

COMPANY REGISTRATION NUMBER: 1292827

**SAUTER AUTOMATION LIMITED**  
**Financial Statements**  
**31 December 2017**



**STEWART & CO**  
Chartered Accountants & Statutory Auditor  
Knoll House, Knoll Road  
Camberley, Surrey  
GU15 3SY

# **SAUTER AUTOMATION LIMITED**

## **Financial Statements**

**Year ended 31 December 2017**

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# **SAUTER AUTOMATION LIMITED**

## **Officers and Professional Advisers**

<b>The board of directors</b>	A T McKenzie L Baranyai M Clinch W Karlen
<b>Company secretary</b>	A T McKenzie
<b>Registered office</b>	Inova House Hampshire International Business Park Lime Tree Way, Chineham Basingstoke Hampshire RG24 8GG
<b>Auditor</b>	Stewart & Co Chartered Accountants & Statutory Auditor Knoll House, Knoll Road Camberley, Surrey GU15 3SY
<b>Bankers</b>	Barclays Bank PLC  Commerzbank AG
<b>Solicitors</b>	Shoosmiths

# **SAUTER AUTOMATION LIMITED**

## **Strategic Report**

**Year ended 31 December 2017**

### **Principal activities**

The principle activities of the company are the marketing, design, manufacture, installation and maintenance of advanced building environmental management products and solutions.

### **Business review**

SAL began 2017 with the largest single order in its history for multiple buildings on a prime central London site. Orders continued to remain strong throughout the year and total orders for 2017 set a new record. The pace of translation of orders into revenue was slower than anticipated, however despite this the company achieved revenue growth of over 7% and operating profit growth of 38%. The company therefore closed 2017 with a very strong work in hand position, setting us up for a successful 2018. We continue to be alert to the potential impact of Brexit and expect this may result in some delay to investment decisions. However in the short term, our order book is strong enough to see us through to at least 2019. We were challenged in 2017 by budget pressures in the public sector, which led to reduced demand for small works. However, we are now seeing signs of a revival in this market. Our exposure to Carillion was minimal at the time of liquidation. We continue to manage our cash resources conservatively and have the backing of a well resourced group behind us.

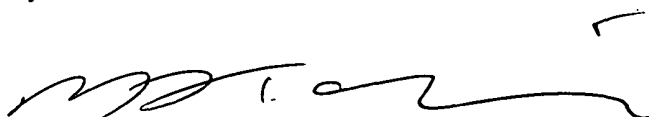
The company acquired 75% of the share capital of Wren Environmental Limited in February 2018. Wren Environmental is a facilities management company based in Surrey. The directors envisage strong synergies between the companies and this acquisition fits with the Sauter Group's strategy of moving into the technical facilities management market space.

Sauter Automation Limited is the UK subsidiary of Fr Sauter AG. Sauter Automation has an excellent reputation for delivering high quality HVAC control products and solutions. Whilst operating autonomously as an independent company, with full in-house resources, Sauter Automation Limited has the added advantage of support from a major manufacturer. Our customers benefit from the Sauter Group strategy of designing, developing and producing energy efficient control solutions, thereby creating sustainable environments.

### **Risks and uncertainties facing the business**

The principle risk the company continues to face is the extent of property development and construction within both the private and public sectors. Public spending in areas such as healthcare, traditionally a strong market for Sauter, remains low. However, the forecast for commercial development is more positive, particularly in London and the South of England. The lack of skilled labour remains an industry wide issue and one which could become a cause for concern as growth targets are achieved. The uncertainty created by the UK's decision to leave the EU continues to be a source of potential risk.

This report was approved by the board of directors on 15 March 2018 and signed on behalf of the board by:



M Clinch  
Director

# **SAUTER AUTOMATION LIMITED**

## **Directors' Report**

### **Year ended 31 December 2017**

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

#### **Directors**

The directors who served the company during the year were as follows:

A T McKenzie

M Clinch

W Karlen

E Kahlert

L Baranyai

(Resigned 28 February 2017)

(Appointed 13 July 2017)

#### **Dividends**

The profit for the year, after taxation, amounted to £427,000. During the year the directors recommended payment of an interim dividend of £2.80 per ordinary share amounting to £700,000 (2016: The directors did not recommend a dividend for the year ended 31 December 2016).

#### **Financial instruments**

The company does not use any financial instruments to hedge its risks associated with price, credit, liquidity or cash flow.

#### **Research and development**

The company did not undertake research and development activities during the year (2016: £Nil).

#### **Disclosure of information in the strategic report**

The company in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 has set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# SAUTER AUTOMATION LIMITED

## Directors' Report *(continued)*

Year ended 31 December 2017

### Directors' responsibilities statement *(continued)*

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.

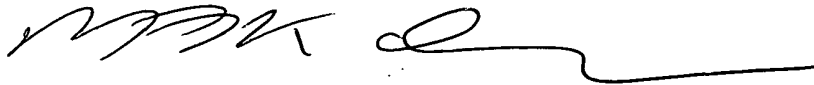
### Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Company has passed an elective resolution dispensing with the need to appoint its auditor annually.

This report was approved by the board of directors on 15 March 2018 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'M Clinch', followed by a long horizontal line extending to the right.

M Clinch.  
Director

# **SAUTER AUTOMATION LIMITED**

## **Independent Auditor's Report to the Shareholder of Sauter Automation Limited**

**Year ended 31 December 2017**

### **Opinion**

We have audited the financial statements of Sauter Automation Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

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;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

# **SAUTER AUTOMATION LIMITED**

## **Independent Auditor's Report to the Shareholder of Sauter Automation Limited** (continued)

**Year ended 31 December 2017**

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and 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.

### **Matters on which we are required to report by exception**

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

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

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



# **SAUTER AUTOMATION LIMITED**

## **Independent Auditor's Report to the Shareholder of Sauter Automation Limited** (continued)

**Year ended 31 December 2017**

### **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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# **SAUTER AUTOMATION LIMITED**

## **Independent Auditor's Report to the Shareholder of Sauter Automation Limited** *(continued)*

**Year ended 31 December 2017**

### **Auditor's responsibilities for the audit of the financial statements *(continued)***

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



David Hartley FCA (Senior Statutory Auditor)

For and on behalf of  
Stewart & Co  
Chartered Accountants & Statutory Auditor  
Knoll House, Knoll Road  
Camberley, Surrey  
GU15 3SY

15 March 2018

# SAUTER AUTOMATION LIMITED

## Statement of Comprehensive Income

Year ended 31 December 2017

	Note	2017 £000	2016 £000
<b>Turnover</b>	<b>4</b>	<b>10,003</b>	<b>9,337</b>
Cost of sales		<u>6,992</u>	<u>6,443</u>
<b>Gross profit</b>		<b>3,011</b>	<b>2,894</b>
Distribution costs		<u>668</u>	<u>914</u>
Administrative expenses		<u>1,813</u>	<u>1,595</u>
<b>Operating profit</b>	<b>5</b>	<b>530</b>	<b>385</b>
Interest receivable	<b>9</b>	<u>1</u>	<u>1</u>
Interest payable	<b>10</b>	<u>2</u>	<u>—</u>
<b>Profit before taxation</b>		<b>529</b>	<b>386</b>
Taxation on ordinary activities	<b>11</b>	<u>102</u>	<u>68</u>
<b>Profit for the financial year</b>		<b>427</b>	<b>318</b>
Remeasurement of the net defined benefit plan		<u>—</u>	<u>(58)</u>
<b>Total comprehensive income for the year</b>		<b>427</b>	<b>260</b>

All the activities of the company are from continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

# SAUTER AUTOMATION LIMITED

## Statement of Financial Position

31 December 2017

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible assets	13	964	916
<b>Current assets</b>			
Stocks	14	753	352
Debtors	15	3,058	2,660
Cash at bank and in hand		<u>1,027</u>	<u>615</u>
		4,838	3,627
<b>Creditors: amounts falling due within one year</b>	16	<u>3,304</u>	<u>1,781</u>
<b>Net current assets</b>		1,534	1,846
<b>Total assets less current liabilities</b>		2,498	2,762
<b>Provisions</b>	17	24	15
<b>Net assets</b>		<u>2,474</u>	<u>2,747</u>
<b>Capital and reserves</b>			
Called up share capital	21	250	250
Profit and loss account	22	<u>2,224</u>	<u>2,497</u>
<b>Shareholder funds</b>		<u>2,474</u>	<u>2,747</u>

These financial statements were approved by the board of directors and authorised for issue on 15 March 2018, and are signed on behalf of the board by:



M Clinch  
Director

Company registration number: 1292827

The notes on pages 13 to 24 form part of these financial statements.

# SAUTER AUTOMATION LIMITED

## Statement of Changes in Equity

Year ended 31 December 2017

		Called up share capital £000	Profit and loss account £000	<b>Total £000</b>
<b>At 1 January 2016</b>		250	2,237	2,487
Profit for the year			318	318
Other comprehensive income for the year:				
Remeasurement of the net defined benefit plan	19	—	(58)	(58)
<b>Total comprehensive income for the year</b>		—	260	260
<b>At 31 December 2016</b>		250	2,497	<b>2,747</b>
Profit for the year			427	<b>427</b>
<b>Total comprehensive income for the year</b>		—	427	<b>427</b>
Dividends paid and payable	12	—	(700)	<b>(700)</b>
<b>Total investments by and distributions to owners</b>		—	(700)	<b>(700)</b>
<b>At 31 December 2017</b>		<u>250</u>	<u>2,224</u>	<u><b>2,474</b></u>

The notes on pages 13 to 24 form part of these financial statements.

# SAUTER AUTOMATION LIMITED

## Statement of Cash Flows

Year ended 31 December 2017

	2017 £000	2016 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	427	318
<i>Adjustments for:</i>		
Depreciation of tangible assets	22	30
Interest receivable	(1)	(1)
Interest payable	2	—
Loss on disposal of tangible assets	—	1
Defined benefit pension plan employer contributions	—	(58)
Other movements	3	—
Taxation on ordinary activities	102	68
Accrued expenses	456	77
<i>Changes in:</i>		
Stocks	(401)	(43)
Trade and other debtors	(398)	(255)
Trade and other creditors	1,059	4
Cash generated from operations	1,268	141
Interest paid	(2)	—
Interest received	1	1
Tax paid	(85)	—
Net cash from operating activities	<u>1,185</u>	<u>142</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(73)	(8)
Net cash used in investing activities	<u>(73)</u>	<u>(8)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(700)	—
Net cash from financing activities	<u>(700)</u>	<u>—</u>
<b>Net increase in cash and cash equivalents</b>	<b>412</b>	<b>134</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>615</b>	<b>481</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>1,027</u></b>	<b><u>615</u></b>

The notes on pages 13 to 24 form part of these financial statements.

# **SAUTER AUTOMATION LIMITED**

## **Notes to the Financial Statements**

**Year ended 31 December 2017**

### **1. General information**

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Inova House, Hampshire International Business Park, Lime Tree Way, Chineham, Basingstoke, Hampshire, RG24 8GG.

### **2. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### **3. Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity, and rounded to the nearest £'000.

#### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The following are the company's key sources of estimation uncertainty:

##### **Pension benefits:**

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates and retail price inflation. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 19.

##### **Stock provisioning:**

Management must make estimates as to the recoverability of the cost of inventory and the associated provisions required. When calculating the provision, management considers the nature and condition of the inventory, as well as applying assumptions around potential future usage of inventory based on turnover of the individual inventory lines in the year along with recent purchases made.

##### **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. These are amended when necessary to reflect current estimates, based on economic utilisation and physical condition of the assets. Changes have been made to depreciation policies in the current year to better reflect, based on known usage of the assets, the useful economic lives of building additions, plant and machinery, fixtures and fittings, and computer equipment. The resulting impact on the financial statements is immaterial.

##### **Amounts recoverable on contracts:**

The company establishes a reliable estimate of the value of amounts recoverable on longer term contracts. The estimates are based on the percentage of completion of the individual projects applied to the total contract value. Any uncertified amounts are reviewed for inclusion within the variations or contract debt provision.

# **SAUTER AUTOMATION LIMITED**

## **Notes to the Financial Statements *(continued)***

**Year ended 31 December 2017**

### **3. Accounting policies *(continued)***

#### **Revenue recognition**

Turnover, which excludes discounts and value added tax, represents the invoiced value of goods and services and progress claims raised as derived from ordinary activities. Contract invoices and progress claims are raised periodically to match the level of work completed.

#### **Income tax**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax is measured on a non-discounted basis and an asset is recorded to the extent that it is considered more likely than not that an asset will crystallise in the foreseeable future.

#### **Foreign currencies**

Trading transactions denominated in foreign currencies are translated at an average rate of exchange for the year. Monetary assets and liabilities denominated in foreign currencies are re-translated at rates of exchange prevailing at the balance sheet date. All exchange differences are taken to the profit and loss account in the year in which they arise.

#### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

#### **Tangible assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition less accumulated depreciation and accumulated impairment losses.

#### **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold buildings and associated additions - 100 years and 30 years

Additions to buildings – 20 years

Plant and machinery - 10 years

Fixtures and fittings - 8 years

Computer and word processing equipment - 5 years

Software – 5 years

Freehold land is not depreciated.

Freehold buildings are currently not being depreciated on the grounds of immateriality.



# **SAUTER AUTOMATION LIMITED**

## **Notes to the Financial Statements *(continued)***

**Year ended 31 December 2017**

### **3. Accounting policies *(continued)***

#### **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

#### **Stocks**

Stock is stated at the lower of cost and net realisable value. Cost is determined on a FIFO basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### **Long-term contracts**

Work in progress on incomplete long term contracts is valued at direct cost. All contracts are invoiced periodically and profit is recognised after due consideration of all foreseeable costs. Reserves are created to accrue for further anticipated expenses on incomplete contracts. These reserves are included under accruals in the statement of financial position. Overheads have not been included but the net effect of including overheads in the valuation of long term contracts and adjusting work in progress to take account of net realisable value would not be material to these accounts. Provision is made for the estimated cost of warranty when a contract is completed.

#### **Provisions**

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 3. Accounting policies *(continued)*

#### Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

#### Pension costs

The pension arrangements operated by the Company provide benefits on a defined contribution basis. Contributions paid in accordance with the rules of the schemes are charged to the profit and loss account in the period to which they relate.

Net interest is recognised in profit or loss as other finance revenue or cost. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods. The recognition of the re-measurements is capped so as not to recognise a defined benefit asset.

For a number of longstanding employees the Company has taken on certain guarantees regarding the ultimate level of benefits which will emerge in respect of past service. These benefit guarantees are met by an unfunded commitment from the Company. Any shortfall between the emerging defined contribution benefits and the benefit guarantees is provided for over the estimated remaining service lives of the employees, in accordance with advice from an independent actuary.

### 4. Turnover

Turnover arose in the United Kingdom from the supply, design, installation and maintenance of HVAC control systems and building energy management systems, which the directors regard as comprising one class of business.

The whole of the turnover is derived from the United Kingdom. An analysis of turnover by business operation is given below:

	2017	2016
	£000	£000
United Kingdom	<u>10,003</u>	<u>9,337</u>

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 5. Operating profit

Operating profit or loss is stated after charging:

	2017	2016
	£000	£000
Depreciation of tangible assets	22	30
Loss on disposal of tangible assets	–	1
Impairment of trade debtors	57	10
Operating lease rentals	327	338
Foreign exchange differences	(1)	3
	<u>      </u>	<u>      </u>

### 6. Auditor's remuneration

	2017	2016
	£000	£000
Fees payable for the audit of the financial statements	20	20
	<u>      </u>	<u>      </u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	9	10
	<u>      </u>	<u>      </u>

### 7. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Production staff	51	51
Distribution staff	10	12
Administrative staff	12	9
	<u>      </u>	<u>      </u>
	73	72

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£000	£000
Wages and salaries	3,329	3,290
Social security costs	448	450
Other pension costs	295	234
	<u>      </u>	<u>      </u>
	4,072	3,974

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£000	£000
Remuneration	299	255
Company contributions to defined contribution pension plans	55	49
	<u>354</u>	<u>304</u>

Remuneration of the highest paid director in respect of qualifying services:

	2017	2016
	£000	£000
Aggregate remuneration	179	137
Company contributions to defined contribution pension plans	37	24
	<u>216</u>	<u>161</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2017	2016
	No	No
Money purchase schemes	<u>2</u>	<u>3</u>

### 9. Interest receivable

	2017	2016
	£000	£000
Interest on cash and cash equivalents	<u>1</u>	<u>1</u>

### 10. Interest payable

	2017	2016
	£000	£000
Interest on banks loans and overdrafts	<u>2</u>	<u>-</u>

### 11. Taxation on ordinary activities

#### Major components of tax expense

	2017	2016
	£000	£000
<b>Current tax:</b>		
UK current tax expense	93	65
<b>Deferred tax:</b>		
Origination and reversal of timing differences	9	3
<b>Taxation on ordinary activities</b>	<u>102</u>	<u>68</u>

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 11. Taxation on ordinary activities *(continued)*

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is the same as (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £000	2016 £000
Profit on ordinary activities before taxation	529	386
Profit on ordinary activities by rate of tax	102	77
Effect of expenses not deductible for tax purposes	2	3
Effect of different UK tax rates on some earnings	(2)	–
Tax adjustment for pension costs	–	(12)
Tax on profit	102	68

#### Factors that may affect future tax expense

A reduction in the UK corporation tax rate from 19% to 17% was substantively enacted as part of Finance Bill 2016 (on 7 September 2016) and takes effect from 1 April 2020. Deferred taxes at the statement of financial position date have been measured using these enacted tax rates and reflected in these financial statements.

### 12. Dividends

	2017 £000	2016 £000
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year )	700	–

### 13. Tangible assets

	Freehold property £000	Plant and machinery and other equipment £000	Total £000
<b>Cost</b>			
At 1 January 2017	1,514	680	2,194
Additions	28	45	73
Disposals	–	(6)	(6)
Other movements	(1)	(2)	(3)
<b>At 31 December 2017</b>	<b>1,541</b>	<b>717</b>	<b>2,258</b>
<b>Depreciation</b>			
At 1 January 2017	644	634	1,278
Charge for the year	2	20	22
Disposals	–	(6)	(6)
<b>At 31 December 2017</b>	<b>646</b>	<b>648</b>	<b>1,294</b>
<b>Carrying amount</b>			
<b>At 31 December 2017</b>	<b>895</b>	<b>69</b>	<b>964</b>
At 31 December 2016	870	46	916

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 14. Stocks

	2017	2016
	£000	£000
Stocks	<u>753</u>	<u>352</u>

Inventories are stated after provisions for impairment of £107,000 (2016: £108,000).

### 15. Debtors

	2017	2016
	£000	£000
Trade debtors	876	923
Prepayments and accrued income	98	114
Amounts recoverable on contracts	2,061	1,590
Other debtors	<u>23</u>	<u>33</u>
	<u>3,058</u>	<u>2,660</u>

The debtors above include the following amounts falling due after more than one year:

	2017	2016
	£000	£000
Amounts recoverable on contracts	<u>98</u>	<u>83</u>

Trade debtors are stated after provisions for doubtful debts of £49,000 (2016: £2,000). Amounts recoverable on contracts are stated after provisions for variations and doubtful debts of £48,000 (2016: £75,000).

### 16. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	659	450
Amounts owed to group undertakings	1,186	396
Accruals and deferred income	1,007	551
Corporation tax	53	45
Social security and other taxes	366	316
Other creditors	<u>33</u>	<u>23</u>
	<u>3,304</u>	<u>1,781</u>

Amounts above include a loan on which interest is charged at 2.5%. Other amounts are unsecured, interest free, with no fixed repayment terms and are repayable on demand.

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 17. Provisions

	Warranties	Deferred tax (note 18)	Total
	£000	£000	£000
At 1 January 2017	10	5	15
Additions	–	9	9
<b>At 31 December 2017</b>	<b>10</b>	<b>14</b>	<b>24</b>

The provision is for potential warranty liabilities which are expected to be utilised within two years of the reporting date.

### 18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017	2016
	£000	£000
Included in provisions (note 17)	14	5

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£000	£000
Accelerated capital allowances	14	5

### 19. Employee benefits

#### Defined benefit plans

The pension arrangements operated by the Company provide benefits on a defined contribution basis. Contributions paid in accordance with the rules of the scheme are charged to the statement of comprehensive income in the period to which they relate. For a number of employees, the employer has undertaken to provide certain guarantees regarding the ultimate level of benefits which will emerge in respect of past service.

The pension cost charge represents contributions payable by the group to the fund and amounted to £295,000 (2016: £234,000). All contributions deducted from employees and payable by the employer have been paid to the scheme.

In accordance with FRS 102, any deficit on the defined benefit scheme as reported by an independent firm of actuaries is provided for under "Provisions" on the statement of financial position, with relevant movements in the provision being set against reserves.

An actuary reviews the assets and liabilities of the scheme on a triennial basis for funding purposes, the last full valuation being as at 30 November 2016, with the approximate method of valuation used in the interim years for FRS 102 disclosure purposes. The actuarial assessment considers the assets and liabilities at the date of calculation and forecasts assets and liabilities in the future according to a set of assumptions, the most important of which is the rate of return on the assets. The independent actuary prepares the interim valuations for disclosure, and bases interim asset returns on the latest fund asset allocations from the latest fund manager reports. The full valuations base the asset returns on the individual member funds.

At the date of the last full valuation by Hymans LLP in 2016, the actuarial valuation of the assets was £790,000 and of the liabilities £782,000, resulting in an irrecoverable surplus.

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 19. Employee benefits *(continued)*

The statement of financial position net defined benefit liability is determined as follows:

	2017	2016
	£000	£000
Present value of defined benefit obligations	(745)	(782)
Fair value of plan assets	873	790
	<u>128</u>	<u>8</u>
Irrecoverable surplus	(128)	(8)
	<u>-</u>	<u>-</u>

Changes in the present value of the defined benefit obligations are as follows:

	2017
	£000
At 1 January 2017	782
Interest expense	22
Remeasurements:	
Actuarial gains and losses	(59)
<b>At 31 December 2017</b>	<b><u>745</u></b>

Changes in the fair value of plan assets are as follows:

	2017
	£000
At 1 January 2017	790
Interest income	22
Remeasurements:	
Return on plan assets, excluding amount included in interest income	61
<b>At 31 December 2017</b>	<b><u>873</u></b>

The total costs for the year in relation to defined benefit plans are as follows:

	2017	2016
	£000	£000
Recognised in other comprehensive income:		
(Decrease)/Increase in irrecoverable surplus	120	(37)
Remeasurement of the liability:		
Actuarial gains and losses	(59)	150
Return on plan assets, excluding amounts included in net interest	(61)	(55)
	<u>-</u>	<u>58</u>

The fair value of the major categories of plan assets are as follows:

	2017	2016
	£000	£000
Equity instruments	545	475
Debt instruments	283	281
Property	15	13
Cash and cash equivalents	30	21
	<u>873</u>	<u>790</u>



# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 19. Employee benefits *(continued)*

The pension scheme has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The return on plan assets are as follows:

	2017	2016
	£000	£000
Return on assets of benefit plan	<u>(61)</u>	<u>(55)</u>

The principal actuarial assumptions as at the statement of financial position date were:

	2017	2016
	%	%
Discount rate	2.70	2.80
Inflation assumption	<u>3.40</u>	<u>3.50</u>

### 20. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2017	2016
	£000	£000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	<u>2,960</u>	<u>2,546</u>
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	<u>2,883</u>	<u>1,420</u>

The cumulative amortisation on the recognised financial assets and liabilities is £Nil (2016: £Nil).

### 21. Called up share capital

#### Authorised share capital

	2017		2016	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>250,000</u>	<u>250</u>	<u>250,000</u>	<u>250</u>

#### Issued, called up and fully paid

	2017		2016	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>250,000</u>	<u>250</u>	<u>250,000</u>	<u>250</u>

### 22. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

# SAUTER AUTOMATION LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

### 23. Commitments under operating leases

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

	2017	2016
	£000	£000
Not later than 1 year	229	262
Later than 1 year and not later than 5 years	243	186
Later than 5 years	4	–
	<u>476</u>	<u>448</u>

### 24. Events after the end of the reporting period

On 22nd February 2018 the Company acquired 75% of the share capital of Wren Environmental Limited, a facilities management company based in Surrey, with transfer of beneficial ownership deemed to be from 1st January 2018. The cash consideration paid immediately was £1,963,000, and expenses of £9,820 were capitalised.

### 25. Related party transactions

The company is exempt from disclosing related party transactions, other than those disclosed below for key management personnel and within note 8, as they are with other companies that are wholly owned within the Group.

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. All directors are considered to be key management personnel of the company. Total remuneration in respect of these individuals is £353,000 (2016: £304,000).

### 26. Controlling party

The immediate parent undertaking and ultimate parent undertaking is Fr Sauter AG, Basle, a company registered in Switzerland. Fr Sauter AG, Basle is the smallest and largest group to consolidate these financial statements. The directors are not party to the identity of the controlling party of Fr Sauter AG.

Copies of the parent undertaking's consolidated financial statements may be obtained from:

Fr Sauter AG  
Im Surinam 55  
CH 4106 Basle  
Switzerland