

Registered number: 07029846

SYNCREON UK HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018



SYNCREON UK HOLDINGS LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--|
| Directors | Mr P Enright Ms C Van Landschoot |
| Company secretary | Kenneth Pocius |
| Registered number | 07029846 |
| Registered office | Unit 5 Logix Road R D Park Hinckley Leicestershire LE10 3BQ |
| Trading Address | Unit 5 Logix Road R D Park Hinckley Leicestershire LE10 3BQ |
| Independent auditors | Deloitte LLP Statutory Auditor Four Brindley Place Birmingham United Kingdom B1 2HZ |
| Bankers | KBC Group NV 111 Old Broad Street London United Kingdom EC2N 1BR |
| Solicitors | Knights plc The Brampton Newcastle Under Lyme Staffordshire United Kingdom ST5 0QW |

SYNCREON UK HOLDINGS LIMITED

CONTENTS

| | Page |
|--|----------------|
| Strategic report | 1 - 2 |
| Directors' report | 3 - 5 |
| Independent auditors' report | 6 - 8 |
| Statement of comprehensive income | 9 |
| Balance sheet | 10 |
| Statement of changes in equity | 11 |
| Notes to the financial statements | 12 - 23 |

SYNCREON UK HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Directors present their Strategic Report on the company for the year ended 31 December 2018. The following have been disclosed in the Strategic Report and are included in the Director's Report by way of cross reference; Financial risk management.

BUSINESS REVIEW

The Company is an investment holding company within the Syncreon Group. The Syncreon Group provides end-to-end logistics and supply chain solutions based on leading edge technology, innovative thinking and designed to deliver cost savings and competitive advantage to its customers. The group has operations in Ireland, UK, the Netherlands, Germany, Hungary, Belgium, United States, Canada, Brazil and other various countries.

The Company generated no turnover during the year ended 31 December 2018 or the previous year.

The Directors consider the net liabilities of £9,181,886 (2017 - £30,325,477) as indicated on the Balance Sheet to be satisfactory. The decrease in net liabilities is the result of the decrease in amounts owed to Group undertakings and impairment on investments in subsidiaries.

FINANCIAL RISK MANAGEMENT

The financial risk of the Company is primarily managed by the Syncreon Group European Headquarters finance department. The Company's principle financial instruments comprise cash and short-term deposits and loans from Group undertakings. The Company has various other financial instruments such as trade debtors and trade creditors, which arise from its operations. The Company does not enter into derivative transactions. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The cash flow of Syncreon UK Holdings Limited is monitored along with the other European Syncreon companies and cash shortfalls can be offset by surpluses elsewhere in the European group and globally as applicable. This helps to ensure the stability of cash outflows and hence manage interest rate risk. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The finance department is controlled by strict guidelines set by the global parent company.

The Company's wholly owned subsidiary's business is generated from the UK market where competitive pressures and technology change represent ongoing risks. Uncertainty surrounding Britain's decision to leave the EU will inevitably impact their customer's investment decisions and specifically their decision on which Syncreon entity elements of their business sits with.

FINANCIAL KEY PERFORMANCE INDICATORS

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the Company as a whole, these being turnover, gross profit, operating profit and profit on ordinary activities before taxation as set out in the profit and loss account.

Trading for the year was in line with Directors expectations.

SYNCREON UK HOLDINGS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

This report was approved by the board on 23 September 2019 and signed on its behalf.



Mr P Enright
Director

SYNCREON UK HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited 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 101 'Reduced Disclosure Framework'. 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 year.

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 audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the audited 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.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £8,856,409 (2017 - £15,831,565).

A dividend of £Nil (2017 - £14,185,348) was received in the year.

No dividend has been paid in 2018 (2017 - £Nil) and no dividend is proposed.

DIRECTORS

The Directors who served during the year were:

Mr P Enright
Ms C Van Landschoot

POLITICAL CONTRIBUTIONS

No political donations were paid in the year (2017 - £Nil).

SYNCREON UK HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

GOING CONCERN

These financial statements of the Company have been prepared assuming that it will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities, based on the financial support it receives from the Ultimate Parent Company. Debt issued by the Ultimate Parent Company which is unlikely to be repaid in full at maturity in 2020 raise substantial doubt as to the Group's ability to continue as a going concern. However, management of the Group has plans to address this issues and believes it is probable that it will be successful in the execution of such plans. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Given the above, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Please refer to Note 5 for details on going concern considerations.

FUTURE DEVELOPMENTS

It is the intention of the Directors for the Company to continue as an investment holdings company within the Syncreon Group.

DIRECTOR INDEMNITY

No director indemnity provisions were made during the year and up to the date of this report.

FINANCIAL INSTRUMENTS

In the current year, the Company has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

The Company's accounting policies for financial instruments are disclosed below. IFRS 9 has not resulted in changes in the carrying amounts of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be measured at amortised cost. Financial liabilities continue to be classified as amortised cost and measured at amortised cost.

In addition, the application of the ECL model under IFRS 9 has not changed the carrying amounts of the Company's financial assets. The carrying amounts of financial assets continued to approximate their fair values on the date of transition to IFRS 9.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

EVENTS AFTER THE BALANCE SHEET DATE

As at the date of this report the Directors are not aware of any major changes in the Company's principal activities in the year ahead and there have been no significant events after the balance sheet date.

SYNCREON UK HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

AUDITORS

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

This report was approved by the board on 23 September 2019 and signed on its behalf.



**Mr P Enright
Director**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNCREON UK HOLDINGS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Syncreon UK Holdings Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 Financial Reporting Council's (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.

Material uncertainty related to going concern

We draw attention to note 5 in the financial statements, which indicates that the Company is an indirect subsidiary of Syncreon Group Holdings B.V. (the "Ultimate Parent Company") and the debt issued by the Ultimate Parent Company is unlikely to be repaid in full at maturity in 2020. The Company is reliant on financial support from the Ultimate Parent Company. Those events raise substantial doubt as to the Group's ability to continue as a going concern. As stated in note 5, these events or conditions, along with the other matters as set forth in note 5 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

SYNCREON UK HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNCREON UK HOLDINGS LIMITED (CONTINUED)

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 material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion 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 light of the knowledge and understanding of the Company and its environment obtained in the course of audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

SYNCREON UK HOLDINGS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNCREON UK HOLDINGS LIMITED
(CONTINUED)**

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.

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.



Peter Gallimore (Senior statutory auditor)

for and on behalf of

Deloitte LLP
Statutory Auditor

Birmingham
United Kingdom
23 September 2019

SYNCREON UK HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 £ | 2017 £ |
|---------------------------------------|------|--------------------|---------------------|
| Administrative expenses | | (6,695) | (5,663) |
| Impairment of investments | | (3,880,868) | (24,815,738) |
| Other operating income | 4 | - | 14,185,348 |
| Operating loss | 6 | (3,887,563) | (10,636,053) |
| Interest payable and similar expenses | 9 | (4,968,846) | (5,195,512) |
| Loss before tax | | (8,856,409) | (15,831,565) |
| Tax on loss | 10 | - | - |
| Loss for the financial year | | (8,856,409) | (15,831,565) |

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017- £Nil).

The notes on pages 12 to 23 form part of these financial statements.

SYNCREON UK HOLDINGS LIMITED
REGISTERED NUMBER:07029846

BALANCE SHEET
AS AT 31 DECEMBER 2018

| | Note | 2018 £ | 2017 £ |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Investments | 11 | 31,110,941 | 34,991,809 |
| | | <u>31,110,941</u> | <u>34,991,809</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 12 | 250,113 | 250,113 |
| | | <u>250,113</u> | <u>250,113</u> |
| Creditors: amounts falling due within one year | 13 | (40,542,940) | (65,567,399) |
| Net current liabilities | | <u>(40,292,827)</u> | <u>(65,317,286)</u> |
| Total assets less current liabilities | | <u>(9,181,886)</u> | <u>(30,325,477)</u> |
| Net liabilities | | <u>(9,181,886)</u> | <u>(30,325,477)</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 30,002,009 | 2,009 |
| Share premium account | 15 | 20,038,548 | 20,038,548 |
| Profit and loss account | 15 | (59,222,443) | (50,366,034) |
| | | <u>(9,181,886)</u> | <u>(30,325,477)</u> |

The financial statements of Syncreon UK Holdings Limited (registered number: 07029846) were approved and authorised for issue by the board and were signed on its behalf on 23 September 2019.



Mr P Enright
Director

The notes on pages 12 to 23 form part of these financial statements.

SYNCREON UK HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

| | Called up share capital £ | Share premium account £ | Profit and loss account £ | Total equity £ |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------|
| At 1 January 2018 | 2,009 | 20,038,548 | (50,366,034) | (30,325,477) |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (8,856,409) | (8,856,409) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive loss for the year | - | - | (8,856,409) | (8,856,409) |
| Shares issued during the year | 30,000,000 | - | - | 30,000,000 |
| Total transactions with owners | 30,000,000 | - | - | 30,000,000 |
| At 31 December 2018 | 30,002,009 | 20,038,548 | (59,222,443) | (9,181,886) |

The notes on pages 12 to 23 form part of these financial statements.

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

| | Called up share capital £ | Share premium account £ | Profit and loss account £ | Total equity £ |
|--|---------------------------------|----------------------------------|---------------------------------|---------------------|
| At 1 January 2017 | 2,009 | 20,038,548 | (34,534,469) | (14,493,912) |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (15,831,565) | (15,831,565) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | - | (15,831,565) | (15,831,565) |
| Total transactions with owners | - | - | - | - |
| At 31 December 2017 | 2,009 | 20,038,548 | (50,366,034) | (30,325,477) |

The notes on pages 12 to 23 form part of these financial statements.

SYNCREON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Syncreon UK Holdings Limited, the "Company", is an investment holding company within the Syncreon Group. The Syncreon Group provides end-to-end logistics and supply chain solutions based on leading edge technology, innovative thinking and designed to deliver cost savings and competitive advantage to its customers.

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 Company's registered office is provided on the company information page.

The financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Syncreon Global Holdings Limited. The group accounts of Syncreon Global Holdings Limited are available to the public and can be obtained as set out in note 16.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by FRC. Accordingly these financial statements were prepared in accordance with Financial Reporting 101 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (continued)

2.1 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where relevant, equivalent disclosures have been given in the Group accounts of Syncreon Global Holdings Limited. The Group accounts of Syncreon Global Holdings Limited are available to the public and can be obtained as set out in note 16.

2.2 Adoption of new and revised standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

SYNCREON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (continued)

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The Directors' Report describes the Company's results for the financial year and the financial position of the Company and processes for managing its economic and financial risk.

The nature of the Company's activities is linked to the activities and performance of the Syncreon Group (the "Group") undertakings. Given the current financial position of the Group and there being no plans to change the activities of the Company and the intention of the Group to continue to support the operational existence of the Company into the foreseeable future, the Directors have deemed it appropriate to adopt the going concern basis in preparing the financial statements. A letter of support has been made available by the immediate parent company, Syncreon International Group as Syncreon UK Holdings Limited has net liabilities.

The Directors have a reasonable expectation that the Company has adequate resource to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Please refer to Note 5 for details on going concern considerations.

2.4 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.5 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items that are never taxable or deductible.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

At each Balance Sheet date, the Company reviews the carrying amounts of its investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.7 Debtors

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

2.8 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (continued)

2.9 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Share premium

Amounts in excess of the nominal value of share capital paid to the company for the purchase of shares are classed as share premium within equity in the financial statements.

SYNCREON UK HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (continued)**2.12 Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

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

In the application of the Company accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Impairment of investments

The Company conducts impairment reviews of investments in subsidiaries to determine whether their carrying amounts may not be recoverable, on an annual basis. Determining whether an investment is impaired requires an estimation of the recoverable amount, which requires assumptions by the Company to calculate the value of the cash-generating unit.

4. OTHER OPERATING INCOME

| | 2018 £ | 2017 £ |
|-----------------|-----------|------------|
| Dividend income | - | 14,185,348 |
| | - | 14,185,348 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. GOING CONCERN

These financial statements of the Company have been prepared assuming that it will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities, based on the financial support it receives from the Ultimate Parent Company. Debt issued by the Ultimate Parent Company which is unlikely to be repaid in full at maturity in 2020 raises substantial doubt as to the Group's ability to continue as a going concern. However, management of the Group has plans to address this issue and believes it is probable that it will be successful in the execution of such plans. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Given the above, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company is an indirect subsidiary of syncreon Group Holdings B.V. (the "Ultimate Parent"). The majority of the Ultimate Parent's funded debt was raised in 2013 at a time when the consolidated income and cash flow of the Ultimate Parent supported the leverage level at that time. However, due to contractions in overall revenue and margin, the current leverage levels are relatively much higher and consequently the debt service burden currently outpaces operating income and cash flows. Additionally, Eurocurrency interest rates which form the basis of the interest expense of the debt have increased overall, amplifying the problem. In an effort to address declining revenue, the Ultimate Parent attracted additional debt (some of which was raised under the 2013 debt facilities and therefore also guaranteed by the Company) to enable it to invest in growth initiatives. Results of such investments were generally successful in increasing revenue, however operating income and cash flows did not experience a corresponding increase. In recognition of the pending issue, the Ultimate Parent engaged in consensual negotiations with its funded debt creditors to restructure its balance sheet. Although the Ultimate Parent implemented several cost savings measures and liquidity management efforts, the overall goal of the restructuring was focused on balance sheet issues rather than operations restructuring. The restructuring discussions were successful and resulted in the execution of a Restructuring Support Agreement (the "RSA") among the Ultimate Parent, its subsidiaries who guaranteed the debt (including the Company) and creditors holding over 75% of the debt to be restructured.

Under the terms of the RSA, the Ultimate Parent will:

- Exchange approximately \$680 million (£534 million) existing secured debt into (i) a new "second out" secured term loan in the amount of \$225 million (£176 million) and (ii) 80.0% of the equity interests in the reorganized Ultimate Parent ("Reorganized Equity"). Existing secured creditors who are parties to the RSA before finalization of the restructuring will share 5.5% of the Reorganized Equity

- Exchange approximately \$225 million (£176 million) existing unsecured debt for (i) 4.5% of Reorganized Equity and (ii) warrants for an additional 10.0% of Reorganized Equity (dilutive to all other Reorganized Equity) with a strike price based on an equity value approximating full recovery by the secured debt holders on account of their Reorganized Equity. Existing unsecured creditors who are parties to the RSA before finalization of the restructuring will share 2.5% of the Reorganized Equity.

- Enter into a new money "first out" secured term loan in the amount of \$125 million (£98 million) with existing secured creditors providing commitments for such loan, each of which will share 5.0% of the Reorganized Equity.

- The "first out" and "second out" secured term loans will be guaranteed on a secured basis by subsidiaries of the Ultimate Parent (including the Company) and be pari passu in collateral and payment, although the "first out" term loan shall be paid in full before payment on the "second out".

- Pay amendment and forbearance fees with 2.5% of the Reorganized Equity.

- Repay obligations outstanding under the current asset based lending facility in full, in cash.

SYNCREON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

•Enter into a new asset based revolving credit facility with aggregate principal commitments of not less than \$135 million (£106 million).

Although the RSA has substantial support from the impaired creditors, less than 100% of the debt held by such creditors is represented by the RSA. As such, the Ultimate Parent will implement the restructuring through a scheme of arrangement undertaken in the High Court of Justice of England and Wales (the "English Court") in order to bind the remaining minority of creditors who have not executed or subsequently joined the RSA. This restructuring process requires the approval of creditors holding at least 75% of the impaired debt, which approval is already committed through the creditors who have joined the RSA, and is otherwise subject to customary terms and conditions including approvals from the English Court and related proceedings. The Ultimate Parent intends to complete this restructuring in summer 2019.

Throughout the restructuring process, the Ultimate Parent, including the Company, will continue to operate in the ordinary course of business, and all customer, vendor, and business obligations will continue to be paid in the ordinary course of business.

6. OPERATING PROFIT

The operating profit is stated after charging:

| | 2018 £ | 2017 £ |
|---------------------------|------------------|-------------------|
| Impairment of investments | 3,880,868 | 24,815,738 |
| Administration expenses | 6,695 | 5,663 |
| | <u>3,887,563</u> | <u>24,821,401</u> |

7. AUDITOR'S REMUNERATION

Audit fees for the Company of £3,725 (2017 - £3,571) were borne by Syncreon Technology (UK) Ltd. There were no fees incurred for non audit services during the year (2017 - £Nil).

8. EMPLOYEES

The Company has no employees other than the Directors, who did not receive any remuneration (2017 - £Nil).

SYNCREON UK HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2018 £ | 2017 £ |
|-------------------------------|------------------|------------------|
| Loans from group undertakings | 4,968,846 | 5,195,512 |
| | <u>4,968,846</u> | <u>5,195,512</u> |

10. TAXATION

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Total current tax | <u>-</u> | <u>-</u> |
| Deferred tax | | |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Taxation on profit on ordinary activities | <u>-</u> | <u>-</u> |

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

| | 2018 £ | 2017 £ |
|--|--------------------|---------------------|
| Loss on ordinary activities before tax | <u>(8,856,409)</u> | <u>(15,831,565)</u> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%) | <u>(1,682,718)</u> | <u>1,729,146</u> |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 737,366 | 73,969 |
| Dividends from UK companies | - | (2,730,194) |
| Amounts not recognised | 903,224 | 472,186 |
| Group relief | 42,128 | 454,893 |
| Total tax charge for the year | <u>-</u> | <u>-</u> |

SYNCREON UK HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. TAXATION (continued)**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The Finance Act 2015 enacted a reduction in the main rate of corporation tax to 19% with effect from 1 April 2017, and the Finance Act 2016 enacted a further reduction to 17% with effect from 1 April 2020.

11. FIXED ASSET INVESTMENTS

| | Investments in subsidiary companies £ |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2018 | 34,991,809 |
| At 31 December 2018 | 34,991,809 |
| Impairment | |
| Charge for the period | 3,880,868 |
| At 31 December 2018 | 3,880,868 |
| Net book value | |
| At 31 December 2018 | 31,110,941 |
| At 31 December 2017 | 34,991,809 |

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding | Principal activity | |
|-------------------------------------|-----------------|---------|-------------------------|--|
| Syncreon Technology (UK) Ltd | Ordinary shares | 100 % | Transport and logistics | |
| Syncreon Automotive (UK) Ltd | Ordinary shares | 100 % | Transport and logistics | |
| Syncreon Asia Holdings (UK) Limited | Ordinary shares | 100 % | Holding Company | |

SYNCREON UK HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. FIXED ASSET INVESTMENTS (continued)

| Name | Registered office |
|-------------------------------------|--|
| Syncreon Technology (UK) Ltd | Unit 5 Logix Road, R D Park, Watling Street, Hinckley, Leicestershire, LE10 3BQ |
| Syncreon Automotive (UK) Ltd | Unit 5 Logix Road, R D Park, Watling Street, Hinckley, Leicestershire, LE10 3BQ |
| Syncreon Asia Holdings (UK) Limited | C/o Syncreon Technology, Unit 5 Logix Road, R D Park, Hinckley, Leicestershire, LE10 3BQ |

12. DEBTORS

| | 2018 £ | 2017 £ |
|------------------------------------|----------------|----------------|
| Amounts owed by group undertakings | 250,000 | 250,000 |
| Other debtors | 113 | 113 |
| | <u>250,113</u> | <u>250,113</u> |

Amounts owed by Group undertakings include outstanding intercompany loans receivable from Syncreon Treasury Services Limited of £250,000 (2017 - £250,000) which are unsecured, subject to interest at 8.5% (2017 - 3.75%) and are repayable on demand.

13. CREDITORS: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | 40,538,298 | 65,563,828 |
| Other creditors | 4,642 | 3,571 |
| | <u>40,542,940</u> | <u>65,567,399</u> |

Amounts owed to Group undertakings include outstanding intercompany loans payable to Syncreon Treasury Services Limited of £40,563,828 (2017: £65,563,828) which are unsecured, subject to interest at 8.5% (2017: 3.75%) and are repayable on demand.

SYNCREON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. SHARE CAPITAL

| | 2018 £ | 2017 £ |
|--|-------------------|------------------|
| Authorised | | |
| 30,002,010 (2017 - 2,010,000) Ordinary Shares shares of £1.00 each | <u>30,002,010</u> | <u>2,010,000</u> |
| Allotted, called up and fully paid | | |
| 30,002,009 (2017 - 2,009) Ordinary Shares shares of £1.00 each | <u>30,002,009</u> | <u>2,009</u> |

During the year 30,000,000 Ordinary £1 shares were issued and fully paid.

15. RESERVES

Share premium account

The share premium reserves contains the premium arising on issue of equity shares, net of issue expenses.

Profit and loss account

The profit and loss reserve represents cumulative profits or losses.

16. CONTROLLING PARTY

The ultimate parent company and controlling party of Syncreon UK Holdings Limited is Syncreon Global Holdings Limited, a company incorporated in the Cayman Islands (registered office: C/o Stuarts Corporate Services Ltd, Cayman Financial Center, George Town, Grand Cayman) owns 100%.

The Company regards Syncreon International Group, a company incorporated in Ireland, as the immediate parent undertaking.

The parent company of the smallest and largest group to consolidate these financial statements is Syncreon Global Holdings Limited, a company incorporated in the Cayman Islands. Copies of these consolidated financial statements can be obtained from Luxembourg Business Registers, L-2961 Luxembourg.

Syncreon UK Holdings Limited has availed of the following exemption - preparation of consolidated financial statements (E.U 7th Directive).

This exemption is available as 100% of Syncreon Holdings Limited's voting rights are controlled within Syncreon group and the consolidated financial statements of Syncreon Global Holdings Limited (in which Syncreon UK Holdings Limited is included) are publicly available.