

AmniTec Limited

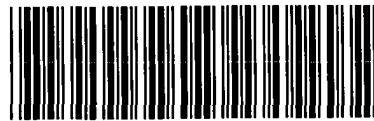
Annual Report and Financial Statements

Period Ended

31 July 2019

Company Number 00587472

FRIDAY



A9AHC02I

A18

31/07/2020

#156

COMPANIES HOUSE

AmniTec Limited

Company Information

Directors	C M Hurley P Henry
Registered number	00587472
Registered office	Abercanaid Merthyr Tydfil Mid Glamorgan CF48 1UX
Independent auditor	BDO LLP Bridgewater House Counterslip Bristol BS1 6BX
Bankers	HSBC PLC PO Box 125 27-32 Poultry London BS1 6BX 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

AmniTec Limited

Contents

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Directors' Responsibilities Statement	6
Independent Auditor's Report	7 - 9
Statement of Income and Retained Earnings	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 26

AmniTec Limited

Strategic Report For the Period Ended 31 July 2019

The directors present their strategic report for the period ending the 31st July 2019.

During the period 1st January 2019 to 18th February 2019 the company and its immediate parent Amnitec Hose Ltd were wholly owned subsidiaries of a US company, United Flexible Inc. On 19th 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. This report is for the 7 month period 1st Jan 2019 to the 31st July 2019 that aligns Amnitec with the Smiths Group plc reporting calendar.

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

United Flexible Inc. was acquired by the Smiths Group plc on 19 February 2019 and has been 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 and continued Brexit uncertainty, 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. For the period the company delivered increased revenue, gross profit and operating profit over the same period prior year. This was achieved by focussing on higher margin project sales, improving the level of service given to existing key customer and improvements in productivity and cost control.

Trading since March 2020 has been affected by the COVID-19 pandemic disruption impacting both demand and supply in the near-term. The company has remained open throughout providing critical components to many of our customers operating in key industries, as customer demand weakened and social distancing within the workplace reduced capacity this resulted in lower revenue. The company has taken actions to reduce costs and protect cash, including cancellation of discretionary expenditure and postponement of non-critical capex. It is too early to assess the full impact of COVID-19 but the directors believe the company is in a good position to manage this period of high uncertainty, given the actions taken to reduce costs and the financial support provided by Flex-Tek and the ultimate parent company Smiths Group plc.

Key performance indicators

	Period ended 31 July 2019	Year ended 31 December 2018
Turnover (£000's)	£5,453	£9,122
Gross profit (£000's)	£1,329	£2,025
Operating profit (£000's)	£696	£754
Profit and total comprehensive income for the financial year (£000's)	£544	£723
Cash (£000's)	£71	£293

AmniTec Limited

Strategic Report (continued) For the Period Ended 31 July 2019

Key performance indicators (continued)

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.

Turnover increased 2.4% during the reporting period in 2019 when compared directly to the same period in 2018, Gross profit increased 11% while Operating profit increased by 43% largely due to increased one-off project activity. Gross Margin reduced on OEM business through fluctuations in the value of sterling on these fixed price US Dollar and Euro contracts and competition from lower cost countries.

The directors are confident in achieving strong operating profit 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 £4.7m.

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.

AmniTec Limited

Strategic Report (continued) For the Period Ended 31 July 2019

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, the company also has access to funds through a group banking facility and a long term loan provided post year end by the group to support the company through the Covid-19 period.

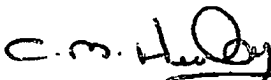
The invoice discounting facility has been in place since August 2010 and can be terminated by either party subject to one months' notice. This facility is in the process of being replaced by the group banking facility.

To assess whether the company is a going concern, the directors have reviewed the company's trading performance, the company's business plans and the support available to the company. The directors have relied upon the support available from the ultimate parent company, Smiths Group plc, in determining that the accounts should be prepared on a going concern basis. In July 2020 we have agreed a £5m long-term loan facility with an intermediate parent company Flex-Tek Group Limited and have drawn down cash of £0.6m against that facility.

Cash flow and 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.

This report was approved by the board on 30th July 2020 and signed on its behalf.


C M Hurley
Director

AmniTec Limited

Directors' Report For the Period Ended 31 July 2019

The directors present their report together with the audited financial statements for the seven month period ended 31 July 2019. The comparative figures cover the year ended 31 December 2018.

Results and dividends

The profit for the period, after taxation, amounted to £681k (year ended 31 December 2018 - profit £723k).

The directors do not recommend the payment of a dividend for the period (year ended 31 December 2018 - £Nil).

Directors

The directors who served during the period were:

C M Hurley
B Noor (resigned 31 January 2019)
P Henry (appointed 20 February 2019)

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 a 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.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed 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 the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AmniTec Limited

Directors' Report (continued) For the Period Ended 31 July 2019

Post balance sheet events

Trading since March 2020 has been affected by COVID-19 disruption impacting both demand and supply in the near-term. The company has remained open throughout providing critical components to many of our customers operating in key industries, as customer demand weakened and social distancing within the workplace reduced capacity this resulted in lower revenue. The company has taken actions to reduce costs and protect cash, including cancellation of discretionary expenditure and postponement of non-critical capex. It is too early to assess the full impact of COVID-19 but the directors believe the company is in a good position to manage this period of high uncertainty, given the actions taken to reduce costs and the financial support provided by Flex-Tek and the ultimate parent company Smiths Group plc.

Auditor

The auditor, BDO LLP, has not been proposed for reappointment. KPMG LLP have been appointed as auditors of the Smiths Group plc subsidiaries including the company.

This report was approved by the board on 30th July 2020 and signed on its behalf.


C M Hurley
Director

AmniTec Limited

Directors' Responsibilities Statement For the Period Ended 31 July 2019

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 the 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 judgements and accounting 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 to 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.

AmniTec Limited

Independent Auditor's Report to the Members of AmniTec Limited

Opinion

We have audited the financial statements of AmniTec Limited ("the company") for the 7 month period ended 31 July 2019 which comprise the statement of income and retained earnings, the balance sheet, the statement of changes in equity 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 July 2019 and of its profit for the period 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.

AmniTec Limited

Independent Auditor's Report to the Members of AmniTec Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in 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.

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 period 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 directors' report.

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

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

AmniTec Limited

Independent Auditor's Report to the Members of AmniTec Limited (continued)

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

31 July 2020

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

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

AmniTec Limited

Statement of Income and Retained Earnings For the Period Ended 31 July 2019

	Note	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
Turnover	4	5,453	9,122
Cost of sales		(4,124)	(7,097)
Gross profit		1,329	2,025
Distribution costs		(77)	(208)
Selling and marketing costs		(124)	(213)
Administrative expenses		(432)	(850)
Operating profit	5	696	754
Interest payable and similar charges	8	(15)	(31)
Profit before tax		681	723
Taxation	9	(137)	-
Profit and total comprehensive income for the financial period/year		544	723
Retained earnings at the beginning of the period/year		(6,892)	(7,615)
Profit for the period/year		544	723
Retained earnings at the end of the period/year		(6,348)	(6,892)

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


AmniTec Limited
Registered number:00587472

Balance Sheet
As at 31 July 2019

	Note	31 July 2019 £000	31 July 2019 £000	31 December 2018 £000	31 December 2018 £000
Fixed assets					
Tangible assets	10		417		431
Current assets					
Stocks	11	1,399		1,048	
Debtors: amounts falling due within one year	12	5,933		7,037	
Cash at bank and in hand		71		293	
		7,403		8,378	
Creditors: amounts falling due within one year	13	(1,443)		(2,976)	
Net current assets			5,960		5,402
Net assets			6,377		5,833
Capital and reserves					
Called up share capital	15		7,732		7,732
Share premium account	16		192		192
Capital contribution	16		4,801		4,801
Profit and loss account	16		(6,348)		(6,892)
Total equity			6,377		5,833

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30th July 2020



C M Hurley
Director

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

AmniTec Limited

Statement of Changes in Equity For the Period Ended 31 July 2019

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	7,732	192	4,801	(6,892)	5,833
Comprehensive income for the period					
Profit for the period	-	-	-	544	544
Total comprehensive income for the period	-	-	-	544	544
Contributions by and distributions to owners					
Total transactions with owners	-	-	-	-	-
At 31 July 2019	7,732	192	4,801	(6,348)	6,377

Statement of Changes in Equity For the Period Ended 31 December 2018

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	7,732	192	220	(7,615)	529
Comprehensive income for the year					
Profit for the year	-	-	-	723	723
Total comprehensive income for the year	-	-	-	723	723
Contributions by and distributions to owners					
Capital contribution	-	-	4,581	-	4,581
Total transactions with owners	-	-	4,581	-	4,581
At 31 December 2018	7,732	192	4,801	(6,892)	5,833

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

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

1. General information

AmniTec Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions 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 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Smiths Group plc as at 31 July 2019 and these financial statements may be obtained from 4th Floor, 11-12 St James's Square, London, SW1Y 4LB.

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

2. Accounting policies (continued)

2.3 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, the company also has access to funds through a group banking facility and a long term loan provided by group to support the company through the Covid-19 period.

The invoice discounting facility has been in place since August 2010 and can be terminated by either party subject to one months' notice. This facility is in the process of being replaced by the group banking facility.

To assess whether the company is a going concern, the directors have reviewed the company's trading performance, the company's business plans and the support available to the company. The directors have relied upon the support available from the ultimate parent company, Smiths Group plc, in determining that the accounts should be prepared on a going concern basis. In July 2020 we have agreed a £5m long-term loan facility with an intermediate parent company Flex-Tek Group Limited and have drawn down cash of £0.6m against that facility.

2.4 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.

2.5 Tangible fixed assets

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:

Depreciation is provided on the following basis:

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. An such charge would be charged to the operating result for the period.

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

2. Accounting policies (continued)

2.6 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

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

2. Accounting policies (continued)

2.9 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Leases

Rentals under operating leases are charged to the statement of income and retained earnings 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 statement of comprehensive income 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 period to the first market rent review rather than the term of the lease.

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

2.12 Pension costs

Defined contribution pension plan

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

2.13 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 period end are reported at the rates of exchange prevailing at the period 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 statement of income and retained earnings.

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

2. Accounting policies (continued)

2.14 Finance costs

Finance costs are charged to the statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.15 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. *Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.*

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible 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.

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

3. Judgements in applying accounting policies (continued)

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 10)

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. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Stocks (see note 11)

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.

4. Turnover

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

Analysis of turnover by geographical market (destination):

	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
United Kingdom	1,334	1,731
Rest of Europe	1,156	2,767
North America	2,792	3,898
Rest of the world	171	726
	<u>5,453</u>	<u>9,122</u>

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

5. Operating (loss)/profit

The operating profit is stated after charging/(crediting):

	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
Depreciation and amounts written off tangible fixed assets	139	90
Rentals under operating leases		
- Land and buildings	153	253
- Motor vehicles	17	20
- Other	8	22
Auditors remuneration		
- Audit services	35	20
- Other services	7	3
Foreign exchange differences	42	(17)
FX Revaluation of intercompany loans	-	88
Redundancy costs in the period	10	-
Defined contribution pension cost	69	115
Legal costs and other charges	-	9
	139	507

6. Employees

Staff costs, including directors' remuneration, were as follows:

	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
Wages and salaries	1,524	2,625
Social security costs	140	229
Cost of defined contribution scheme	69	115
	1,733	2,969

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

6. Employees (continued)

	7 month period ended 31 July 2019 No.	Year ended 31 December 2018 No.
Production	79	75
Sales and distribution	7	6
Administration	5	9
	91	90
	91	90

7. Directors' remuneration

	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
Directors' emoluments	145	189
Company contributions to defined contribution pension schemes	7	25
	152	214
	152	214

During the period retirement benefits were accruing to 1 director (2018 -1) in respect of defined contribution pension schemes.

8. Interest payable and similar charges

	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
Interest on finance leases	-	2
Interest payable on invoice discounting facility	15	29
	15	31
	15	31

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

9. Taxation

	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
Origination and reversal of timing differences	137	-
	<u>137</u>	<u>-</u>
Taxation	137	-
	<u>137</u>	<u>-</u>

Factors affecting tax charge for the period/year

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

	7 month period ended 31 July 2019 £000	Year ended 31 December 2018 £000
Profit on ordinary activities before tax	681	723
	<u>681</u>	<u>723</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 December 2018 - 19%)	129	137
Effects of:		
Expenses not deductible for tax purposes	(15)	2
Deferred tax not recognised	23	(139)
	<u>(15)</u>	<u>(137)</u>
Total tax charge for the period/year	137	-
	<u>137</u>	<u>-</u>

Factors that may affect future tax charges

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 £300k (year ended 31 December 2018 - £539k). The asset would be recovered if the company makes sufficient profits from its trading activities in the future.

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

10. Tangible fixed assets

	Leasehold buildings £000	Plant, machinery and equipment £000	Total £000
Cost or valuation			
At 1 January 2019	46	7,199	7,245
Additions	8	106	114
At 31 July 2019	54	7,305	7,359
Depreciation			
At 1 January 2019	39	6,775	6,814
Charge for the period	2	126	128
At 31 July 2019	41	6,901	6,942
Net book value			
At 31 July 2019	13	404	417
At 31 December 2018	7	424	431

11. Stocks

	31 July 2019 £000	31 December 2018 £000
Raw materials and consumables	1,091	843
Work in progress	47	34
Finished goods and goods for resale	261	171
	1,399	1,048

Stock recognised as an expense during the period was £2,266k (year ended 31 December 2018 - £3,445k).

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

12. Debtors: amounts falling due within one year

	31 July 2019 £000	31 December 2018 £000
Trade debtors	2,250	1,778
Amounts owed by group undertakings	3,284	4,827
Tax recoverable	-	47
Prepayments and accrued income	190	166
Deferred taxation	-	137
Loans from invoice discounters	209	82
	<u>5,933</u>	<u>7,037</u>

The impairment loss recognised in the statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £12,630 (2018 - £24,675).

13. Creditors: amounts falling due within one year

	31 July 2019 £000	31 December 2018 £000
Trade creditors	956	886
Amounts owed to group undertakings	97	1,619
Other taxation and social security	117	72
Accruals and deferred income	232	377
Other creditors	41	22
	<u>1,443</u>	<u>2,976</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 the 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 (2018 - £Nil).

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

14. Deferred taxation

	2019 £000
At beginning of period	137
Charged to profit or loss	(137)
At end of period	-

The deferred tax asset is made up as follows:

	31 July 2019 £000	31 December 2018 £000
Losses	-	137

15. Share capital

	31 July 2019 £000	31 December 2018 £000
Authorised 8,000,000 ordinary shares of £1 each	8,000	8,000
Allotted, called up and fully paid 7,731,684 ordinary shares of £1 each	7,732	7,732

16. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Capital contribution

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

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

16. Reserves (continued)

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

17. Pension commitments

The company operates a defined pensions 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 £69k (year ended 31 December 2018 - £115k). Contributions totaling £15k (year ended 31 December 2018 - £30k) were payable to the fund at the balance sheet date and are included in creditors.

18. Commitments under operating leases

At 31 July 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 July 2019 £000	31 December 2018 £000
Property		
Not later than 1 year	189	189
Later than 1 year and not later than 5 years	690	690
Later than 5 years	811	811
	<u>1,690</u>	<u>1,690</u>
	31 July 2019 £000	31 December 2018 £000
Other		
Not later than 1 year	26	24
Later than 1 year and not later than 5 years	62	54
	<u>88</u>	<u>78</u>

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.

AmniTec Limited

Notes to the Financial Statements For the Period Ended 31 July 2019

19. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

20. Post balance sheet events

Trading since March 2020 has been affected by COVID-19 disruption impacting both demand and supply in the near-term. The company has remained open throughout providing critical components to many of our customers operating in key industries, as customer demand weakened and social distancing within the workplace reduced capacity this resulted in lower revenue. The company has taken actions to reduce costs and protect cash, including cancellation of discretionary expenditure and postponement of non-critical capex. It is too early to assess the full impact of COVID-19 but the directors believe the company is in a good position to manage this period of high uncertainty, given the actions taken to reduce costs and the financial support provided by Flex-Tek and the ultimate parent company Smiths Group plc.

21. 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 and controlling party is Smiths Group plc. The largest and smallest accounts into which the company will be consolidated are those of Smiths Group plc. Details of the address to obtain these accounts are included in note 2.2.