
Rotex Europe Limited

Annual Report and Consolidated Financial Statements

For the Year Ended 30 September 2019

Rotex Europe Limited

Company Information

Directors	R W Dieckman Jr (resigned 31 August 2019) K A Cerniglia (resigned 13 January 2020) K K Ryan (appointed 13 January 2020) L E Rentz (appointed 13 January 2020) U Zimmerling (appointed 13 January 2020) J D Huchison (appointed 13 January 2020)
Company secretary	DTM Legal LLP
Registered number	04307924
Registered office	Aston Lane North Whitehouse Vale Runcorn Cheshire WA7 3FA
Independent auditors	Hurst Accountants Limited Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
Bankers	Lloyds TSB Bank plc Warrington Cheshire WA1 2LP HSBC Bank plc First Floor, 60 Queen Victoria Street London EC4N 4TR
Solicitors	DTM Legal LLP Suite 11c The Plaza 100 Old Hall Street Liverpool L3 9QJ

Rotex Europe Limited

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**Group Strategic Report
For the Year Ended 30 September 2019**

Introduction

The Directors present the Group Strategic Report for the year ended 30 September 2019.

Business review

The Directors announce a gain on ordinary activities before taxation of £6,148k for the Group for the year ending 30 September 2019, which is 1,317% higher than the previous year. This was after incurring an exceptional credit of £1,398k related to legal proceedings, vs. a charge of £2,894k from the previous year, which is analysed in note 11 of these financial statements.

Fluctuations in exchange rates drove a loss of £48k compared to a gain of £59k in the previous year.

The balance sheet continues to be strong. Cash built steadily during the year until September 2019 when a dividend of €2,150k was declared and paid.

The Group management team continues to support the strategic development of its subsidiary Rotex Japan Limited. As an innovative leader, our goals continue to be profitable growth and market leadership achieved through continuous improvement and excellence in our associates.

The Group continues to benefit from product development activity undertaken by Rotex Global LLC.

Legal damages

Legal proceedings had been brought against the company by one of its customers. The case went to trial in February 2018, and a final decision was released in March 2019. The outcome was that the company was found to be in breach of contract. The aggregate amount for damages, costs and interest of £1.1 million was fully provisioned for in these financial statements for the year ending 30th September 2018 with payment being made in full to the customer in the year ending 30th September 2019. There are no remaining liabilities regarding the case. In addition, a settlement was reached with our insurer in the amount of €1.9 million to partially recoup the payment to the customer and expenses recognized over the course of the trial, which has been recognised within the exceptional credit noted above and is analysed in note 11 of these financial statements. This settlement was paid to Rotex in November 2019.

Principal risks and uncertainties

As a large proportion of the trading of the Group is conducted abroad, we are exposed to the relative strength of sterling against other world currencies. Although we may address this risk through financing activities and through the use of derivative financial instruments, those actions may not prove to be fully effective.

Uncertainties about the future implications of Brexit may create additional risks to our financial results; however, we anticipate additional growth in fiscal 2019/20 as we continue to focus on bringing a global sales approach to the capital sales team, emphasizing share gain in our aftermarket segments, and working on improvements in our supply chain to obtain cost reductions and improve profitability.

Financial key performance indicators

The directors present below the financial key performance indicators:

2019 2018

Operating Profit / Sales (excluding exceptionals) 21.8% 13.8%

Profit before tax / Sales (excluding exceptionals) 22.0% 13.9%

Sales/ Employee £393k £324k

Profit / (Loss) before tax / Employee £82k (£10k)

Rotex Europe Limited

**Group Strategic Report (continued)
For the Year Ended 30 September 2019**

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

.....
L E Rentz
Director
Date: 23 March 2020

Directors' Report
For the Year Ended 30 September 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £4,945,454 (2018 - loss £505,555).

The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

R W Dieckman Jr (resigned 31 August 2019)

K A Cerniglia (resigned 13 January 2020)

Future developments

At this time our focus is to build up our customer bases by bringing a global sales approach to the capital sales team and to emphasise share gain in our aftermarket segments. In addition, we are working on improvements in our supply chain to bring cost reductions and improved profitability.

Directors' Report (continued)
For the Year Ended 30 September 2019

Financial instruments

The group's principal financial instruments comprise bank balances, trade creditors, trade debtors, operating lease agreements and forward exchange contracts. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's operations.

Due to the nature of the financial instruments used by the group there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is shown below:

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding, and the group makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The group is a lessee in respect of operating leased assets. The liquidity risk in respect of these is managed in the same way as trade creditors above.

Where deemed significant, currency risk is managed through foreign exchange forward contracts.

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 and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

Other than the events as described in note 20 to the financial statements, there are no significant events that have affected the company since the year end.

Auditors

The auditors, Hurst Accountants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

.....
L E Rentz

Director

Date: 23 March 2020

Independent Auditors' Report to the Members of Rotex Europe Limited

Opinion

We have audited the financial statements of Rotex Europe Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity 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 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 the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2019 and of the Group's 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 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 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 Group's or the parent 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.

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 Auditors' 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.

Independent Auditors' Report to the Members of Rotex Europe Limited (continued)

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 Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Responsibilities of 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of Rotex Europe Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Anthony Woodings (Senior Statutory Auditor)

for and on behalf of

Hurst Accountants Limited

Chartered Accountants

Statutory Auditors

Lancashire Gate

21 Tiviot Dale

Stockport

Cheshire

SK1 1TD

24 March 2020

Rotex Europe Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 30 September 2019

	Note	2019 £	2018 £
Turnover	4	21,624,775	16,867,785
Cost of sales		(13,109,571)	<i>(10,297,330)</i>
Gross profit		8,515,204	<i>6,570,455</i>
Administrative expenses		(3,792,675)	<i>(4,239,812)</i>
Exceptional administrative expenses	11	1,398,301	<i>(2,893,820)</i>
Operating profit/(loss)	5	6,120,830	<i>(563,177)</i>
Interest receivable and similar income	8	27,146	<i>7,020</i>
Profit/(loss) before taxation		6,147,976	<i>(556,157)</i>
Tax on profit/(loss)	9	(1,202,522)	<i>50,602</i>
Profit/(loss) for the financial year		4,945,454	<i>(505,555)</i>
Foreign exchange translation movements of subsidiaries		111,174	<i>11,802</i>
Other comprehensive income for the year		111,174	<i>11,802</i>
Total comprehensive income for the year		5,056,628	<i>(493,753)</i>
Profit/(loss) for the year attributable to:			
Owners of the parent Company		4,945,454	<i>(505,555)</i>

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

The notes on pages 14 to 33 form part of these financial statements.

Rotex Europe Limited
Registered number: 04307924

Consolidated Statement of Financial Position
As at 30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible Fixed Assets	12	1,033,392	1,109,917
Current assets			
Stocks	14	2,167,796	1,641,254
Debtors: amounts falling due within one year	15	6,795,568	5,017,288
Cash at bank and in hand	16	4,187,674	3,970,942
		13,151,038	10,629,484
Creditors: amounts falling due within one year	17	(4,602,292)	(4,089,893)
Net current assets		8,548,746	6,539,591
Total assets less current liabilities		9,582,138	7,649,508
Provisions for liabilities			
Deferred taxation	19	-	(4,863)
Other provisions	20	(290,904)	(1,501,183)
		(290,904)	(1,506,046)
Net assets		9,291,234	6,143,462
Capital and reserves			
Called up share capital	21	1,000	1,000
Share premium account	22	699,010	699,010
Other reserves	22	284,410	173,236
Profit and loss account	22	8,306,814	5,270,216
		9,291,234	6,143,462

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

.....
L E Rentz
Director

Date: 23 March 2020

The notes on pages 14 to 33 form part of these financial statements.

Rotex Europe Limited
Registered number: 04307924

Company Statement of Financial Position
As at 30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	12	1,032,156	1,107,024
Investments	13	30,000	30,000
		1,062,156	1,137,024
Current assets			
Stocks	14	2,136,340	1,627,242
Debtors: amounts falling due within one year	15	6,844,539	4,363,032
Cash at bank and in hand	16	2,550,055	3,807,119
		11,530,934	9,797,393
Creditors: amounts falling due within one year	17	(4,329,323)	(3,991,149)
Net current assets		7,201,611	5,806,244
Total assets less current liabilities		8,263,767	6,943,268
Provisions for liabilities			
Deferred taxation	19	-	(4,863)
Other provisions	20	(290,904)	(1,501,183)
		(290,904)	(1,506,046)
Net assets		7,972,863	5,437,222
Capital and reserves			
Called up share capital	21	1,000	1,000
Share premium account	22	699,010	699,010
Profit and loss account brought forward		4,737,212	5,456,230
Profit/(loss) for the year		4,444,497	(719,018)
Dividends		(1,908,856)	-
		7,272,853	4,737,212
Profit and loss account carried forward		7,972,863	5,437,222

Rotex Europe Limited
Registered number: 04307924

Company Statement of Financial Position (continued)
As at 30 September 2019

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

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

.....
L E Rentz

Director

Date: 23 March 2020

The notes on pages 14 to 33 form part of these financial statements.

Rotex Europe Limited
Registered number: 04307924

Consolidated Statement of Changes in Equity
For the Two Years Ended 30 September 2019

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 October 2017	1,000	699,010	161,434	5,775,771	6,637,215
Comprehensive income for the year					
Loss for the year	-	-	-	(505,555)	(505,555)
Foreign exchange translation movements of subsidiaries	-	-	11,802	-	11,802
Total comprehensive income for the year	-	-	11,802	(505,555)	(493,753)
At 1 October 2018	1,000	699,010	173,236	5,270,216	6,143,462
Comprehensive income for the year					
Profit for the year	-	-	-	4,945,454	4,945,454
Foreign exchange translation movements of subsidiaries	-	-	111,174	-	111,174
Total comprehensive income for the year	-	-	111,174	4,945,454	5,056,628
Dividends: Equity capital	-	-	-	(1,908,856)	(1,908,856)
Total transactions with owners	-	-	-	(1,908,856)	(1,908,856)
At 30 September 2019	1,000	699,010	284,410	8,306,814	9,291,234

Company Statement of Changes in Equity
For the Two Years Ended 30 September 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 October 2017	1,000	699,010	5,456,230	6,156,240
Comprehensive income for the year				
Loss for the year	-	-	(719,018)	(719,018)
At 1 October 2018	1,000	699,010	4,737,212	5,437,222
Comprehensive income for the year				
Profit for the year	-	-	4,444,497	4,444,497
Dividends: Equity capital	-	-	(1,908,856)	(1,908,856)
At 30 September 2019	1,000	699,010	7,272,853	7,972,863

Rotex Europe Limited

Consolidated Statement of Cash Flows
For the Year Ended 30 September 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit/(loss) for the financial year	4,945,454	(505,555)
Adjustments for:		
Depreciation of tangible assets	86,249	87,317
Loss on disposal of tangible assets	-	(25,000)
Interest received	(27,146)	(7,020)
Taxation charge	1,202,522	(50,602)
(Increase)/decrease in stocks	(524,961)	152,237
Decrease in debtors	234,165	687,687
(Increase)/decrease in amounts owed by groups	(1,907,715)	273,420
(Decrease) in creditors	(120,228)	(355,398)
Increase/(decrease) in amounts owed to groups	168,280	(249,186)
(Decrease)/increase in provisions	(1,210,279)	1,202,508
Corporation tax (paid)	(756,991)	(320,116)
Net cash generated from operating activities	2,089,350	890,292
Cash flows from investing activities		
Purchase of tangible fixed assets	(9,724)	(20,100)
Sale of tangible fixed assets	-	25,000
Interest received	27,146	7,020
Net cash from investing activities	17,422	11,920
Cash flows from financing activities		
Dividends paid	(1,908,856)	-
Net cash used in financing activities	(1,908,856)	-
Net increase in cash and cash equivalents	197,916	902,212
Cash and cash equivalents at beginning of year	3,970,942	3,064,661
Foreign exchange gains and losses	18,816	4,069
Cash and cash equivalents at the end of year	4,187,674	3,970,942
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,187,674	3,970,942

The notes on pages 14 to 33 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

1. General information

Rotex Europe Limited is a company limited by members capital incorporated in England and Wales. The company number is 04307924. The address of the registered office and principal place of business is Aston Lane North, Whitehouse Vale, Runcorn, Cheshire, WA7 3FA.

The nature of the company's and group's operations and its principal activity is the design, assembly, commissioning, service and repair of screening, feeding and conveying equipment.

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 the Republic of Ireland and the Companies Act 2006.

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 October 2014.

Notes to the Financial Statements
For the Year Ended 30 September 2019

2. Accounting policies (continued)

2.3 Revenue

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

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group 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.

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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 2.5% straight line
Plant and machinery	- 10% - 20% straight line
Motor vehicles	- 20% straight line
Fixtures and fittings	- 10% - 33% 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 Consolidated Statement of Comprehensive Income.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Stocks

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

At each reporting 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.

Notes to the Financial Statements
For the Year Ended 30 September 2019

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 Cash and cash equivalents

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

In the Consolidated 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 Group's cash management.

2.9 Financial instruments

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 Consolidated Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Creditors

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

Notes to the Financial Statements
For the Year Ended 30 September 2019

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

The functional and presentational currency of Rotex Japan Limited, the company's subsidiary, is the Japanese Yen (JPY). On consolidation, the subsidiary's balances are translated into GBP, and any movements on translation are recognised in other comprehensive income.

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.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.13 Operating leases: the Group as lessee

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

2.14 Pensions

Defined contribution pension plan

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

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

Notes to the Financial Statements
For the Year Ended 30 September 2019

2. Accounting policies (continued)

2.15 Interest income

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

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated 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 reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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;
- 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 reporting date.

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

Notes to the Financial Statements
For the Year Ended 30 September 2019

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

Preparation of the financial statements requires management to make significant judgements and estimates that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may differ from these judgements, estimates and assumptions. The judgements, estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the Group and Company as at 30 September 2019 are discussed below:

Doubtful debtors

Management reviews aged debts regularly and makes appropriate provision where recovery of the debt is considered doubtful. Amounts charged in respect of doubtful debts are disclosed in note 15.

Stock provisions

Management reviews stock turnover on a regular basis, and makes appropriate provision for items where the net realisable value is lower than cost. Amounts charged in respect of stock provisions are disclosed in note 14.

Warranty provision

Management makes estimates of warranty provisions based on expected costs required to make good faults of which the group is aware. Such provisions are calculated based on the judgements made by the quality managers. At the year end, the group and company have recognised a warranty provision of £290,904 (2018: £301,183), and movements on warranty provisions are disclosed in note 20.

Derivatives

The Group and Company enters into forward currency contracts to manage its exposure to foreign exchange cash flow risk on its overseas purchases, where exposure is deemed significant. These contracts are measured at fair value at each balance sheet date, and where material, these are recognised in the financial statements. The fair value is measured as the mark to market value, being the difference between the change in value of the hedged item and the change in value of the hedging instrument. Changes in the fair value of such contracts are included in the statement of comprehensive income.

At the year end, the group and company has recognised forward contracts as liabilities with a value of £Nil (2018: £Nil).

4. Turnover

The whole of the turnover is attributable to the principal activity of the group as described in note 1.

Analysis of turnover by country of destination:

	2019	2018
	£	£
United Kingdom	2,110,399	2,067,051
Rest of Europe	10,988,434	7,755,001
Rest of the World	8,525,942	7,045,733
	<u>21,624,775</u>	<u>16,867,785</u>

Rotex Europe Limited

Notes to the Financial Statements
For the Year Ended 30 September 2019

5. Operating profit/(loss)

The operating profit is stated after charging/(crediting):

	2019	2018
	£	£
Research & development charged as an expense	1,453	1,127
Exchange differences	44,709	(59,032)
Operating lease rentals	<u>103,007</u>	<u>106,372</u>

6. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	<u>21,970</u>	<u>22,400</u>
	21,970	22,400
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	4,750	5,100
All other services	<u>4,200</u>	<u>1,250</u>
	<u>8,950</u>	<u>6,350</u>

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

7. Employees

Staff costs were as follows:

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Wages and salaries	2,387,187	2,662,194	2,265,929	2,548,619
Social security costs	246,662	239,612	226,572	229,505
Wages and salaries	<u>2,387,187</u>	<u>2,662,194</u>	<u>2,265,929</u>	<u>2,548,619</u>

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

	2019 No.	<i>2018 No.</i>
Shop floor staff	12	11
Administration and office staff	43	41
	<u>55</u>	<u>52</u>

The directors of the company received no remuneration from any companies in the group (2018: £Nil).

8. Interest receivable

	2019 £	<i>2018 £</i>
Other interest receivable	<u>27,146</u>	<u>7,020</u>

Rotex Europe Limited

Notes to the Financial Statements
For the Year Ended 30 September 2019

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	982,710	-
Adjustments in respect of prior periods	-	(152,069)
	<u>982,710</u>	<u>(152,069)</u>
Foreign tax		
Foreign tax on income for the year	219,265	96,589
Foreign tax in respect of prior periods	7,800	15
	<u>227,065</u>	<u>96,604</u>
Total current tax	<u><u>1,209,775</u></u>	<u><u>(55,465)</u></u>
Deferred tax		
Origination and reversal of timing differences	(7,253)	4,863
	<u>(7,253)</u>	<u>4,863</u>
Total deferred tax	<u><u>(7,253)</u></u>	<u><u>4,863</u></u>
Taxation on profit/(loss) on ordinary activities	<u><u>1,202,522</u></u>	<u><u>(50,602)</u></u>

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>6,147,976</u>	<u>(556,157)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,168,115	<i>(96,343)</i>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	12,938	9,921
Corporate taxes payable overseas	219,265	96,604
Double taxation relief	(137,167)	<i>(55,317)</i>
Adjustments to tax charge in respect of prior periods	7,800	<i>(1,402)</i>
Other differences leading to an increase (decrease) in the tax charge	4,065	<i>(4,065)</i>
Group relief	(72,494)	-
Total tax charge for the year	<u>1,202,522</u>	<u><i>(50,602)</i></u>

Factors that may affect future tax charges

The UK Government has announced a reduction in the Corporation Tax rate to 17% for the year starting 1 April 2020. However, changes to the future rates following the General Election in December 2019 are not yet known. Changes are expected to be announced in the Budget on 11 March 2020.

10. Dividends

	2019 £	2018 £
Ordinary	<u>1,908,856</u>	<u>-</u>

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

11. Exceptional items

	2019	2018
	£	£
Costs relating to final settlement (see note 20)	(72,577)	1,200,000
Costs in relation to legal case (see note 20)	312,207	1,693,820
Insurance premium receivable relating to legal claim	(1,637,931)	-
	(1,398,301)	2,893,820

Please see note 20 for more information relating to legal costs and settlement.

A fellow subsidiary of the company received an insurance settlement in relation to the legal case described in note 20, and subsequently remitted this to the company.

12. Tangible fixed assets

Group

	Freehold property	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£
Cost or valuation				
At 1 October 2018	1,485,871	654,489	456,972	2,597,332
Additions	-	-	9,724	9,724
	1,485,871	654,489	466,696	2,607,056
Depreciation				
At 1 October 2018	445,068	654,489	387,858	1,487,415
Charge for the year on owned assets	30,648	-	55,601	86,249
	475,716	654,489	443,459	1,573,664
Net book value				
At 30 September 2019	1,010,155	-	23,237	1,033,392
<i>At 30 September 2018</i>	<i>1,040,803</i>	<i>-</i>	<i>69,114</i>	<i>1,109,917</i>

Rotex Europe Limited

Notes to the Financial Statements
For the Year Ended 30 September 2019

12. Tangible fixed assets (continued)

Company

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 October 2018	1,485,871	654,489	446,360	2,586,720
Additions	-	-	9,724	9,724
At 30 September 2019	<u>1,485,871</u>	<u>654,489</u>	<u>456,084</u>	<u>2,596,444</u>
Depreciation				
At 1 October 2018	445,068	654,489	380,139	1,479,696
Charge for the year on owned assets	30,648	-	53,944	84,592
At 30 September 2019	<u>475,716</u>	<u>654,489</u>	<u>434,083</u>	<u>1,564,288</u>
Net book value				
At 30 September 2019	<u>1,010,155</u>	<u>-</u>	<u>22,001</u>	<u>1,032,156</u>
<i>At 30 September 2018</i>	<u>1,040,803</u>	<u>-</u>	<u>66,221</u>	<u>1,107,024</u>

Included in land and buildings is freehold land at a cost of £300,000 (2018: £300,000) which is not depreciated.

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Freehold	<u>1,010,155</u>	<u>1,040,803</u>

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2018	<u>30,000</u>
At 30 September 2019	<u><u>30,000</u></u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Class of shares	Holding
Rotex Japan Limited	Ordinary	100 %

The registered office of Rotex Japan Limited is the same as the company's as detailed in note 1, as is incorporated in the United Kingdom. The results of Rotex Japan Limited are included in the financial statements.

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

14. Stocks

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Raw materials and consumables	1,347,097	1,235,741	1,315,641	1,221,729
Finished goods / Work in progress	820,699	405,513	820,699	405,513
	<u>2,167,796</u>	<u>1,641,254</u>	<u>2,136,340</u>	<u>1,627,242</u>

An impairment loss of £146,289 (2018 - £151,286) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. Debtors

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Trade debtors	4,600,940	4,510,641	4,419,698	3,868,947
Amounts owed by group undertakings	1,977,907	70,192	2,213,967	73,885
Other debtors	208,484	399,725	208,484	388,648
Prepayments and accrued income	5,847	36,730	-	31,552
Deferred taxation	2,390	-	2,390	-
	<u>6,795,568</u>	<u>5,017,288</u>	<u>6,844,539</u>	<u>4,363,032</u>

Impairments to debtor balances during the year resulted in a credit of £34,173 (2018: charge £305,228) being recognised in the Statement of comprehensive income during the year.

16. Cash and cash equivalents

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Cash at bank and in hand	<u>4,187,674</u>	<u>3,970,942</u>	<u>2,550,055</u>	<u>3,807,119</u>

Rotex Europe Limited

Notes to the Financial Statements
For the Year Ended 30 September 2019

17. Creditors: Amounts falling due within one year

	Group 2019 £	<i>Group</i> <i>2018</i> £	Company 2019 £	<i>Company</i> <i>2018</i> £
Payments received on account	480,741	375,751	480,741	375,751
Trade creditors	1,235,183	1,042,947	1,235,183	1,042,947
Amounts owed to group undertakings	1,363,071	1,194,293	1,363,071	1,193,575
Corporation tax	535,919	74,704	358,355	-
Other taxation and social security	71,147	68,815	60,353	68,815
Other creditors	27,313	26,911	27,313	24,622
Accruals and deferred income	888,918	1,306,472	804,307	1,285,439
	<u>4,602,292</u>	<u>4,089,893</u>	<u>4,329,323</u>	<u>3,991,149</u>

18. Financial instruments

	Group 2019 £	<i>Group</i> <i>2018</i> £	Company 2019 £	<i>Company</i> <i>2018</i> £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>6,578,847</u>	<u>4,580,833</u>	<u>6,633,665</u>	<u>3,942,832</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(5,320,617)</u>	<u>(5,334,048)</u>	<u>(5,236,006)</u>	<u>(5,310,008)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise bank overdrafts, payments received on account, trade creditors, amounts owed to group undertakings, other creditors and accruals.

Rotex Europe Limited

Notes to the Financial Statements
For the Year Ended 30 September 2019

19. Deferred taxation

Group

	2019	2018
	£	£
At beginning of year	4,863	-
Charged to profit or loss	(7,253)	4,863
At end of year	<u>(2,390)</u>	<u>4,863</u>

Company

	2019	2018
	£	£
At beginning of year	4,863	-
Charged to profit or loss	(7,253)	4,863
At end of year	<u>(2,390)</u>	<u>4,863</u>

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accelerated capital allowances	1,921	4,863	1,921	4,863
Other timing differences	(4,311)	-	(4,311)	-
	<u>(2,390)</u>	<u>4,863</u>	<u>(2,390)</u>	<u>4,863</u>

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

20. Provisions

Group

	Warranty provision	Legal damages	Total
	£	£	£
At 1 October 2018	301,183	1,200,000	1,501,183
Charged to profit or loss	118,968	-	118,968
Utilised in year	(129,247)	(1,200,000)	(1,329,247)
At 30 September 2019	<u>290,904</u>	<u>-</u>	<u>290,904</u>

Company

	Warranty provision	Legal damages	Total
	£	£	£
At 1 October 2018	301,183	1,200,000	1,501,183
Charged to profit or loss	118,968	-	118,968
Utilised in year	(129,247)	(1,200,000)	(1,329,247)
At 30 September 2019	<u>290,904</u>	<u>-</u>	<u>290,904</u>

Warranty Provision

A provision of £290,904 (2018: £301,183) has been recognised for expected warranty claims on machines sold. It is expected that most of this expenditure will be incurred within two years of the balance sheet date.

Legal Damages

Legal proceedings were brought against the company by one of its customers. The case went to trial in February 2018, and a final decision was made in March 2019. The outcome was that the company was found to be in breach of contract. The aggregate amount of damages, costs and interest is approximately £1.2m, a provision for which had been recognised in the prior year financial statements. The company's legal costs have been recognised as they were incurred during the year and are disclosed in note 11. The company has settled the liability and no further costs are expected. An insurance payout was also receivable in respect of this as described in note 11.

21. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
1,000 (2018 - 1,000) Ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

22. Reserves

Share premium account

The share premium account comprises the value of premiums paid on the issue of share capital.

Other reserves

The foreign exchange reserve comprises differences arising on translation of subsidiaries that operate overseas from their functional currency.

Profit and loss account

The profit and loss account comprises all current and prior year profits and losses, net of dividends paid.

23. Contingent liabilities

Bank Guarantees

The company provides bank guarantees for warranties given on the sale of some machines. These are approximately 10% of the total value of the machine sold and the customer can make a claim under the terms of the guarantee directly from the bank.

The company has also given a bank guarantee of £120,000 (2018: £120,000) to HM Revenue and Customs, which is included below.

As at 30 September 2019, the total value of bank guarantees is given as follows:

	2019	2018
	£	£
Within one year	783,323	1,406,476
Between one and five years	819,872	355,664
Greater than five years	-	-
	1,603,195	1,762,140

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £86,212 (2018: £69,911). Contributions totalling £nil (2018: £2,294) were payable to the fund at the reporting date and are included in creditors.

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

25. Commitments under operating leases

At 30 September 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019	<i>Group 2018</i>
	£	£
Land and Buildings		
Not later than 1 year	18,036	<i>16,207</i>
Later than 1 year and not later than 5 years	-	<i>16,207</i>
	18,036	<i>32,414</i>

	Group 2019	<i>Group 2018</i>	Company 2019	<i>Company 2018</i>
	£	£	£	£
Other				
Not later than 1 year	37,423	<i>27,208</i>	30,806	<i>26,728</i>
Later than 1 year and not later than 5 years	59,987	<i>8,350</i>	40,136	<i>8,350</i>
	97,410	<i>35,558</i>	70,942	<i>35,078</i>

26. Related party transactions

As permitted by FRS 102 - section 33, the company has not disclosed transactions between wholly owned subsidiaries.

Key management remuneration during the year totalled £518,428 (2018: £540,918).

The following transactions have taken place during the current accounting period between the company and other companies that are owned within the group controlled by the ultimate parent company, Hillenbrand Inc:

Type 1 Parties which have control over the entity

Type 2 Fellow subsidiaries with no direct control over the entity

	2019	2019	2019	2018	2018	2018
	Sales/Income	Purchases	Debtor/ (Creditor)	Sales	Purchases	Debtor/ (Creditor)
	£	£	£	£	£	£
Type 1	1,637,931	(496,831)	1,026,326	-	(432,727)	(577,800)
Type 2	1,763,642	(5,873,184)	(330,017)	1,012,541	(3,309,167)	(464,110)

Rotex Europe Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

27. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Coperion K-Tron (Schweiz) GmbH, a company incorporated in Switzerland.

The ultimate parent undertaking is Hillenbrand Inc, a company listed on the New York Stock Exchange, incorporated in Batesville, Indiana, United States of America.

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