

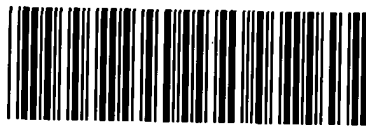
Company Registration Number 00851165

CERAMTEC UK LIMITED

Annual Report and Financial Statements

31 December 2017

WEDNESDAY



A7BVBU7L

A15

08/08/2018

#311

COMPANIES HOUSE

CeramTec

CERAMTEC UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

CONTENTS

	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	3
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

CERAMTEC UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Ahne (Resigned 3 April 2017)
D Janbon
T Beswick (Appointed 3 April 2017)
H Steinmetz (Appointed 3 April 2017, Resigned 8 March 2018)
S Doyle (Appointed 18 August 2017)
H Saleh (Appointed 8 March 2018)

SECRETARY

TW Secretarial Limited

REGISTERED OFFICE

Antelope Park
Bursledon Road
Thornhill
Southampton
SO19 7TG

BANKERS

Barclays Bank plc
28 George Street
Luton
LU1 2AE

AUDITOR

Deloitte LLP
Bristol

SOLICITORS

Clifford Chance LLP
PO Box 11 14 42
60049 Frankfurt AM Main
Mainzer Landstrasse 46
60325 Frankfurt AM Main

CERAMTEC UK LIMITED

STRATEGIC REPORT

BUSINESS REVIEW

The principal activity of the company in the current year was the manufacture and sale of technical ceramics. In the previous year the principal activity was the sale of technical ceramics as agent for the CeramTec Group.

Following the acquisition of two manufacturing sites in April 2017 from Morgan Advanced Materials plc, the combined company's sales activity has been as expected in the pre-acquisition plan. The newly acquired businesses produce a range of piezo and dielectric ceramic products used in a wide range of industrial, electronics, medical and defence applications. During 2017 the acquired businesses experienced growth in the sensors and transducers sectors. The company also benefitted from the sale of land in Colyton, Devon which was connected to a legacy manufacturing site.

During the year a PPA exercise was carried out by a third party in order to identify and revalue the purchased tangible and intangible assets at fair value. Management has reviewed this and has agreed the fair values reported.

EBITDA and Profitability are the key measures of business performance and were as expected.

The results for the year are shown in the profit and loss account.

Core company performance during 2017 was above that of 2016 due to increased sales activity following the acquisition of two new manufacturing sites.

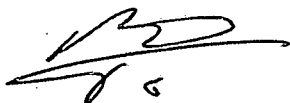
ENVIRONMENTAL AND SOCIAL MATTERS

Information about environmental matters, the company's employees and human rights issues have not been provided as the directors do not believe that this is fundamental to gain an understanding of the business

DIRECTORS

Of the directors that served during the year, four were male and one was female.

This report was approved by the board of directors on 6th August 2018 and signed on behalf of the board by:



T Beswick
Director

CERAMTEC UK LIMITED

DIRECTORS' REPORT

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

FUTURE DEVELOPMENTS

The trend of growth in sensors and transducers sector is expected to continue in 2018 alongside emerging piezo applications in industrial and electronic applications.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's global activities expose it to a number of financial risks, principally price, foreign exchange and credit risk.

Price and foreign exchange risk

In order to hedge against exposures to commodity price and exchange risks, a foreign currency cash flow agreement is administered through Ceramtec GmbH.

Cash flow risk

Due to Operating Profits and the windfall from land sale, cash flows were as expected, and facilities remained adequate throughout the year. Short-term debt finance in the form of an agreed interest-bearing loan is provided by CeramTec GmbH.

Credit risk

The company's principal financial assets are trade receivables.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful trade receivables.

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

The company has no significant concentration of credit risk, with exposure spread over a significant number of counterparties and customers.

GOING CONCERN

Following the acquisition of two manufacturing sites in April 2017 from Morgan Advanced Materials plc, the company has reported a profit for the year ended 31 December 2017 and is in a net asset position.

From a cash perspective the company meets its day-to-day working capital requirements through an agreed interest-bearing loan from CeramTec GmbH which continues into 2018, and is not due for repayment until 2027.

Taking into account the above developments, and considering the fact that the company is part of a strong and successful group committed to UK operations, the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

At 31 December 2017 the company was solvent and had returned to profitability and is expected to remain profitable for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

DIVIDENDS

No dividends were paid during the year (2016: £nil).

DIRECTORS

The membership of the Board throughout the year and subsequently is set out on page 1.

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

CERAMTEC UK LIMITED

DIRECTORS' REPORT (continued)

POST BALANCE SHEET EVENTS

Following the year end the company's ultimate parent company changed from Cinven Partners LLP to BC Partners Consortium

AUDITOR

On 17 May 2006 Deloitte & Touche LLP were reappointed as auditor to the company and a further final elective resolution was accepted whereby, in accordance with section 386 of the Companies Act 1985 (now section 485 of the Companies Act 2006), the company elected to dispense with the obligation to appoint an auditor annually. On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP.

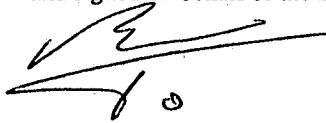
Disclosure of information to auditor

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

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Approved by the Board of Directors
and signed on behalf of the Board



T Beswick
Director

CERAMTEC UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CERAMTEC UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CERAMTEC UK LIMITED

Opinion

In our opinion the 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 including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

~~We have nothing to report in respect of these matters.~~

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

CERAMTEC UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CERAMTEC UK 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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Jason Parsons ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

6 August 2018

CERAMTEC UK LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2017

	Note	2017	2016
		£'000	£'000
TURNOVER	2	19,488	231
Cost of sales		(14,377)	(378)
GROSS PROFIT/(LOSS)		5,111	(147)
Distribution costs		(1,001)	-
Administrative expenses		(3,527)	(37)
OPERATING PROFIT / (LOSS)		583	(184)
Profit/(Loss) on disposal of fixed assets	5	2,925	(13)
Finance costs (net)	4	(1,502)	(241)
PROFIT / (LOSS) BEFORE TAXATION	5	2,006	(438)
Tax (charge) / credit on profit / (loss)	7	(482)	490
PROFIT FOR THE FINANCIAL YEAR		1,524	52

CERAMTEC UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the financial year		<u>1,524</u>	<u>52</u>
Remeasurement of net defined benefit liability	19	578	(1,354)
Tax relating to components of other comprehensive income/(expense)		<u>(136)</u>	<u>257</u>
Other comprehensive income / (expense)		<u>442</u>	<u>(1,097)</u>
Total comprehensive income / (expense) attributable to equity shareholders of the Company		<u>1,966</u>	<u>(1,045)</u>

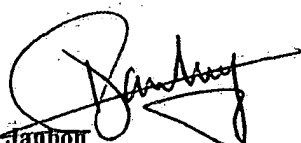
CERAMTEC UK LIMITED

BALANCE SHEET
At 31 December 2017

	Note	2017 £'000	2016 £'000
FIXED ASSETS			
Tangible assets	9	5,952	115
Intangible assets	8	42,320	-
		<u>48,272</u>	<u>115</u>
CURRENT ASSETS			
Debtors	11	5,575	1,371
Stock	10	2,956	-
Cash at bank and in hand		1,106	14
		<u>9,637</u>	<u>1,385</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(8,085)</u>	<u>(1,144)</u>
NET CURRENT ASSETS		<u>1,552</u>	<u>241</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>49,824</u>	<u>356</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(33,355)	-
PROVISIONS FOR LIABILITIES	14	<u>(4,045)</u>	<u>(9)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>12,424</u>	<u>347</u>
NET PENSION LIABILITY	19	<u>(3,321)</u>	<u>(6,725)</u>
NET ASSETS / (LIABILITIES)		<u><u>9,103</u></u>	<u><u>(6,378)</u></u>
<hr/>			
CAPITAL AND RESERVES			
Called up share capital	16	14,702	1,187
Profit and loss account	17	(5,599)	(7,564)
SHAREHOLDER'S DEFICIT		<u><u>9,103</u></u>	<u><u>(6,378)</u></u>

The financial statements of CeramTec UK Limited, registered number 00851165, were approved by the Board of Directors and authorised for issue on 6th August 2018

Signed on behalf of the Board of Directors


D. Jambon
Director

CERAMTEC UK LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2015	1,187	(6,520)	(5,333)
Profit for the financial year	-	52	52
Remeasurement of net defined benefit liability	-	(1,354)	(1,354)
Tax relating to items of other comprehensive income	-	257	257
Total comprehensive (expense)	-	(1,045)	(1,045)
At 31 December 2016	1,187	(7,565)	(6,378)
Share capital issued	13,515	-	13,515
Profit for the financial year	-	1,524	1,524
Remeasurement of net defined benefit liability	-	578	578
Tax relating to items of other comprehensive expense	-	(136)	(136)
Total comprehensive income	13,515	1,966	15,481
At 31 December 2017	14,702	(5,599)	9,103

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Basis of preparation

CeramTec UK Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The financial currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The company is consolidated in the financial statements of its immediate parent, CeramTec GmbH. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going Concern

Following the acquisition of two manufacturing sites in April 2017 from Morgan Advanced Materials plc, the company has reported a profit for the year ended 31 December 2017 and is in a net asset position.

From a cash perspective the company meets its day-to-day working capital requirements through an agreed interest-bearing loan from CeramTec GmbH which continues into 2018, and is not due for repayment until 2027.

Taking into account the above developments, and considering the fact that the company is part of a strong and successful group committed to UK operations, the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

At 31 December 2017 the company was solvent and had returned to profitability and is expected to remain profitable for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Intangible assets

Separately acquired intangibles are included at cost and amortised in equal annual instalments over their estimated useful economic life, as follows:

Goodwill	10 years straight line
Other	10 months to 18 years straight line

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, 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:

Freehold buildings	4% per annum
Plant and equipment	5% to 50% per annum
Motor vehicles	25% to 33% per annum

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2017**

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred taxation is provided in full on timing differences which represent an asset or liability at the reporting date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates ruling at that date. These translation differences are dealt with ultimately in the profit and loss account.

Pensions

For defined benefit schemes the amounts charged to operating profit / (loss) are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of comprehensive income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of changes in equity.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. All turnover is attributable to the principal activity of the company and originated in the UK. Revenue is recognised when, and to the extent that, the seller obtains the right to consideration in exchange for its performance. This occurs once the risks and responsibilities for the goods transfer to the customer under the terms of the contract. For most customers this will occur upon the despatch of goods.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2017**

1. ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's obligation.

Critical accounting estimates and judgements

Estimates and judgements are regularly evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The resulting estimates and judgements will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below.

Retirement benefits

The company's financial statements include costs in relation to, and provisions for, retirement benefit obligations. The costs and the present value of any pension value of any related pension assets and liabilities depend on such factors as life expectancy of the members, salary increases, inflation, the returns that the plan assets will generate and the discount rate to calculate the present value of the liabilities. The company uses previous experience and impartial actuarial advice to calculate the present value of the liabilities. The estimates and the effects of variances in the key estimates are shown in note 19.

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2017**

2. TURNOVER

	2017	2016
	£'000	£'000
Turnover by destination:		
United Kingdom	3,783	231
Europe	7,881	-
North America	5,853	-
Other	1,971	-
	<u>19,488</u>	<u>231</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2017	2016
	£'000	£'000
Directors' remuneration		
Emoluments	201	-
Pension	8	-
	<u>209</u>	<u>-</u>

The highest paid director received total emoluments of £145,000 (2016: Nil) in the year and is a member of the Company's defined contribution pension scheme.

Two of the directors are members of the Company's defined contribution pension scheme (2016: None).

	£'000	£'000
Employee costs during the year (including directors)		
Wages and salaries	5,171	162
Social security costs	481	28
Other pension costs (excl. £3.194m defined benefit scheme contributions)	245	19
	<u>5,897</u>	<u>209</u>

	No.	No.
Average number of persons employed (including directors)		
Production	165	-
Administration	11	-
Selling	14	4
Research & Development	11	-
	<u>201</u>	<u>4</u>

4. FINANCE COSTS (net)

	2017	2016
	£'000	£'000
Finance expense for pension scheme	180	194
Interest payable to group undertakings	1,501	47
Interest received from group undertakings	(178)	-
Other interest received	(1)	-
	<u>1,502</u>	<u>241</u>

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

5. PROFIT/(LOSS) BEFORE TAXATION

	2017 £'000	2016 £'000
Profit/(Loss) before taxation is after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets	828	16
Amortisation of intangible assets (Cost of Sales)	636	-
Amortisation of intangible assets (Administration costs)	1,602	-
Amortisation of intangible assets (Distribution costs)	645	-
Cost of stock recognised as an expense	3,587	-
Profit/(Loss) on disposal of fixed assets	(2,925)	13
Foreign exchange gains	(2)	(1)
Operating lease rentals	169	-
	<u> </u>	<u> </u>

6. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP for the audit of the Company's accounts were £49,500 (2016: £16,000).

7. TAX ON PROFIT/(LOSS)

	2017 £'000	2016 £'000
UK corporation tax		
Current tax charge on income for the year	543	-
	<u>543</u>	<u>-</u>
Deferred tax (see note 14)	(61)	(490)
	<u> </u>	<u> </u>
Tax charge/(credit) on profit/(loss)	<u>482</u>	<u>(490)</u>

Factors affecting the tax charge for the year

The total tax charge for the year is lower (2016: lower) than the blended rate of corporation tax in the UK, of 19.25% (2016: 20.00%). The differences are explained below:

	£'000	£'000
Profit/(Loss) before tax	<u>2,006</u>	<u>(438)</u>
	<u>£'000</u>	<u>£'000</u>
Tax charge/(credit) at 19.25% (2016: 20.00%)	386	(88)
Effects of:		
Expenses not deductible for tax purposes	20	1
Deferred tax change in rates	113	28
Deferred tax movement due to release of valuation allowances	(37)	(513)
Tax losses carried forward not recognised	-	82
	<u> </u>	<u> </u>
Total tax charge/(credit)	<u>482</u>	<u>(490)</u>

From 1 April 2015, the main rate of corporation tax reduced to 20%. In Finance Act 2016 the government announced further reductions in the main rate of corporation tax to 19% in 2017 and 17% in 2020.

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2017**

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Business IP £'000	Customer relationships £'000	Order backlog £'000	Total £'000
Cost					
Business acquisitions	21,362	7,968	15,252	621	45,203
At 31 December 2017	21,362	7,968	15,252	621	45,203
Accumulated amortisation					
Charge for the year	1,602	332	644	305	2,883
At 31 December 2017	1,602	332	644	305	2,883
Net book value					
At 31 December 2017	19,760	7,636	14,608	316	42,320

The Company acquired the trade and assets of the technical ceramics division from Morgan plc on 3 April 2017. The Goodwill and other intangibles were measured at fair value as at the date they were acquired.

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2017	537	-	75	612
Additions	-	1,090	55	1,145
Business acquisitions	750	4,863	-	5,613
Disposals	(537)	-	(49)	(586)
At 31 December 2017	750	5,953	81	6,784
Accumulated depreciation				
At 1 January 2017	463	-	34	497
Charge for the year	17	794	17	828
Disposals	(463)	-	(30)	(493)
At 31 December 2017	17	794	21	832
Net book value				
At 31 December 2017	733	5,159	60	5,952
At 31 December 2016	74	-	41	115

Freehold land and buildings include land at a cost of £Nil (2016: £37,916), which is not depreciated.

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2017**

10. STOCKS

	2017 £'000	2016 £'000
Raw materials and consumables	1,106	-
Work in progress	1,227	-
Finished goods and goods for resale	623	-
	<u>2,956</u>	<u>-</u>

11. DEBTORS

	2017 £'000	2016 £'000
Trade debtors	2,321	-
Amounts owed by group undertakings	2,630	28
Other debtors	445	-
Prepayments and accrued income	169	10
Other taxation and social security	10	24
Deferred tax asset (note 14)	-	1,309
	<u>5,575</u>	<u>1,371</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade payables	1,111	-
Amounts owed to group undertakings	4,901	1,074
Other taxation and social security	7	8
Corporation tax	543	-
Other creditors	33	24
Accruals and deferred income	1,490	38
	<u>8,085</u>	<u>1,144</u>

Amounts owed to group undertakings represents an unsecured loan payable on demand with CeramTec GmbH at a monthly interest rate of 4% per annum above one month GBP LIBOR.

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Amounts owed to group undertakings	33,355	-
	<u>33,355</u>	<u>-</u>

Amounts owed to group undertakings represents an unsecured loan payable more than 12 months after the year end with CeramTec GmbH at a monthly interest rate of 4% per annum above one month GBP LIBOR.

14. PROVISIONS FOR LIABILITIES

	Asset balance at 1 January 2017 £'000	Charged/ (credited) to profit and loss account £'000	Arising on business acquisition £'000	Utilised in the year £'000	Charge to OCI re pension £'000	Liability balance at 31 December 2017 £'000
Restructuring provision	9	-	-	(9)	-	-
Deferred tax	(1,309)	(61)	4,684	-	136	3,450
Other provisions	-	345	-	-	-	345
Dilapidations provision	-	-	250	-	-	250
	<u>(1,300)</u>	<u>284</u>	<u>4,934</u>	<u>(9)</u>	<u>136</u>	<u>4,045</u>

Restructuring provision relates to committed costs in respect of the closure of the old manufacturing side of the business.

Other provisions relates to warranty provisions on sales, based on past experience of work that may be required.

Deferred taxation

	2017 £'000	2016 £'000
Opening asset	1,309	562
Profit and loss account credit/(charge)	61	490
Arising on business acquisition	(4,684)	-
Amount presented within pension liability other comprehensive income (charge)/credit	(136)	257
Closing (liability)/asset	<u>(3,450)</u>	<u>1,309</u>

Deferred tax balances arise as follows:

	£'000	£'000
Deferred tax asset arising on pension scheme liability	564	1,278
Deferred tax in respect of business acquisition	(4,257)	-
Difference between capital allowances and accumulated depreciation	(64)	31
Deferred tax asset arising on pension spreading	307	-
	<u>(3,450)</u>	<u>1,309</u>

The company has trading losses of £Nil (2016: £1,964,815) carried forward for which a deferred tax asset was not been recognised due to uncertainty over their future utilisation.

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

15. BUSINESS ACQUISITION

On 3 April 2017 the company acquired the trade and assets of the technical ceramics division of Morgan plc. The following details the assets acquired and brought into the Company's accounts at acquisition:

	Book value £'000	Fair value adjustment £'000	Fair Value £'000
Fixed Asset			
Tangible assets	2,750	2,863	5,613
Other intangibles	-	23,841	23,841
Current Assets			
Stocks	2,410	195	2,605
Debtors	2,634	-	2,634
Total assets	7,794	26,899	34,693
Creditors			
Trade creditors	(1,627)	-	(1,627)
Accruals	(471)	-	(471)
Provisions			
Other provisions	-	(250)	(250)
Deferred tax liability	-	(4,684)	(4,684)
Total liabilities	(2,098)	(4,934)	(7,032)
Net Assets	5,696	21,965	27,661
Goodwill			21,362
			49,023
Satisfied by			
Cash			46,870
Acquisition costs			2,153
			49,023

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

16. CALLED UP SHARE CAPITAL

	2017 £'000	2016 £'000
Authorised, allotted and fully paid 2,940,400 Ordinary shares of £5 each	14,702	1,187

On 27 March 2017 the company issued 2,703,000 Ordinary shares for £13,515,000 cash consideration.

17. RESERVES

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

18. FINANCIAL COMMITMENTS

Capital commitments are as follows

	2017 £'000	2016 £'000
Contracted for but not provided for		
- Tangible fixed assets	799	-

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

	2017 £'000	2016 £'000
- Within one year	235	-
- Between one and five years	904	-
- After five years	450	-
	1,589	-

19. PENSION SCHEMES

The company operates a defined benefit scheme in the United Kingdom. A full actuarial valuation was carried out at 1 April 2014 and the valuation was updated by the actuary on an FRS 102 basis at 31 December 2017.

The major assumptions used in this valuation were:

	31 December 2017	31 December 2016	31 December 2015
Rate of increase in pensions in payment and deferred pension	n/a	n/a	n/a
Discount rate applied to scheme liabilities	2.50%	2.70%	3.70%
Inflation assumption	2.40%	2.40%	3.30%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

19. PENSION SCHEMES (continued)

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	Value at 31 December 2017 £'000	Value at 31 December 2016 £'000	Value at 31 December 2015 £'000
Equities	3,113	3,039	2,706
Bonds	3,210	230	252
Other:			
- property	373	346	355
- cash	53	169	19
Total market value of assets	6,749	3,784	3,332
Present value of scheme liabilities	(10,070)	(10,509)	(8,705)
Deficit in the scheme - pension liability	(3,321)	(6,725)	(5,373)
Net pension liability	(3,321)	(6,725)	(5,373)

Movement in deficit in year:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Deficit in the scheme at beginning of year	(6,725)	(5,373)	(5,752)
Contributions paid	3,194	365	196
Other finance cost	(368)	(363)	(409)
Actuarial (loss)/profit	578	(1,354)	592
Deficit in the scheme at the end of the year	(3,321)	(6,725)	(5,373)

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

19. PENSION SCHEMES (continued)

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	31 December 2017 £'000	31 December 2016 £'000
Current service cost	188	169
Net interest cost	180	194
	<u>368</u>	<u>363</u>

Analysis of amount recognised in statement of changes in equity:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Actual return less expected return on scheme assets	402	423	(12)
Changes in assumptions underlying the present value of scheme liabilities	176	(1,777)	604
	<u>578</u>	<u>(1,354)</u>	<u>592</u>
Actuarial loss recognised in the statement changes in equity			

	31 December 2017 £'000	31 December 2016 £'000	31 December 2015 £'000
History of experience gains and losses			
Difference between the expected and actual return on scheme assets:			
Amount	402	423	(12)
Percentage of year-end scheme assets	6.0%	11.2%	(0.4%)

Total amount recognised in statement of changes in equity:

Amount	176	(1,777)	604
Percentage of year-end scheme assets	2.6%	(47.1%)	18.1%

	31 December 2014 £'000	31 December 2013 £'000
History of experience gains and losses		

Difference between the expected and actual return on scheme assets:

Amount	(128)	40
Percentage of year-end scheme assets	(3.6%)	1.1%

Total amount recognised in statement of changes in equity:

Amount	(1,184)	(400)
Percentage of year-end scheme assets	(33.7%)	(11.5%)

CERAMTEC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

19. PENSION SCHEMES (continued)

The defined benefit scheme closed to new members and member contributions on 1 July 2003.

Contributions for 2003 to 2009 were constantly reviewed. Due to the recession environment at the time, from 1 July 2010, it was agreed that no company payments would be made into the scheme but monthly payments would resume from 1 July 2013 at the rate of £6,000 per month increasing at 3% per annum from 1 April each year as a contribution towards monthly expenses, and deficit reduction contributions of £10,000 per month up to and including 31 December 2017. This was revised again with monthly contributions of £17,833 per month and a contribution towards monthly expenses of £6,667 per month up to and including March 2019. From 1 April 2019 contributions would increase to £82,167 per month until 30 June 2024. The increase in March 2019 is currently being reviewed.

There were £3,194,000 of pension contributions for the year (2016: £365,493).

There were £nil of pension contributions outstanding at year-end (2016: £Nil).

The company currently operates a defined contribution (stakeholder) pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £244,525 (2016: £18,783).

Contributions amounting to £1,220 (2016: £2,410) were payable to the current scheme at the year-end and are included in creditors.

20. TRANSACTIONS WITH RELATED PARTIES

The company has taken advantage of the disclosure exemptions under Section 33.1A FRS102 and has not disclosed transactions with other 100% members of the group.

21. ULTIMATE PARENT COMPANY UNDERTAKING

Ceramtec GmbH wholly owns the shares in the Company and is considered to be its immediate parent company.

~~Ceramtec Holdings GmbH heads the smallest and largest group for which consolidated accounts are prepared~~ which will include the results of the company. Copies are available from Ceramtec-Platz 1-9 in 73207 Plochingen, Germany.

At the year end Cinven Partners LLP was regarded as the ultimate parent company and controlling party. Cinven Partners LLP is a company incorporated in the UK. Copies are available from Warwick Court, 5 Paternoster Square, London, EC4M 7AG, however, at the date of approval of the financial statements the ultimate controlling party is BC Partners Consortium

22. POST BALANCE SHEET EVENT

Following the year end the company's ultimate parent company changed to a Consortium led by funds provided by BC Partners following the sale by Cinven Partners LLP of its interest in Ceramtec Holdings GmbH. The registered address of BC Partners LLP is 40 Portman Square, London, W1H 6DA.