(15)</u>
Cash flows from financing activities			
(Repayment) of borrowings	13	(145)	(979)
Capital element of finances lease payments	13	-	(7)
Net cash from financing activities		<u>(145)</u>	<u>(986)</u>
Net increase/(decrease) in cash and cash equivalents		228	(146)
Cash and cash equivalents at beginning of year		65	211
Cash and cash equivalents at end of year		<u>293</u>	<u>65</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand		293	65
Bank overdraft		-	-
Cash and cash equivalents at end of year		<u>293</u>	<u>65</u>

The accompanying accounting policies and notes form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation of Financial Statements

AmniTec Limited is a Private company limited by shares incorporated in England & Wales under the Companies Act with registered number 00587472 and is limited by shares. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report.

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 United Kingdom and the Republic of Ireland.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the available exemptions from the following disclosure requirements in preparing these Financial Statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 11 Financial Instruments paragraphs 11.41 to 11.48A; and
- the requirements of Section 33 Related Party disclosures paragraph 33.7.

This information is included in the consolidated Financial Statements of United Flexible Inc. as at 31 December 2018 and these Financial Statements may be obtained from 815 Forestwood Drive, Romeoville, Illinois 60446, USA.

Funding Position

The Company meets its day to day working capital requirements through an invoice discounting facility against trade receivables provided by BNP Paribas Commercial. There are also balances in place with group undertakings.

The invoice discounting facility has been in place since August 2010, and can be terminated by either party subject to one month's notice. The Group discusses its borrowing requirements with BNP Paribas and no matters have been drawn to the Group's or Company's attention to suggest that the current facility will not continue to be available for the foreseeable future.

On the basis of their assessment of the financial position of the Group and the Company, and of the enquiries made of, and the responses received from, the directors of the parent company, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Therefore the directors continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. ACCOUNTING POLICIES (Continued)**Tangible fixed assets and depreciation**

Tangible fixed assets are shown at cost, net of depreciation and provisions for any impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold buildings	over the term of the lease
Plant, machinery and equipment	between 3 and 25 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Where there is evidence of impairment, tangible fixed assets would be written down to their recoverable amount. Any such charge would be charged to the operating result for the year:

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated normal 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.

Costs incurred in bringing each product to its present location and condition are based on:

Raw materials	purchase cost on a first in, first out basis, including transport
Work in progress and finished goods	cost of direct materials and labour, plus an appropriate proportion of manufacturing overheads based on normal levels of activity

Turnover

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Taxation

Current tax payable is provided on taxable profits at the effective current rate.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the Financial Statements and recognition in the tax computation. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets in respect of unutilised losses are only reflected when their recoverability can be assessed with reasonable certainty.

Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. ACCOUNTING POLICIES (Continued)**Pension costs**

The Company operates a defined contribution pension scheme, the costs of which are charged to the income statement on a monthly basis.

Leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

Where assets are financed by leasing agreements ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the Company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income statement over the period of the lease in proportion to the balance of capital repayments outstanding.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the transaction date is included as an exchange gain or loss in the income statement.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these Financial Statements, the directors have made the following judgements and estimates:

- Tangible fixed assets (see note 9)

The directors determine whether there are indicators of impairment of the company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors including product life cycles and maintenance programmes. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Stocks (see note 10)

The company reviews the net realisable value of its stocks to provide assurance that recorded stocks are stated at the lower of cost or net realisable value. Factors that could impact realisable value include: the past and forecast usages of particular stock lines, competitor actions, supplier prices and wider economic trends.

3. TURNOVER

All turnover and profits or losses on ordinary activities before taxation are attributable to the principal activity of the Company.

Turnover by geographical market (destination)

	2018	2017
	£'000	£'000
United Kingdom	1,731	2,169
Rest of Europe	2,767	2,701
North America	3,898	3,433
Rest of World	726	871
	<hr/>	<hr/>
	9,122	9,174
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. INFORMATION REGARDING EMPLOYEES

	2018	2017
	No.	No.
Average monthly number of persons employed		
Production	75	69
Sales and distribution	6	6
Administration	9	9
	<hr/>	<hr/>
	90	84
	<hr/> <hr/>	<hr/> <hr/>
Staff costs during the year		
	2018	2017
	£'000	£'000
Wages and salaries	2,625	2,773
Social security costs	229	223
Pension costs	115	110
	<hr/>	<hr/>
	2,969	3,106
	<hr/> <hr/>	<hr/> <hr/>

5. DIRECTORS' REMUNERATION

	2018	2017
	£'000	£'000
Directors' emoluments	189	117
Company contributions to money purchase pension schemes	25	28
	<hr/>	<hr/>
	214	145
	<hr/> <hr/>	<hr/> <hr/>

The monthly average number of directors in the company's defined contribution pension scheme was 1 (2017 - 1).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

	2018	2017
	£'000	£'000
Depreciation and amounts written off tangible fixed assets	90	89
Rentals under operating leases		
- Land and buildings	253	253
- Motor vehicles	20	6
- Other	22	24
Auditor's remuneration		
- Audit services	20	18
- Other services	3	-
Foreign exchange differences	(17)	112
FX Revaluation of Intercompany Loans	88	94
Redundancy costs in year	-	11
Defined contribution pension cost	115	110
Legal costs and other charges	9	102
Gain on disposal of fixed assets	-	9
	<u> </u>	<u> </u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£'000	£'000
Interest on finance leases	2	2
Interest payable on invoice discounting facility	29	42
	<u> </u>	<u> </u>
	31	44
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8. TAXATION

(i) Analysis of tax on ordinary activities

	2018 £'000	2017 £'000
United Kingdom corporation tax at 19.00% (2017: 19.25%) based on the result for the year	-	-

(ii) Factors affecting tax for the current period

The tax for the current year is different to that resulting from applying the standard rate of corporation tax of 19.00% (2017: 19.25%).

	2018 £'000	2017 £'000
The differences are explained below:		
Profit on ordinary activities before taxation	723	1,010
Tax at standard rate of 19.00% (2017: 19.25%) thereon	137	197
Expenses not deductible for tax purposes	2	-
Capital allowances in excess of depreciation	63	88
Movement in short term timing differences	(78)	(111)
Unutilised/(utilised) tax losses	(124)	(311)
Total tax (credit) for the year	-	(137)

(iii) Factors that may affect the future tax charge

An element of the deferred tax asset has not been recognised in respect of timing differences relating to tax losses carried forward, capital allowances and other short term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £539,339 (2017: £510,698). The asset would be recovered if the Company makes sufficient profits from its trading activities in the future.

Deferred tax assets not recognised

	2018 £'000	2017 £'000
Tax effect of timing differences due to:		
Capital allowances in excess of depreciation	142	180
Short term timing differences	13	2
Losses	384	329
	539	511

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8. TAXATION (Continued)

Deferred tax asset recognised

	2018 £'000	2017 £'000
Losses	137	137
Fixed asset timing differences	-	-
Short term timing differences	-	-
	<u>137</u>	<u>137</u>

9. TANGIBLE FIXED ASSETS

	Leasehold buildings £'000	Plant, machinery and equipment £'000	Total £'000
Cost			
At 1 January 2018	46	7,127	7,173
Additions	-	72	72
At 31 December 2018	<u>46</u>	<u>7,199</u>	<u>7,245</u>
Depreciation			
At 1 January 2018	36	6,688	6,724
Charged in year	3	87	90
At 31 December 2018	<u>39</u>	<u>6,775</u>	<u>6,814</u>
Net book value			
At 31 December 2018	<u>7</u>	<u>424</u>	<u>431</u>
At 31 December 2017	<u>9</u>	<u>439</u>	<u>449</u>

The net book value of assets held under finance leases was Nil (2017: Nil). Depreciation charged on those assets during the year totalled Nil (2017: £1,000).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. STOCKS

	2018 £'000	2017 £'000
Raw materials and consumables	843	753
Work in progress	34	75
Finished goods and goods for resale	171	171
	<hr/>	<hr/>
	1,048	999
	<hr/> <hr/>	<hr/> <hr/>

Stock recognised as an expense during the year was £3,444,820 (2017: £3,173,442)

11. DEBTORS

	2018 £'000	2017 £'000
Trade debtors	1,778	1,498
Amounts owed by Group undertakings	4,827	3,226
Other taxation and social security	47	-
Prepayments and accrued income	166	200
Deferred Tax Asset (note 12)	137	137
Loans from invoice discounters	82	-
	<hr/>	<hr/>
	7,037	5,061
	<hr/> <hr/>	<hr/> <hr/>

All amounts shown under debtors fall due for payment within one year.

12. DEFERRED TAXATION

	2018 £'000
At 1 st January 2018	137
Credit to Income Statement	<hr/> -
At 31 st December 2018	<hr/> 137
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Loans from invoice discounters (secured)	-	63
Obligations under finance leases	-	7
Trade creditors	886	620
Amounts owed to Group undertakings	1,619	4,751
Other taxation and social security	72	69
Accruals and other deferred income	377	494
Other creditors	22	41
	<u>2,976</u>	<u>6,045</u>

The loan from invoice discounters relates to an invoice discounting facility against trade receivables provided by BNP Paribas.

This invoice discounting facility has been in place since August 2010, the facility can be terminated by either party subject to 1 month's notice.

This facility is secured by a fixed charge over book debts and a floating charge over all other assets, together with a cross guarantee from all fellow subsidiary undertakings. The total of group borrowings covered by this arrangement is Nil (2017: £212,000).

Amounts owing to Group undertakings are unsecured.

14. PENSIONS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £115,084 (2017 - £109,919). Contributions totalling £30,029 (2017 - £14,579) were payable to the fund at the balance sheet date and are included in creditors.

15. SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised		
8,000,000 ordinary shares of £1 each	8,000	8,000
Allotted and fully paid		
7,732,000 ordinary shares of £1 each	<u>7,732</u>	<u>7,732</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

16. RESERVES

	Share premium account £'000	Capital Contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	192	220	(7,615)	(7,203)
Capital Contribution	-	4,581	-	4,581
Profit for the financial year	-	-	723	723
At 31 December 2018	<u>192</u>	<u>4,801</u>	<u>(6,892)</u>	<u>(1,899)</u>

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital Contribution

The capital contribution represented an increase in 2018 in the ultimate parent's investment in AmniTec Limited.

Profit and loss account

This reserve includes all current and prior period retained profits and losses.

17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2018 £'000	2017 £'000
Profit for the financial year	723	1,147
Capital contribution	4,581	-
Opening equity shareholder's funds	529	(618)
Closing equity shareholder's funds	<u>5,833</u>	<u>529</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

18. FINANCIAL COMMITMENTS**Operating lease commitments**

At 31 December 2018, the Company was committed to making the following payments in respect of operating leases:

	2018		2017	
	Property £'000	Other £'000	Property £'000	Other £'000
Leases which expire:				
- Within one year	189	24	253	30
- Within two to five years	690	54	933	54
- After five years	811	-	-	9
	<hr/>	<hr/>	<hr/>	<hr/>
	1,690	78	1,186	93
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Company leases its main premises and certain other assets under operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays all insurance, maintenance and repairs of these properties.

19. IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate parent undertaking is AmniTec Hose Ltd, a Company registered in England and Wales. On 19 February 2019 United Flexible Inc, including AmniTec Ltd and AmniTec Hose Ltd were acquired by a UK company Smiths Group Plc and operate within its Flex-Tek division. The ultimate parent undertaking is Smiths Group Plc, however the ultimate year end Parent is United Flexible Inc.. The largest and smallest accounts into which the company will be consolidated are those of United Flexible Inc.. Details of the address to obtain these accounts are included in note 1.

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by section 33.1A of FRS102 not to disclose transactions with other wholly owned subsidiaries within the group as consolidated accounts, including the subsidiary undertakings are publicly available.

21. POST BALANCE SHEET EVENT

As at 19 February 2019 United Flexible Inc was acquired by Smiths Groups Plc.