



Scott-Moncrieff
business advisers and accountants

FLEXCON EUROPE LIMITED

Company registration number SC170245

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

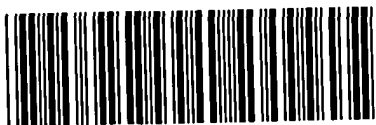
FOR THE YEAR ENDED 30 SEPTEMBER 2018

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FLEXCON EUROPE LIMITED

COMPANY INFORMATION

Directors	N D McDonough S P McDonough (appointed 1 December 2018)
Company secretary	Addleshaw Goddard (Scotland) Secretarial Limited
Registered number	SC170245
Registered office	Whitworth Road Southfield Industrial Estate Glenrothes Fife KY6 2TF
Independent auditor	Scott-Moncrieff Chartered Accountants Exchange Place 3 Semple Street Edinburgh EH3 8BL
Bankers	Bank of America N.A London EC1A 1HQ
Solicitors	Addleshaw Goddard LLP Exchange Tower 19 Canning Street Edinburgh EH3 8EH

FLEXCON EUROPE LIMITED

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FLEXCON EUROPE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

Introduction

The directors present their Strategic report and the financial statements of the company for the year ended 30 September 2018.

Business review

FLEXcon Europe Limited is a manufacturer and supplier of pressure sensitive films and adhesives. The company is a market leader with over 500 standard and custom products. The company focuses on individual customer business needs; we combine our applications expertise with our polymeric materials technology to provide our customers with product identification, promotion and bonding solutions.

The company achieved a pre-tax profit of £2.01m (2017: £1.95m) for the year on sales of £32.8m (2017: £29.6m). The company has no third party debt but owes £1.8m (2017: £3.1m) to other group companies, FLEXcon Company Inc and FLEXcon Company B.V.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.


The business risks and uncertainties affecting the company are considered to relate to competition from the market place, employee retention and product development.

We continue to invest heavily in staff training, product development and most importantly, in understanding our customers' needs.

Key performance indicators

Given the relatively straightforward nature of the business, the directors believe that an analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

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


.....
S G Hall
Director
Date: 4/2/19

FLEXCON EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Results and dividends

The profit for the year, after taxation, amounted to £1,600,421 (2017 - £1,779,291).

No dividends were paid during the year.

Directors

All directors retire by rotation and, being eligible, offer themselves for re-election.

N D McDonough

S G Hall (appointed 1 October 2017, resigned 1 December 2018)

C J McDonough (resigned 1 December 2018)

S P McDonough (appointed 1 December 2018)

Research and development

The company invests heavily in product and customer research and development. Innovation is essential and we work hard to create products and expand our customers' markets. Our state of the art manufacturing facility in Glenrothes, Scotland is the centrepiece of our European operations. From the facility, we support customers' application development efforts and produce products that meet various country specifications for local and multi national customers. The facility is equipped with pressure-sensitive coating, top coating, slitting equipment, statistical process control labs and product development labs.

Future developments

Our markets remain competitive but we are confident that our superior product range and willingness to invest in our customers' individual needs will enable us to increase our market share in the future.

FLEXCON EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Disclosure of information to auditor

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

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

FLEXCON EUROPE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, Scott-Moncrieff, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

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



.....
S G Hall
Director

Date:

4/2/19

FLEXCON EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FLEXCON EUROPE LIMITED

Qualified Opinion

We have audited the financial statements of Flexcon Europe Limited for the year ended 30 September 2018, which comprise of the statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the matter described in the basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Qualified Opinion

The directors have not provided the information required to disclose the total salaries and benefits paid to key management personnel in the notes to the financial statements, as required by Section 33: Related Party Disclosures of FRS 102.

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 United Kingdom, including the Financial Reporting Council'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 audit 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.

FLEXCON EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FLEXCON EUROPE 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 a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Matters on which we are required to report by exception

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

In respect solely of the limitation on our work relating to key management personnel, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

- returns adequate for 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

FLEXCON EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FLEXCON EUROPE LIMITED (CONTINUED)

Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

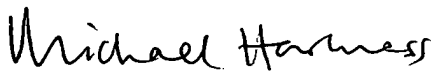
Auditor's responsibilities for the audit of the financial statements

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

Use of our report

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



Michael Harkness (Senior Statutory Auditor)

**for and on behalf of
Scott-Moncrieff, Statutory Auditor**

Chartered Accountants

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 4 February 2019

FLEXCON EUROPE LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	32,783,140	29,589,619
Cost of sales		(22,060,570)	(19,858,870)
Gross profit		10,722,570	9,730,749
Administrative expenses		(8,683,892)	(7,752,890)
Operating profit	5	2,038,678	1,977,859
Interest payable and expenses	8	(34,398)	(24,219)
Profit before tax		2,004,280	1,953,640
Tax on profit	9	(403,859)	(174,349)
Profit after tax		1,600,421	1,779,291
Retained earnings at the beginning of the year		142,310	(1,636,981)
		142,310	(1,636,981)
Profit for the year		1,600,421	1,779,291
Retained earnings at the end of the year		1,742,731	142,310

None of the company's activities were acquired or discontinued during the above two years.

There were no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 12 to 25 form part of these financial statements.

FLEXCON EUROPE LIMITED
REGISTERED NUMBER:SC170245

BALANCE SHEET
AS AT 30 SEPTEMBER 2018

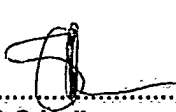
	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	2,377,147	1,937,534
		<u>2,377,147</u>	<u>1,937,534</u>
Current assets			
Stocks	11	7,217,442	7,905,523
Debtors: amounts falling due within one year	12	3,657,195	3,432,826
Cash at bank and in hand	13	2,587,949	2,176,655
		<u>13,462,586</u>	<u>13,515,004</u>
Creditors: amounts falling due within one year	14	(1,981,036)	(2,765,658)
Net current assets		<u>11,481,550</u>	<u>10,749,346</u>
Total assets less current liabilities		<u>13,858,697</u>	<u>12,686,880</u>
Creditors: amounts falling due after more than one year	15	(1,600,000)	(2,062,902)
Provisions for liabilities			
Deferred tax	17	(47,158)	(12,860)
		<u>(47,158)</u>	<u>(12,860)</u>
Net assets		<u><u>12,211,539</u></u>	<u><u>10,611,118</u></u>

FLEXCON EUROPE LIMITED
REGISTERED NUMBER:SC170245

BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2018

	Note	2018 £	2017 £
Capital and reserves			
Called up share capital	18	10,466,843	10,466,843
Share premium account		1,965	1,965
Profit and loss account		1,742,731	142,310
		<u>12,211,539</u>	<u>10,611,118</u>

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

 4/2/19
.....
S G Hall
Director

Date:

The notes on pages 12 to 25 form part of these financial statements.

FLEXCON EUROPE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,600,421	1,779,291
Adjustments for:		
Depreciation of tangible assets	436,319	387,065
Interest paid	34,398	24,219
Taxation charge	(53,760)	174,349
Decrease/(increase) in stocks	688,082	(1,413,549)
(Increase)/decrease in debtors	(224,369)	126,982
Increase in creditors	21,237	323,204
(Decrease)/increase in amounts owed to groups	(919,496)	611,277
Corporation tax paid	201,693	34,355
Net cash generated from operating activities	1,784,525	2,047,193
Cash flows from investing activities		
Purchase of tangible fixed assets	(881,352)	(437,816)
Sale of tangible fixed assets	5,421	-
Net cash from investing activities	(875,931)	(437,816)
Cash flows from financing activities		
Loans from group companies repaid	(462,902)	(701,085)
Interest paid	(34,398)	(24,219)
Net cash used in financing activities	(497,300)	(725,304)
Net increase in cash and cash equivalents	411,294	884,073
Cash and cash equivalents at beginning of year	2,176,655	1,292,582
Cash and cash equivalents at the end of year	2,587,949	2,176,655
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,587,949	2,176,655
	2,587,949	2,176,655

The notes on pages 12 to 25 form part of these financial statements.

FLEXCON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. General information

FLEXcon Europe Limited is a company incorporated in Scotland. The registered office is Whitworth Road, Southfield Industrial Estate, Glenrothes, Fife, KY6 2TF.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

These financial statements are presented in pounds sterling (GBP). The company's functional currency is Euro (EUR). The company is registered in the UK and have always used pounds sterling (GBP) as their presentational currency therefore, to ensure consistency in reporting this has continued.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors are satisfied that the company can continue to generate sufficient operating cash flows to allow it to continue to meet its liabilities as they fall due for the foreseeable future. As a consequence the directors have prepared the financial statements on the going concern basis.

2.3 Turnover

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

Sale of goods

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.4 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	- Over the period of the lease
Plant and machinery	- 12.5% - 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

2.5 Stocks

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

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

2.6 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.

2.7 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.8 Financial instruments

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

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

2.9 Creditors

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

2.10 Foreign currency translation

Functional and presentation currency

The company's functional currency is Euros (EUR). This differs from the presentational currency which is GBP. The reason for the difference is that the company is registered in the UK and have always used GBP as their presentational currency therefore, to ensure consistency in reporting this has continued.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.11 Finance costs

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

2.12 Operating leases

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis over the lease term.

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

2.14 Provisions for liabilities

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

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

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

FLEXCON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. Accounting policies (continued)

2.15 Current and deferred taxation

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

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

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

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

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

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

In preparing the financial statements directors make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The estimate and assumption with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is:

The stock provision is reviewed annually and the provision is based on management's best estimate and knowledge of the business in identifying slow moving and obsolete stock.

FLEXCON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

4. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	3,998,244	3,287,847
Rest of Europe	28,122,809	25,834,636
Rest of the world	662,087	467,136
	<u>32,783,140</u>	<u>29,589,619</u>

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Staff costs	7,089,473	6,323,749
Depreciation of tangible fixed assets	436,319	387,065
Auditor's remuneration - audit fee	18,150	17,200
Auditor's remuneration - non-audit fee	38,850	36,350
Exchange differences	<u>112,931</u>	<u>(237,995)</u>

During the year, no director received any emoluments (2017: £nil).

FLEXCON EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018****6. Employees**

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

	2018 £	2017 £
Wages and salaries	6,204,877	5,543,592
Social security costs	661,868	577,937
Cost of defined contribution scheme	222,728	202,220
	<u>7,089,473</u>	<u>6,323,749</u>

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

	2018 No.	2017 No.
Selling and administration	72	62
Production	58	58
	<u>130</u>	<u>120</u>

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	145,866	-
Company contributions to defined contribution pension schemes	5,826	-
	<u>151,692</u>	<u>-</u>

During the year retirement benefits were accruing to one directors (2017 - NIL) in respect of defined contribution pension schemes.

8. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	334	200
Loans from group undertakings	34,064	24,019
	<u>34,398</u>	<u>24,219</u>

FLEXCON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	266,948	64,606
R&D credit	(16,230)	-
	<u>250,718</u>	<u>64,606</u>
Foreign tax		
Foreign tax on income for the year	118,843	96,883
	<u>118,843</u>	<u>96,883</u>
Total current tax	<u>369,561</u>	<u>161,489</u>
Deferred tax		
Origination and reversal of timing differences	34,298	12,860
Total deferred tax	<u>34,298</u>	<u>12,860</u>
Taxation on profit on ordinary activities	<u>403,859</u>	<u>174,349</u>

FLEXCON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.50%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	2,004,280	1,953,640
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.50%)	380,813	380,933
Effects of:		
Expenses not deductible for tax purposes	5,927	863
Deferred tax not recognised	-	(195,008)
Other movement in deferred tax	(4,035)	(30,552)
Fixed asset differences	3,503	3,595
Double taxation relief	(85,294)	(82,365)
Foreign tax charge	102,945	96,883
Total tax charge for the year	403,859	174,349

FLEXCON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

10. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Total £
Cost			
At 1 October 2017	479,574	14,809,996	15,289,570
Additions	153,180	728,172	881,352
Disposal	(5,421)	-	(5,421)
At 30 September 2018	627,333	15,538,168	16,165,501
Depreciation			
At 1 October 2017	310,941	13,041,094	13,352,035
Charge for the year on owned assets	34,854	401,465	436,319
At 30 September 2018	345,795	13,442,559	13,788,354
Net book value			
At 30 September 2018	281,538	2,095,609	2,377,147
At 30 September 2017	168,633	1,768,901	1,937,534

11. Stocks

	2018 £	2017 £
Raw materials and consumables	2,384,194	2,917,063
Work in progress	450,033	262,668
Finished goods and goods for resale	4,383,215	4,725,794
	<u>7,217,442</u>	<u>7,905,525</u>

There is no material difference between the replacement cost of stocks and their balance sheet values.

FLEXCON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

12. Debtors

	2018 £	2017 £
Trade debtors	3,201,182	3,074,207
Other debtors	282,611	185,597
Prepayments and accrued income	173,402	173,022
	<u>3,657,195</u>	<u>3,432,826</u>

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	2,587,949	2,176,655
	<u>2,587,949</u>	<u>2,176,655</u>

14. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	543,017	407,469
Amounts owed to group undertakings	137,054	1,056,550
Corporation tax	287,985	161,489
Other taxation and social security	163,558	147,055
Other creditors	129,910	94,680
Accruals and deferred income	719,512	898,415
	<u>1,981,036</u>	<u>2,765,658</u>

Included within other creditors are outstanding pension contributions of £21,541 (2017: £19,889).

FLEXCON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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

	2018 £	2017 £
Amounts owed to group undertakings	1,600,000	2,062,902
	<u>1,600,000</u>	<u>2,062,902</u>

Amounts owed to group undertakings have no fixed terms of repayment.

Of the total above, £nil (2017: £462,902) is denominated in US dollars.

16. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>5,951,223</u>	<u>5,320,662</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,129,491)</u>	<u>(4,057,115)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

FLEXCON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

17. Deferred taxation

	2018 £
At beginning of year	(12,860)
Charged to profit or loss	(34,298)
At end of year	(47,158)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(47,158)	(12,860)
	<u>(47,158)</u>	<u>(12,860)</u>

18. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
10,466,843 (2017 - 10,466,843) Ordinary shares of £1.00 each	10,466,843	10,466,843

FLEXCON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

19. Commitments under operating leases

At 30 September 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

Land & Buildings

	2018 £	2017 £
Falling due not later than 1 year	651,454	651,454
Falling due later than 1 year and not later than 5 years	2,605,817	2,605,817
Later than 5 years	965,171	1,616,625
	<u>4,222,442</u>	<u>4,873,896</u>

Fixtures & Fittings

	2018 £	2017 £
Not later than 1 year	34,415	24,926
Later than 1 year and not later than 5 years	77,294	82,644
Later than 5 years	-	4,419
	<u>111,709</u>	<u>111,989</u>

20. Related party transactions

The immediate parent company was FLEXcon Holdings (Europe) LLC and the ultimate parent company was FLEXcon Worldwide LLC throughout the year.

FLEXcon Worldwide LLC is incorporated in the State of Delaware, USA. Copies of the financial statements may be obtained from FLEXcon Company Inc, FLEXcon Industrial Park, Spencer, MA 01562-2642, USA.

FLEXcon Holdings Trust holds 100% of the issued share capital of FLEXcon Worldwide LLC. The company is therefore ultimately controlled by the trustees of FLEXcon Holdings Trust.

Neil McDonough, a director, is also a director of NMCD Realty Limited and owns 100% of its issued share capital. NMCD Realty Limited charged rent of £400,000 (2017: £400,000) to FLEXcon Europe Limited for use of land and buildings. There were no outstanding amounts at the year end (2017: £nil).

The company has taken advantage of the exemption permitted by Financial Reporting Standard 102 Section 33 "Related Parties", not to disclose transactions or balances with group companies. There are no other transactions with related parties that require disclosure.