

Samtec (Europe) Limited

Annual report and financial statements

Registered number SC096674

31 December 2018

**COMPANIES HOUSE
EDINBURGH**

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Contents

Strategic Report	1
Directors' report	2
Statement of directors' responsibilities in respect of the annual report and the financial statements	3
Independent auditor's report to the members of Samtec (Europe) Limited	4
Profit and Loss Account	6
Balance Sheet	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes	10

Strategic Report

Principal activity and business review

The company's principal activity during the year was the distribution of electronic components. The company intends to pursue existing activities and has no immediate plans for developing other business areas.

Business review

Turnover was £24.1 million which is up 5.2% on the previous year. Operating profit increased from £946,000 in the previous year to £1,102,000.

The principal risks and uncertainties affecting the business include the following:

- Foreign currency exchange: Foreign currency transactions are completed on a periodic basis at current market rates;
- The company is a 100% owned subsidiary of Samtec, Inc. and as such, purchases all finished goods from them. The company also relies on Samtec, Inc. for all new product development, quality control, and corporate marketing;
- Debtors: the company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed;
- Major disruption/disaster: customer relationships would be maintained from either the Samtec U.S. office or another Samtec European office during any major disruption;
- The effect of legislation or other regulatory activities: the company monitors forthcoming and current legislation regularly;
- The current economic conditions present additional risk to the company. It is expected that the company will experience some reduction in sales, but expects to remain profitable. The company and group have significant cash resources which provide some resilience to the economic downturn;
- The risk of customer insolvency has also increased, however, the company has, in recent years, widened its customer base which helps reduce the impact of failure of any one customer;
- Litigation: the company may be subject to litigation. The outcome of legal action is always uncertain and there is always the risk that it may prove more costly and time consuming than expected. There is a risk that litigation could be instigated in the future which could materially impact the company. In some liability cases, however, legal expenses are covered by insurance;
- Competitive risk: The Company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of products reduces the possible effect of action by any single competitor.
- Key areas of strategic development and performance of the business include:
- Sales and marketing: new and replacement business is being won continually; new markets have been developed in line with the company's strategy; key customer relationships are monitored on a regular basis;
- Competitive advantage: the company focuses on areas where it has a competitive advantage which places it well in terms of superior long term income/cash flow growth potential

By order of the board



J Shine
Director

23 September 2019

Directors' report

The director presents his annual report and the audited financial statements for the year ended 31 December 2018.

Financial instruments

The company's policy is not to use complex financial instruments.

Financing

The company has significant cash reserves and operates within group transfer pricing arrangements which the director anticipates will enable the company to remain profitable and generate positive cash flows in the future. The director therefore remains confident in the ability of the company to be able to continue to meet its liabilities as they fall due and, accordingly, the director believes it remains appropriate for the financial statements to continue to be prepared on a going concern basis.

Dividend

During the year no dividend was paid (2017: £nil).

Disclosure of information to auditor

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Director

The sole director during the year under review was John Shine.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Political Contributions

The company made no political donations during the year (2017: £nil).

By order of the board



J Shine
Director

11 Mollins Court
Cumbernauld
Glasgow
G68 9HP

23 September 2019

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Samtec (Europe) Limited

Opinion

We have audited the financial statements of Samtec (Europe) Limited ("the company") for the year ended 31 December 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity, cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Samtec (Europe) Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 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.



Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
27 September 2019

Profit and Loss Account
for year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	24,101	22,912
Cost of Sales		(20,021)	(19,587)
Gross Profit		4,080	3,325
Distribution cost		(1,444)	(1,433)
Administrative expenses		(1,079)	(828)
Other operating income		(455)	(118)
Operating profit		1,102	946
Other interest receivable and similar income	3	22	7
Profit before taxation	4	1,124	953
Tax on profit	7	(210)	(189)
Profit for the financial year		914	764

All of the activities are continuing.

There was no other comprehensive income in either year other than the above profit for the financial year.

Balance Sheet
At 31 December 2018

	<i>Note</i>	2018	2017
		£000	£000
Fixed assets			
Tangible assets	8	231	242
Current assets			
Debtors	9	5,679	5,813
Cash at bank and in hand		6,836	3,654
		<u>12,515</u>	<u>9,467</u>
Creditors: amounts falling due within one year	10	<u>(5,749)</u>	<u>(3,626)</u>
Net current assets		<u>6,766</u>	<u>5,841</u>
Net assets		<u>6,997</u>	<u>6,083</u>
Capital and reserves			
Called up Share capital		-	-
Share premium account		1	1
Profit and loss account	12	6,996	6,082
Shareholders' funds		<u>6,997</u>	<u>6,083</u>

These financial statements were approved by the board of directors on 23 September 2019 and were signed on their behalf by:



J Shine
Director

Company registered number: SC096674

Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	-	1	5,318	5,319
Profit for the financial period	-	-	764	764
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017 and 1 January 2018	-	1	6,082	6,083
	<hr/>	<hr/>	<hr/>	<hr/>
Profit for the financial year	-	-	914	914
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	-	1	6,996	6,997
	<hr/>	<hr/>	<hr/>	<hr/>

Cash Flow Statement
for year ended 31 December 2018

	<i>Note</i>	2018	2017
		£000	£000
Cash flows from operating activities			
Profit for the year		914	764
Adjustments for:			
Depreciation		62	57
Loss on disposal of fixed assets		50	25
Interest receivable and similar income		(23)	(4)
Taxation		198	193
 Increase in trade and other debtors		 108	 (343)
increase in trade and other creditors		2,185	1,038
 Tax paid		 (235)	 (117)
 Net cash from operating activities		 3,259	 1,613
 Cash flows from investing activities			
Acquisition of tangible fixed assets		(100)	(109)
Interest received		23	4
 Net cash from investing activities		 (77)	 (105)
 Net increase in cash and cash equivalents		 3,182	 1,508
Cash and cash equivalents at 1 January		3,654	2,146
 Cash and cash equivalents at 31 December		 6,836	 3,654

Notes

(forming part of the financial statements)

1 Accounting Policies

Basis of preparation

Samtec (Europe) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000:

The financial statements are prepared on the historical cost basis.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

Going concern

For reasons explained in the director's report on page 2, the director continues to believe it appropriate for the financial statements to be prepared on a going concern basis.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets so as to write them off over their anticipated useful lives at the following annual rates on straight line basis:

Improvement to property Fixtures & fittings & other	10%
Motor Vehicles Other assets	10%
Foreign exchange	10% - 20%
Other assets	20%

At the year end monetary assets and liabilities expressed in a foreign currency are translated into sterling at the rate of exchange approximating to the rate ruling at the balance sheet date with any gains or losses written off to the profit and loss account.

The gain or loss on exchange of transactions which are fully settled during the year are reflected in the profit and loss account as they occur.

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Operating leases

Rentals under operating leases are charged to the profit and loss account over the term of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2018 £000	2017 £000
United Kingdom	11,162	8,766
Other	12,939	14,146
	<u>24,101</u>	<u>22,912</u>

Notes (continued)

3 Interest income

	2018 £000	2017 £000
Bank interest receivable	22	7
	<u>22</u>	<u>7</u>

4 Profit on ordinary activities before taxation

	2018 £000	2017 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of fixed assets (note 8)	62	57
Operating lease payments:		
- Buildings	37	37
- Other	1	1
Loss on sale of fixed assets	50	25
Loss on foreign exchange	(455)	(118)
	<u>22</u>	<u>7</u>
Auditors remuneration		
Auditors remuneration		
- Audit of these financial statements	13	13
- Tax compliance	13	13
	<u>26</u>	<u>26</u>

5 Remuneration of director

No remuneration was paid to the director of the company during the year ended 31 December 2018 (2017: £nil).

6 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees 2018 £000	2017 £000
Administration	22	21
	<u>22</u>	<u>21</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	1,315	1,188
Social security costs	164	146
Other pension costs	117	92
	<u>1,596</u>	<u>1,425</u>

Notes (continued)

7 Taxation

Total tax expense recognised in the profit and loss account:

	2018 £000	2017 £000
<i>Current tax</i>		
Current tax on income for the year	210	193
Adjustment in respect of previous years	(11)	-
	<hr/>	<hr/>
Total current tax	198	193
<i>Deferred tax (see note 11)</i>		
Deferred tax (credit)	6	(5)
Adjustment in respect of previous years	6	1
	<hr/>	<hr/>
Total deferred tax	12	(4)
	<hr/>	<hr/>
Total tax	210	189
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than (2017: *higher than*) the standard rate of corporation tax in the UK (19%, 2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,124	953
	<hr/>	<hr/>
Current tax at 19%, (2017: 19.25%)	214	183
<i>Effects of</i>		
Items not deductible for tax purposes	3	5
Adjustment in respect of prior years	(6)	1
Impact of change in corporation tax rate	(1)	-
	<hr/>	<hr/>
Tax charge included in profit and loss account	210	189
	<hr/>	<hr/>

Factors that may affect future tax charges

A reduction in the rate of corporation tax to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Company's future tax charge accordingly.

Notes (continued)

8 Tangible fixed assets

	Improvements to property £000	Fixtures, fittings tools and equipment £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2018	60	5	274	339
Additions	-	10	90	100
Disposals	-	-	(84)	(84)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	60	15	280	355
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
Balance at 1 January 2018	20	4	79	103
Charge for year	6	1	55	62
Disposals	-	-	42	42
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	26	5	92	123
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2018	34	10	188	232
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	43	1	198	242
	<hr/>	<hr/>	<hr/>	<hr/>

9 Debtors

	2018 £000	2017 £000
Trade debtors	5,220	5,202
Deferred tax asset (<i>note 11</i>)	-	1
Other Debtors	422	584
Prepayments and accrued income	37	26
	<hr/>	<hr/>
	5,679	5,813
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	180	279
Amounts owed to group undertakings	5,111	2,960
Other creditors	19	17
Deferred tax liability (<i>note 11</i>)	11	-
Accruals and deferred income	310	215
Corporation tax payable	118	155
	<hr/>	<hr/>
	5,749	3,626
	<hr/>	<hr/>

Notes (continued)

11 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Accelerated capital allowances	-	-	(16)	(5)	(16)	(5)
Other	4	6	-	-	4	6
	<u>5</u>	<u>6</u>	<u>(16)</u>	<u>(5)</u>	<u>(11)</u>	<u>1</u>

12 Called up share capital

	2018	2017
<i>Allotted called up and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018 £000	2017 £000
Trade receivables	5,220	5,202
Trade payables	<u>(180)</u>	<u>(279)</u>

Trade receivables are measured at cost less any impairment for amounts that are at risk of not being collected. The impairment of trade receivables in the current year is £25,000 (2017: £25,000). Trade payables are measured at cost.

14 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2018 £000	Other 2018 £000	Land and buildings 2017 £000	Other 2017 £000
Less than one year	9	1	9	1
	<u>9</u>	<u>1</u>	<u>9</u>	<u>1</u>

Notes *(continued)*

15 Employee benefits

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable at a rate of 7.5% on the gross salary and bonus of employees to the fund and amounted to £117,262 (2017: £91,622) for the year. There were outstanding contributions of £18,082 at the end of the financial year (2017: £16,063).

16 Related party transactions

During the year Samtec (Europe) Limited made purchases from Samtec Inc totalling £21,122,309 (2017: £20,909,689).

At 31 December 2018, Samtec (Europe) Limited owed £1,576,426 in respect of the above transactions (2017: £2,960,463).

17 Ultimate parent company,

The company is a subsidiary of Samtec Inc incorporated in the USA.

The largest group in which the results of the company are consolidated is that headed by Samtec Inc, incorporated in the USA. The consolidated accounts of this company are not available to the public. No other group accounts include the results of the company.

18 Accounting estimates and judgements

The directors consider that the company has no areas of significant estimation or judgement.