

Registered number: 00667762

OERLIKON BALZERS COATING UK LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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OERLIKON BALZERS COATING UK LIMITED

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OERLIKON BALZERS COATING UK LIMITED

COMPANY INFORMATION

Directors	Dr M Dietrich (appointed 1 February 2017) Dr W J Schmitz
Registered number	00667762
Registered office	Bradbourne Drive Tilbrook Milton Keynes Buckinghamshire MK7 8AT
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Exchange House Central Business Exchange Midsummer Boulevard Central Milton Keynes MK9 2DF

OERLIKON BALZERS COATING UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the Strategic Report for the year ended 31 December 2017.

Principal activities

The principal activity of the Company during the year continued to be the supply of a coating service for Tools and Precision Components.

Risks and uncertainties

The Company grew market share within the Physical Vapor Deposition (PVD) market across all sub segments. Customer based service solutions continued to be key to delivery which helped protect business when faced with competitive price pressure. The Company is positioned positively to capture growing PVD demand from a variety of industrial sectors. The adoption of PVD technology and associated enhance performance required higher customer engagement within design, material and engineering departments. Growth in new markets and the return of business from previous years from depressed sectors ensures the Company is seen as a strategic partner for new and legacy products.

Development of Pre and Post services, investment in people and equipment continued as part of the business development strategy. Total solution based selling is key to capture of new work now and in the future. OEM's and Tier 1 companies seek to engage with suppliers with enhance capability and capacity to meet short delivery times.

Securing Airbus approval and accreditation to AS9100 Rev C for Aerospace industry was a significant achievement. These accreditations were only made possible by securing sponsorship from key customers willing to jointly invest in a growing sector thus protecting their future supply chain and building stronger relationships.

Year End position for Tools returned a flat year on year sales. Customer based production trials were extensive and timing of returns took longer than expected. The continued uncertainty following mid-year BREXIT decision saw a reluctance by several customers to engage in change programs. A positive consequence of BREXIT was a weakened Pound, which in turn drove an increase in Factory Gate demand for established products and services. Precision Components recovered steadily with noticeable growth in markets which previously enjoyed investment in people and equipment in 2015.

The Company benefits from significant support which globally included a Lean Improvements Program (OOE). A continuous programme delivering efficiency gains and costs savings throughout the organisation. This initiative will continue to be a journey of productivity improvements.

The Company has no third-party debt and therefore no interest exposure. The Company continues to invoice all customers in Sterling, thereby minimising exchange risk exposure with large items of capital equipment covered by cash pooling with group treasury.

Business review

2017 was a positive year showing growth of 23.7% driven mainly from an increase in demand for Precision Components Sector.

OERLIKON BALZERS COATING UK LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Business review (Continued)

The Company Business Review practice supported by group segment marketing helped bring focus on initiatives of high potential in components and tool sectors. Planned program of work will continue and will extend to include opportunities in Plastic Industry which is closely allied to Metal forming demands. Time scale anticipated to complete customer validation is 12 months.

Precision Component's strategy is to focus services within industries with scheduled MRP manufacture, this incremental business is aimed at securing forecastable demand and reduce impact of on volatile cyclic sectors.

Newly released coatings and applications will enhance product offering, this is especially important as the Company has strong gear cutting market presence. Build rated for Aircraft show no signs of decline hence initiatives to secure approval will continue via OEM's and associated supply chains. Greater customer engagement and technical open days will be used to communicate quality technology driven coating solutions.

Key performance indicators

The Company's main financial key performance indicators (KPIs) are Sales Revenue (£5,216k verses budget £4,938k), Gross Profit (44.2% verses budget 43.5%) and Operating Profit (£8.6% verses budget 5.8%), EBIT (5.7% verses budget 2.5%) and NWC (£891k verses budget £780k)

The non-financial KPIs that are monitored and measured ensure efficient and effective business processes in line with our ISO 9001 certification, NADCAP accreditation, AS91000 RevC and various Airbus Accreditations and HSE responsibilities along with our company philosophy.

Oerlikon Balzers Coating UK Limited was the first coating centre in the group to have been awarded ISO 14001 environmental certification. We are committed to the principles of sustainability. The development of the Company is governed by economic, ecological and social aspects. Our coating processes are very environmentally friendly and their ecological compatibility is continually being improved. Unlike other surface treatment processes, they produce no polluting emissions or waste products.

This report was approved by the board on 21.09.18 and signed on its behalf by:



Mike Dietrich - Chairman

OERLIKON BALZERS COATING UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and the audited financial statements of Oerlikon Balzers Coating UK Limited (the "Company") for the year ended 31 December 2017.

Results and dividends

The profit for the financial year amounted to £554,821 (2016: £487,136). The directors do not propose a payment of a dividend (2016: £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise specified, were:

V B Dostmann (resigned 31 January 2017)
Dr W J Schmitz
Dr M Dietrich (appointed 1 February 2017)

Future developments

The future developments of the Company are discussed in the Strategic Report.

Financial risk management

The financial risk management of the Company is discussed in the Strategic Report.

Directors' responsibilities statement

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

OERLIKON BALZERS COATING UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 21.09.18 and signed on its behalf by:



Mike Dietrich
Chairman

Independent auditors' report to the members of Oerlikon Balzers Coating UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Oerlikon Balzers Coating UK Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Oerlikon Balzers Coating UK Limited

Strategic Report and Directors' Report

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4 and 5 the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

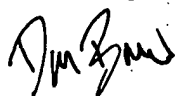
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Daniel Brew (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

27 September 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

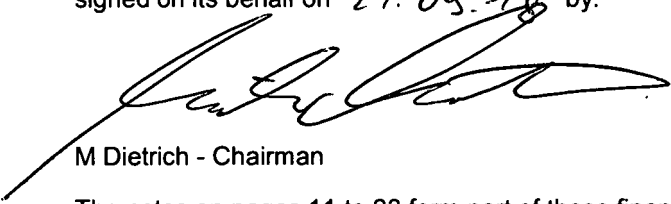
		2017	2016
	NOTE	£	£
Turnover	4	5,215,876	4,214,899
Cost of sales		<u>(2,910,873)</u>	<u>(2,393,305)</u>
Gross profit		2,305,003	1,821,594
Administrative expenses		<u>(2,009,366)</u>	<u>(1,645,722)</u>
Operating profit	5	295,637	175,872
Income from shares in group undertakings		500,000	500,000
Interest receivable and similar income	8	6,341	1,911
Interest payable and similar expenses	9	(211,501)	(155,012)
Other finance income		<u>-</u>	<u>(34,937)</u>
Profit before taxation		590,477	487,834
Tax on profit	10	<u>(35,656)</u>	<u>(698)</u>
Profit for the financial year		<u>554,821</u>	<u>487,136</u>
Total comprehensive income for the financial year		<u>554,821</u>	<u>487,136</u>

OERLIKON BALZERS COATING UK LIMITED
REGISTERED NUMBER: 00667762

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	3,321,384	3,568,187
Investments	12	<u>6,856,804</u>	<u>6,856,804</u>
		10,178,188	10,424,991
Current assets			
Stocks	13	74,621	63,364
Debtors	14	1,012,181	777,379
Cash at bank and in hand	15	<u>550,221</u>	<u>414,544</u>
		1,637,023	1,255,287
Creditors: amounts falling due within one year	16	<u>(930,024)</u>	<u>(556,719)</u>
Net current assets		<u>706,999</u>	<u>698,568</u>
Total assets less current liabilities		<u>10,885,187</u>	<u>11,123,559</u>
Creditors: amounts falling due after more than one year	17	(5,249,323)	(6,050,883)
Provisions for liabilities			
Deferred taxation	18	<u>(88,661)</u>	<u>(80,294)</u>
Net assets		<u><u>5,547,203</u></u>	<u><u>4,992,382</u></u>
Capital and reserves			
Called up share capital		2,000,000	2,000,000
Profit and loss account		<u>3,547,203</u>	<u>2,992,382</u>
Total shareholders' funds		<u><u>5,547,203</u></u>	<u><u>4,992,382</u></u>

The financial statements on page 8 to 23 were approved and authorised for issue by the board and were signed on its behalf on 21.09.18 by:


M Dietrich - Chairman

The notes on pages 11 to 23 form part of these financial statements.

OERLIKON BALZERS COATING UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2016	2,000,000	2,505,246	4,505,246
Comprehensive income for the financial year			
Profit for the financial year	<u>-</u>	<u>487,136</u>	<u>487,136</u>
Total comprehensive income for the financial year	<u>-</u>	<u>487,136</u>	<u>487,136</u>
At 1 January 2017	2,000,000	2,992,382	4,992,382
Comprehensive income for the financial year			
Profit for the financial year	<u>-</u>	<u>554,821</u>	<u>554,821</u>
Total comprehensive income for the financial year	<u>-</u>	<u>554,821</u>	<u>554,821</u>
Contributions by and distributions to owners	<u>-</u>	<u>-</u>	<u>-</u>
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u><u>2,000,000</u></u>	<u><u>3,547,203</u></u>	<u><u>5,547,203</u></u>

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

The principal activity of Oerlikon Balzers Coating UK Limited (the "Company") is that of the supply of a coating service for tools and precision components.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Bradbourne Drive, Tilbrook, Milton Keynes, Buckinghamshire, MK7 8AT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, 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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- ☐ 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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 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 OC Oerlikon Corporation AG, Pfaffikon as at 31 December 2017 and these financial statements may be obtained from Corporate Communications, Churerstrasse 120, Box CH-8808, Pfaffikon SZ, Switzerland.

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- ☐ the Company has transferred the significant risks and rewards of ownership to the buyer;
- ☐ the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ☐ the amount of revenue can be measured reliably;
- ☐ it is probable that the Company will receive the consideration due under the transaction; and
- ☐ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- ☐ the amount of revenue can be measured reliably;
- ☐ it is probable that the Company will receive the consideration due under the contract;
- ☐ the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- ☐ the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.4 Tangible assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings - over 50 year on new premises

Freehold buildings - over 20 years on other premises

Plant and machinery - 3 - 15 years

Fixtures and fittings - 3 - 5 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

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.

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instruments 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 non-puttable 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 Comprehensive Income.

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.

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 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

(ii) Inventory provisioning

The Company is a supplier of a coating service for tools and precision components, and as such its inventory may face issues with saleability and expiry. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory and associated provision.

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(iii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company being the supply of a coating service for tools and precision components.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible assets	315,964	288,078
Stocks write off	-	-
Impairment of trade debtors	-	-
Operating lease rentals	<u>60,577</u>	<u>56,168</u>

6. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<u>13,110</u>	<u>13,100</u>
Fees payable to the Company's auditors in respect of:		
All other services	<u>-</u>	<u>2,300</u>

OERLIKON BALZERS COATING UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****7. Employees**

Staff costs were as follows:

	2017	2016
	£	£
Wages and salaries	1,581,278	1,295,969
Social security costs	159,940	130,888
Other pension costs	181,858	157,465
	<u>1,923,076</u>	<u>1,584,322</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 Number	2016 Number
Administration	11	11
Manufacturing	<u>38</u>	<u>37</u>
	<u>49</u>	<u>48</u>

8. Interest receivable and similar income

	2017 £	2016 £
Interest receivable from group companies	441	1,786
Foreign exchange gain	5636	-
Bank interest receivable	<u>264</u>	<u>125</u>
	<u>6,341</u>	<u>1,911</u>

9. Interest payable and similar expenses

	2017 £	2016 £
Loans from group undertakings	198,440	154,976
Other interest payable	-	36
Foreign exchange loss	<u>13,061</u>	<u>-</u>
	<u>211,501</u>	<u>155,012</u>

OERLIKON BALZERS COATING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	2017 £	2016 £
Corporation tax		
Charge for current year	26,591	-
Adjustments in respect of prior years	-	-
Total current tax	<u>26,591</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	8,367	11,384
Adjustments in respect of prior years	698	(2,579)
Effect of tax rate change on opening balance	-	(8,107)
Total deferred tax	<u>9,065</u>	<u>698</u>
Tax on profit/(loss) on ordinary activities	<u>35,656</u>	<u>698</u>

Factors affecting tax charge for the financial year

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before taxation	<u>590,477</u>	<u>487,834</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	113,647	97,567
Effects of:		
Fixed asset differences	16,423	-
Expenses not deductible for tax purposes	18	595
Income not taxable for tax purposes	(96,233)	(100,000)
Adjustments to tax charge in respect of prior years	2,906	(2,579)
Adjust closing deferred tax to average rate of 19.25%	(11,716)	(14,169)
Adjust opening deferred tax to average rate of 19.25%	10,611	4,053
Deferred tax not recognised	-	15,231
Total tax charge for the year	<u>35,656</u>	<u>698</u>

OERLIKON BALZERS COATING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Tax on profit/(loss) on ordinary activities (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2017	2,837,864	7,459,224	343,761	10,640,849
Additions	14,850	39,094	15,217	69,161
Disposals	-	-	-	-
At 31 December 2017	2,852,714	7,498,318	358,978	10,710,010
Accumulated depreciation				
At 1 January 2017	1,064,187	5,677,231	331,244	7,072,662
Charge for the year	49,900	264,052	2,012	315,964
Disposals	-	-	-	-
At 31 December 2017	1,114,087	5,941,283	333,256	7,388,626
Net book value				
At 31 December 2016	1,773,677	1,781,993	12,517	3,568,187
At 31 December 2017	1,738,627	1,557,035	25,722	3,321,384

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017	6,856,804
Revaluations	<u>-</u>
At 31 December 2017	<u>6,856,804</u>
Net book value	
At 31 December 2017	<u><u>6,856,804</u></u>
At 31 December 2016	<u><u>6,856,804</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of Incorporation	Class of Shares	Holding
Oerlikon Metco Coatings Limited	United Kingdom	Ordinary	100%
Name	Principal activity	Registered office	
Oerlikon Metco Coatings Limited	Intermediate holding company	9-14 Newton Wood Road, Globe Lane Industrial Estate, Dukinfield, England, SK16 4XF	

The Company also holds one share in a fellow group company, Oerlikon Balzers Coating India Limited, a company registered in India.

13. Stocks

	2017 £	2016 £
Raw materials and consumables	40,209	45,551
Finished goods and goods for resale	<u>34,412</u>	<u>17,813</u>
	<u>74,621</u>	<u>63,364</u>

Stock recognised in cost of sales during the year as an expense was £74,621 (2016: 63,364).

An impairment loss of £nil (2016: £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Debtors

	2017 £	2016 £
Trade debtors	883,658	686,306
Amounts owed by group undertakings	55,602	30,990
Other debtors	10,758	29,637
Prepayments and accrued income	62,163	30,446
	<u>1,012,181</u>	<u>777,379</u>

Trade debtors are stated after provisions for impairment of £18,996 (2016: £nil)

15. Cash at bank and in hand

	2017 £	2016 £
Cash at bank and in hand	<u>550,221</u>	<u>414,544</u>

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	87,171	85,554
Amounts owed to group undertakings	255,892	136,668
Corporation tax	25,799	-
Other taxation and social security	255,268	177,871
Other creditors	2,912	2,713
Accruals and deferred income	<u>302,982</u>	<u>153,913</u>
	<u>930,024</u>	<u>556,719</u>

Amounts owed to group undertakings including total of £30,140 fall due in 30 days after performance of the service, and £225,128 related to management and license fee due in 3 months and 5 month after year end respectively. Amounts are trade related and are unsecured and have no related interest

17. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Amounts owed to group undertakings	<u>5,249,323</u>	<u>6,060,883</u>

The loan owed to group undertakings is unsecured and repayable in June 2019 with an interest rate of 2.9%

OERLIKON BALZERS COATING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. Deferred taxation

	2017 £	2016 £
At beginning of year	80,294	79,596
Adjustments in respect of prior years	(698)	-
Charged to profit or loss	9,065	698
At end of year	88,661	80,294

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	90,760	81,876
Short Term timing Differences	(2,099)	(1,582)
	88,661	80,294

19. Pension commitments

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 £181,858 (2016: £157,465).

20. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	60,577	43,417
Later than 1 year and not later than 5 years	107,244	28,502
	167,821	71,919

21. Controlling party

The immediate parent of Oerlikon Balzers Coating UK Limited and the smallest group for which group accounts are drawn is up is Oerlikon Surface Solutions Limited. The Company's ultimate parent undertaking of the largest and smallest group for which group accounts are drawn up and of which the Company is a member is C Oerlikon Corporation AG, Pfaffikon which is incorporated in Switzerland. Copies of the financial statements of OC Oerlikon Corporation AG, Pfaffikon can be obtained from Corporate Communications, Churerstrasse 120, Box CH-8808, Pfaffikon SZ, Switzerland.