-Company Registration No. 00910858 (England and Wales)

ASSA ABLOY ENTRANCE SYSTEMS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ASSA ABLOY ENTRANCE SYSTEMS LTD

COMPANY INFORMATION

Directors	N J Mathews (resigned 31 August 2020) P Hansson (resigned 1 September 2020) B Cherian (resigned 31 August 2020) M Jensen (resigned 1 September 2020) J Burton L Ynner (appointed 1 September 2020) M Lindholm (appointed 1 September 2020)
Company number	00910858
Registered office	7 Churchill Way Chapeltown Sheffield Yorkshire S35 2PY
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

ASSA ABLOY ENTRANCE SYSTEMS LTD

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ASSA ABLOY ENTRANCE SYSTEMS LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors of ASSA ABLOY Entrance Systems Ltd present the strategic report and financial statements for the year ended 31 December 2019.

Review of the business
The company's principal activities during the year were the supply, installation and servicing of automatic doors, industrial doors and docking equipment.

The company had good organic growth in revenues and profitability throughout the year despite uncertainty within some of the company's key markets caused mainly by the ongoing Brexit negotiations and the resulting impact on foreign exchange risks and increasing raw material prices. The directors continue to monitor the financial impacts of the EU future trade deal negotiations closely and are reviewing a number of strategies to mitigate the risk appropriately.

Market conditions continued to be competitive throughout 2019 and into the first quarter of 2020 until the effects of the COVID-19 world pandemic affected the results of the company from March 2020 onwards. Further discussion of this impact is included within the Directors report.

The directors are pleased to report continued growth in revenue on prior year of 11.9% (2018: 4.1%) and a strong gross profit as a percentage of revenue of 32.6% (2018: 31.9%). Overall, the directors are satisfied with the trading performance of the company during the year and of its financial position at the end of the year.

The directors have approved a final dividend in respect of the results for the year ended 31 December 2019 of £757k which was paid in 31st of October 2019 (2018: £750k).

On the 7th of November 2019 Besam AB transferred all shares in ASSA ABLOY Entrance Systems Ltd at book value to ASSA ABLOY Ltd . This was just an internal share transfer in order for ASSA ABLOY Entrance Systems to be part of the wider UK group. As the company was identified to be the acquiring company for the UK entities of the Australia based AM Group, we wanted to make this transfer prior to those acquisitions. On 15th of November 2019 ASSA ABLOY Entrance Systems Ltd acquired Dover Vanguard Roller Shutters Ltd and Industrial Door Engineering Ltd.

Overall the directors are satisfied with the performance of the company during the year and of its position at the end of the year.

Statement on engagement with suppliers, customers and others in a business relationship with the company
The directors recognise the importance of considering all stakeholders in its decision making. By responsibly using human capital, natural resources and capital, we continuously create sustainable value for all our stakeholders.

Customers
ASSA ABLOY is present in more than 70 countries across America, Europe, Middle East, Africa and Asia Pacific. Wherever we do business, we follow our code of conduct and abide to the laws and regulations governing business ethics in the countries in which we operate. We require all of our partners to do the same.

Our ambition is to supply high quality, durable products that meet and exceed customer requirements, are manufactured with minimal use of resources, and have a minimal environmental impact throughout their life cycle. End-users can vary from large institutional and commercial businesses to small and medium-sized customers, including residential end-users. We believe that continued growth starts with understanding our customers and being relevant to their needs.

Insights into our markets, competitors and customers are important to identify and prioritise opportunities. We continuously monitor the operating environment and how it is changing through on-going dialogue with our customers. Customer experience is at the centre of everything we do and the experience we deliver to them must always meet their expectations. We gain regular feedback from customers and use customer relationship management systems to prioritise our sales efforts and engage appropriately with our customers with the right information to hand.

Suppliers and Partners
Every year the company purchases a considerable amount of material, components, and products from a large number of direct suppliers around the world, including suppliers based in low-cost countries. All suppliers are expected to follow our ASSA ABLOY Code of Conduct and suppliers in risk areas are evaluated from a sustainability perspective on a regular basis. Both ASSA ABLOY and supplier facilities undergo sustainability audits on a regular basis to ensure manufacturing activities are carried out in a safe way and with the lowest possible environmental impact.

Professional sourcing and sourcing policies allow us to engage with our strategic suppliers and partners fairly but ensures competitiveness through improved quality, better delivery times and cost reductions.

Employees
Our people are our most important asset and our future depends on continuing to attract, retain and develop the right people and evolve with them. Our employees are provided with opportunities, responsibilities, and the authority to act. The company promotes continuous employee development and employees are actively encouraged to seek out opportunities to develop their own career. Group-wide job vacancies posted on the company's intranet inform employees of career opportunities throughout the ASSA ABLOY Group. There is a strong culture of local ownership and decentralised decision making despite being part of a global organisation.

The company must manage social and ethical issues and observes high standards of integrity and responsible practices. Ethical employee behaviour is central to this and is promoted among employees through the Group-wide ASSA ABLOY Code of Conduct. The Code is a key component of the ASSA ABLOY induction program, and all employees are expected to follow it from day one. The Code of Conduct underlines ASSA ABLOY's commitment to fair employment conditions and labour rights, and takes a clear stand against human rights abuses, child labour and forced labour of any kind.

The directors make numerous site visits throughout the year and engage directly with employees through regular town hall style employee cascades. A Group-wide employee survey is also conducted every second year. The survey is an important tool to engage with employees and understand how they feel about their workplace, as well as issues such as professional development, diversity, and equality.

Society
Our vision is to be the global leader in automated entrance solutions. We want to lead in innovation and provide well-designed, convenient, safe and secure, and sustainable solutions that give true added value to our customers. We also want to offer an attractive company to our employees. We are the fastest growing company in the door industry today, achieved by a combination of organic growth and acquisitions.

Our strategy is based on four strategic cornerstones which are valid for the whole of ASSA ABLOY Group:
1. Growth through customer relevance
2. Product leadership through innovation
3. Cost efficiency in everything we do
4. Evolution through people

These are our guiding principles in everything we do, and our strategy aims to make us grow faster than anybody else in the industry and to constantly improve our profitability, outperforming the competition.

ASSA ABLOY compliance programmes
ASSA ABLOY has specific global compliance programs and policies within the areas of anti-corruption, anti-trust, export control and data protection, which supplement and build on the Code of Conduct.

ASSA ABLOY code of conduct
The groupwide code of conduct covers business ethics, communication, human rights and labour standards, the environment, and health and safety. It provides the framework for ASSA ABLOY's daily operations and dealings with external stakeholders. The full version is given to all managers, relevant employees, and union representatives. The short version is communicated and made available to all employees. New employees are required to read the code of conduct within three months of joining the company, and agree to abide by it and any related policies.

ASSA ABLOY's business partner code of conduct is based on the pillars and frameworks of the code of conduct, but is adapted to external partners. The code includes principles that apply globally to suppliers, business partners and other stakeholders such as third parties acting on behalf of ASSA ABLOY and they are all required to comply with it.

Key performance indicators
The directors consider that the growth in turnover, operating profit percentage and net profit percentage to be the most appropriate performance indicators for the company.

Principal risks and uncertainties
The company's operations expose it to a variety of risks. The company has examined all major risks to its business and considers the main risks to be credit, liquidity, competition/macroeconomic factors, currency fluctuation and interest rate related.

The principal risk that the company faces is that of non-payment of invoices for goods and services supplied. The company has implemented policies that require appropriate credit checks on existing and potential customers before sales are made. There's also the potential risk of availability to supply within customer deadlines due to restraints in the factory and the economic downturn, specifically in the UK retail sector market.

To mitigate the risk in changes in the economic and political environment, relevant economic indicators are reviewed by the management team on a regular basis. We manage customer buying patterns and behavior by continuously reviewing our customers and supplier database.

In order to manage liquidity risk, the company monitors the level of short term debt. The majority of this debt is due to the parent undertaking, and the liquidity and interest rate risk on this debt is managed at a group level.

Currency risk is managed at a group level and is discussed further in the Directors' Report.

There are uncertainties as to how long the COVID-19 crisis will continue and when the government support plans when (or under what terms) will need to be repaid. The longer term effects on the economy are also unknown. There was also identified uncertainty surrounding Brexit and how this could impact the industrial and automatic door market demand and economic environment and is dependent on the outcome. Please refer to the directors report where the impact of Covid-19 has been discussed in further detail.

Health and Safety
Due to the nature of the business and the manufacturing working environment, the company highlights Health and Safety as a principal risk. The company has significantly invested in Health and Safety and through regular monitoring have noted marked improvements in this area.

Section 172(1) statement
The directors' overarching duty is to promote the success of the company for the benefit of its shareholders, with consideration of stakeholder's interests, as set out in section 172 Companies Act 2006. The board regards a well-governed business as essential for the successful delivery of its principal activity.

The directors are aware of their duty under section 172 Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

a) The likely consequences of any decision in the long-term;
b) The interests of the company's employees;
c) The need to foster the company's business relationships with suppliers, customers and others;
d) The impact of the company's operations on the community and the environment;
e) The desirability of the company to maintain a reputation for high standards of business conduct; and
f) The need to act fairly as between members of the company.

The company is the primary UK subsidiary of ASSA ABLOY Ltd. The ASSA ABLOY Group is the global leader in opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

The company forms part of the Opening Solutions EMEA division of ASSA ABLOY AB. The board of ASSA ABLOY AB manages the Group's operations on a global and divisional basis. From the perspective of the board, because of the Group governance structure, the matters for which it is responsible under section 172 Companies Act 2006 are considered to an appropriate extent by the board in relation both to the Group and to this entity. The board has also considered relevant matters where appropriate.

To the extent necessary for an understanding of the development, performance and position of the entity, the company's directors believe that the requirements of section 172(1)(a)-(f) are discussed in detail in the ASSA ABLOY AB Annual Report on pages 1 to 57 which does not form part of this report. Further detail in relation to the company is also set out in this Strategic Report.

On behalf of the board

J Burton
Director
23 November 2020

The directors present their annual report and financial statements for the year ended 31 December 2019. The disclosure of some required information has been shown in the strategic report and is incorporated by reference.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operation for the foreseeable future. As at the year end, the company had net current liabilities of £2,632k. The directors have prepared cash flow forecasts, which take into full consideration the impact of Covid-19 on the company, which indicate the company should continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least 12 months from the date of approval of these financial statements.

In addition, the directors have obtained a letter of support from the ultimate parent company, ASSA ABLOY AB, which states that they will not request repayment of outstanding short term loans should ASSA ABLOY Entrance Systems Limited wish to roll over the repayment into a longer term funding loan. The company also participates in the Group's cash pool facility. ASSA ABLOY AB confirmed that they have no intention of decreasing credit lines available for the company in the foreseeable future. The Group's liquidity remained at a good level with sufficient headroom across its available capital facilities for the foreseeable future.

As a result, the directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Principal activities

The principal activity of the company continued to be that of the importation and installation of automatic door opening equipment, industrial doors and docking equipment and the subsequent service and maintenance of these products. The company operates a branch in the Republic of Ireland.

Results and dividends

The directors are pleased to report continued growth in revenue on prior year of 11.9% (2018: 4.1%) and a strong gross profit as a percentage of revenue of 32.6% (2018: 31.9%). Gross margins showed a slight increase which was created mainly by reduced costs. The directors consider the level of business and the year-end financial position to be satisfactory in the light of the current challenging economic conditions.

The member's voluntary liquidation of the subsidiary company, Motivation (Traffic Control) Limited was completed on 24 December 2018 and the company was subsequently dissolved on 16 April 2019.

The directors have approved a final dividend in respect of the results for the year ended 31 December 2019 of £757k which was paid in 31st of October 2019 (2018: £750k).

Subsequent events and COVID-19 impact

In 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time has spread across China and to a significant number of other countries including the UK. The company considers the emergence and spread of COVID-19 to be a non-adjusting, post-balance sheet event. COVID-19 has caused disruption to business and economic activity and the start of 2020 has been challenging.

To address the situation, the directors have taken a series of measures to preserve the health and safety of our employees, customers and suppliers. These measures range from the implementation of social distancing and the provision of PPE to employees that continue to work at our customer sites and an increased number of employees working from home.

To address the situation that has arisen due to the COVID-19 outbreak, several cost measures and cash flow initiatives were implemented across the company. For instance, a number of our employees were placed on furlough leave, travel restrictions were implemented, the number of consultant and temporary staff members reduced and a number of non-essential products delayed. The company also took advantage of Government support available during the period, including applying for grants under the Government Coronavirus Job Retention Scheme.

Pedestrian Door Solutions UK divestment
On 27 Feb 2020, the ultimate parent company of ASSA ABLOY Entrance Systems Ltd (ASSA ABLOY) announced that they received phase I conditional approval for the acquisition of Agta Record by the EU Commission subject to the condition that they divest certain parts of the business including the Pedestrian Door Solutions division of ASSA ABLOY Entrance Systems Ltd in the UK.

On 1 May 2020, as part of the abovementioned divestment process, all of the business and assets relating to the business carried on by ASSA ABLOY Entrance Systems Ltd and known as "PDS UK" were transferred to Auto Pedestrian Doors Ltd.

On 29 Jun 2020, ASSA ABLOY announced that it entered into a binding agreement with FAAC group for the sale of PDS in France and the UK in ASSA ABLOY Entrance Systems division, as well as record operations in the Netherlands, Austria, Hungary and Slovenia, and their high-speed door business. This transaction was completed and the Company received £28m as a result.

Future developments
A focus on customer value and innovations continues to accelerate growth and profitability. The company expects to continue to be acquisitive if the right opportunities present themselves in the future.

Financial risk management
Liquidity risk
The company actively maintains a mixture of long term and short term debt finance through the ASSA ABLOY AB Group treasury function that is designed to ensure the company has sufficient available funds for its operations and planned expansions. The directors have obtained a pledge of continued financial support from the parent company.

Interest rate risk
The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. This risk is managed at a group level.

Foreign exchange risk
The company is exposed to currency risk when it has binding commercial or financial obligations in a currency other than its functional currency and the related cash inflows and outflows are not equal in amounts and timing. Activities are focused on transactional cash flows which arise predominantly from receivables and payables. The company operates a number of currency accounts within the ASSA ABLOY AB Group treasury function which seeks to mitigate foreign exchange risk at a Group level.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is regularly reassessed by the management of the company.

Independent auditors
Following a formal group tender process, Ernst & Young LLP will be appointed by shareholders as the Company's statutory auditor in accordance with section 485 of the Companies Act 2006 for the next financial year.

Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

N J Mathews (resigned 31 August 2020)
P Hansson (resigned 1 September 2020)
B Cherian (resigned 31 August 2020)
M Jensen (resigned 1 September 2020)
J Burton
L Ynner (appointed 1 September 2020)
M Lindholm (appointed 1 September 2020)

Directors' Indemnity
The directors confirm that none of the directors had the benefit of any indemnity which is a qualifying third party indemnity provision, as defined by Section 234 of the Companies Act 2006, at any time from 1 January 2019 up to the date of signature of this report. Directors' and Officers' liability insurance for all group companies, including ASSA ABLOY Entrance Systems Ltd, is maintained by ASSA ABLOY AB, the ultimate parent undertaking.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the board

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J Burton
Director
23 November 2020

Report on the audit of the financial statements

Opinion
In our opinion, Assa Abloy Entrance Systems Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

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

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

Christopher Taylor

Christopher Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
23 November 2020

ASSA ABLOY ENTRANCE SYSTEMS LTD

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Revenue	4	41,028	36,672
Cost of sales		(27,673)	(24,989)
Gross profit		13,355	11,683
Distribution costs		(5,082)	(4,623)
Administrative expenses		(6,188)	(8,050)
Other operating income		371	333
Operating profit/(loss) and profit/(loss) before interest and taxation	5	2,456	(657)
Finance income	8	81	13
Finance expenses	9	(109)	(75)
Profit/(loss) before taxation		2,428	(719)
Tax on profit/(loss)	10	(447)	106
Profit/(loss) for the financial year		1,981	(613)

The income statement has been prepared on the basis that all operations are continuing operations.

ASSA ABLOY ENTRANCE SYSTEMS LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Profit/(loss) for the financial year		1,981	(613)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Foreign currency translation		(4)	(66)
Actuarial gain/(loss) on defined benefit pension schemes	**21**	883	(91)
Movement on deferred tax relating to pension gain/(loss)	**16**	(150)	16
Total items that will not be reclassified to profit or loss		729	(141)
Total other comprehensive income/(expense)		729	(141)
Total comprehensive income/(expense) for the year		2,710	(754)

ASSA ABLOY ENTRANCE SYSTEMS LTD

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Property, plant and equipment	12	252	259
Right-of-use assets	13	1,205	-
Investments in subsidiaries	14	19,001	-
		20,458	259
Current assets			
Inventories	15	1,701	1,509
Deferred tax asset	16	411	608
Trade and other receivables	17	13,209	21,068
Cash at bank and in hand		1,561	82
		16,882	23,267
Creditors: amounts falling due within one year			
Borrowings	18	749	232
Trade and other payables	19	18,765	7,165
		19,514	7,397
Net current (liabilities)/assets		(2,632)	15,870
Total assets less current liabilities		17,826	16,129
Creditors: amounts falling due after more than one year	20	817	-
Provisions for liabilities			
Retirement benefit obligations	21	1,605	2,678
Net assets		15,404	13,451
Capital and reserves			
Called up share capital	22	50	50
Capital contribution account		16,200	16,200
Accumulated losses		(846)	(2,799)
Total shareholders' funds		15,404	13,451

The financial statements on pages 12 to 39 were approved by the Board of Directors and authorised for issue on 23rd November 2020

Signed on its behalf by:

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J Burton

Director

Company Registration No. 00910858

The notes on pages 16 to 39 form part of the financial statements.

ASSA ABLOY ENTRANCE SYSTEMS LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Capital contribution	Accumulated losses	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	50	16,200	(1,295)	14,955
Loss for the financial year	-	-	(613)	(613)
Other comprehensive expense for the year	-	-	(141)	(141)
Total comprehensive expense for the year	-	-	(754)	(754)
Dividends	-	-	(750)	(750)
Total transactions with owners	-	-	(750)	(750)
Balance at 31 December 2018	50	16,200	(2,799)	13,451
Profit for the financial year	-	-	1,981	1,981
Other comprehensive income for the year	-	-	729	729
Total comprehensive income for the year	-	-	2,710	2,710
Dividends	-	-	(757)	(757)
Total transactions with owners	-	-	(757)	(757)
Balance at 31 December 2019	50	16,200	(846)	15,404

The total realised profits for the company, within the definition of the Companies Act 2006, comprise both the capital contribution account and the accumulated losses.

1 Summary of significant accounting policies

1.1 General information

The principal activity of ASSA ABLOY Entrance Systems Ltd is the importation and installation of automatic door opening equipment, industrial doors, and docking equipment, and the subsequent service and maintenance of these products. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 7 Churchill Way, Chapeltown, Sheffield, Yorkshire S35 2PY.

1.2 Basis of preparation

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements of ASSA ABLOY Entrance Systems Ltd have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain instruments held at fair value, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of International Financial Reporting Standards as opted by the European Union (IFRS) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- *Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).*
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
  (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  (i) 10(d), (statement of cash flows),
  (ii) 16 (statement of compliance with all IFRS),
  (iii) 38A (requirement for minimum of two primary statements, including cash flow statements),
  (iv) 38B-D (additional comparative information),
  (v) 111 (cash flow statement information), and
  (vi) 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

1 Summary of significant accounting policies

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

ASSA ABLOY Entrance Systems Ltd is a wholly owned subsidiary of ASSA ABLOY Entrance Systems AB and the results of the company are included in the consolidated financial statements of ASSA ABLOY AB which are publicly available from: ASSA ABLOY Entrance Systems Ltd, 7 Churchill Way, Chapeltown, Sheffield, Yorkshire S35 2PY.

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see note 2. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

1.3 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operation for the foreseeable future. As at the year end, the company had net current liabilities of £2,632k. The directors have prepared cash flow forecasts, which take into full consideration the impact of Covid-19 on the company, which indicate the company should continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least 12 months from the date of approval of these financial statements.

In addition, the directors have obtained a letter of support from the ultimate parent company, ASSA ABLOY AB, which states that they will not request repayment of outstanding short term loans should ASSA ABLOY Entrance Systems Limited wish to roll over the repayment into a longer term funding loan. The company also participates in the Group's cash pool facility. ASSA ABLOY AB confirmed that they have no intention of decreasing credit lines available for the company in the foreseeable future. As at 8 July 2020, the Group's liquidity remained at a good level with sufficient headroom across its available capital facilities for the foreseeable future. Further, subsequent to yearend, PDS sales transaction was completed and the Company received £28m as a result.

As a result, the directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Revenue

Revenue is recognised in relation to the sale and installation of doors at the point that the performance obligation to deliver or install the door is met. Contracted and service maintenance revenues are spread over the contract life, as this is the period over which the performance obligation is met.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

IFRS 15 includes a single model for revenue recognition related to customer contracts. The Standard details a five-step process that must be applied governing revenue can be recognised from customer contracts. The Standard prescribes that an entity shall recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The good or service is transferred when the customer acquires control over the asset, which may happen either over time or at a particular point in time.

1.5 Other operating income

Other operating income consists of income not directly related to the principal activities of the company. In 2018 this comprised marketing support payments received from the parent company (£nil in 2019). In 2019, this relates to income generated from intercompany recharges.

1 Summary of significant accounting policies

1.6 Investments in subsidiaries

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Property plant and equipment is stated at historical cost less depreciation.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Short term leasehold improvements	Over the period of the lease
Fixtures, fittings & equipment	15 - 50%
Plant and machinery	25%
Motor vehicles	25 - 33%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Impairment of non-financial assets

At each reporting end date, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The company holds parts and materials for use in repairs and servicing. Work in progress and finished goods comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1 Summary of significant accounting policies

1.10 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

The Company assesses at each year end date the expected credit losses of a financial asset or a group of financial assets with consideration given to the risk of default occurring. Expected credit losses are the difference between the contractual cash flows due to the Group and the cash flows the Group expects to receive.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.13 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1 Summary of significant accounting policies

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.14 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Summary of significant accounting policies

1.15 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.16 Employee benefits

For defined contribution retirement benefit schemes the company makes payments into personal pension plans for eligible employees. The expenses are included within the financial statements as part of employment costs on an accruals basis.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlement and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. The interest cost and the expected return on assets are shown as a net amount of other finance expenses. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond. The actuarial valuations are obtained at least triennially and are updated at the relevant balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

1.17 Foreign exchange

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£'000), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

(c) Overseas branch

Monetary assets and liabilities of branch operations in foreign currencies are translated into sterling at rates ruling at the end of the financial year and the results of the foreign branch are translated at the average exchange rate for the year. Exchange differences arising from the translation of the opening net investment in branch operations, and from the translation of those results at an average rate, are taken to reserves and reported in the statement of comprehensive income.

1 Summary of significant accounting policies

1.18 Share Capital

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

1.19 Capital contribution reserve

The capital contribution reserve contains amounts received by the company with no pre-determined payback period. The amount forms part of the total realised profits of the company, along with the accumulated losses reserve, within the definition of the Companies Act 2006.

1.20 Accumulated losses

The accumulated losses account includes all current and prior period retained profits and losses.

1.21 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.22 Trade and other payables

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

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

1.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

1.24 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.25 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

1.26 Leases

Within the company there are a number of current lease contracts, mostly relating to offices, premises and vehicles.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

As explained in note 2, the company has changed its accounting policy for leases where the company is the lessee. Prior to this change, leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

2 Adoption of new and revised standards and changes in accounting policies

The company adopted IFRS 16 Leases on 1 January 2019. On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

Within the company there are a number of current lease contracts, mostly relating to offices, premises and vehicles. The company reports a right-of-use asset and a lease liability representing the present value of future lease payments in the statement of financial position on the day that the leased asset is made available for use. In calculating the present value, the company's incremental borrowing rate is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.6%.

The right-of-use asset is depreciated on a straight-line basis over the lease term, or over the period of use of the underlying asset if the lease transfers ownership of the underlying asset to the company by the end of the lease term. The depreciation is reported as costs within administrative expenses, whilst interest expenses relating to the lease liability are reported within finance expenses.

The company has chosen not to report any right-of-use asset and lease liability concerning obligations for short-term leases and leases of low value. Lease payments relating to such leases are reported as operating expenses over the lease term.

Financial effects of the transition to IFRS 16
The company applied IFRS 16 from 1 January 2019. For the transition to the new standard, the company's total lease liability at the beginning of 2019 is £794k. The total value of the company's right-of-use assets amounted to £794k on 1 January 2019.

The standard has a small positive effect on operating income because part of the lease payments are reported as an interest expense within finance expenses.

As part of the transition to IFRS 16, the company has applied the modified retrospective approach as a transition method and did not restate any comparative information as a result. There was no adjustment to retained earnings on transition to IFRS 16.

Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 31 December 2018	1,254
Discounted using the lessee's incremental borrowing rate at the date of initial application	(304)
Less: short-term leases not recognised as a liability	(156)
Total lease liabilities recognised under IFRS 16 as at 1 January 2019	794
Of which are:	
Current lease liabilities	274
Non-current lease liabilities	520
	794

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a higher risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Revenue

Some judgement can be required when assessing the cut off point for revenue in the financial year. Contracts are reviewed on an individual basis to assess the completion stage of the project and the correct amount of revenue to be recognised as prescribed under IFRS 15. Billings in excess of that to be recognised is then included as contract liabilities in the financial statements.

Key sources of estimation uncertainty

Defined benefit pension scheme

The company has a liability under a defined benefit pension scheme. The valuation of the liability involves significant estimates and assumptions which are detailed within these financial statements. The directors mitigate the possibility of misstatement in this area by ensuring that the valuations are updated annually by a qualified actuary.

Impairment of debtors

The company transacts and holds receivables from a large number of customers across a variety of industries and makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management considers factors including the expected credit losses of debtors and the ageing profile of debtors.

Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

4 Revenue

An analysis of the company's revenue is as follows:

	2019 £'000	2018 £'000
Importation and installation of door opening equipment, industrial doors and docking equipment and the service and maintenance of these products	41,028	36,672

Geographical market

	2019 £'000	2018 £'000
United Kingdom and Ireland	41,028	36,672

5 Operating profit/(loss)	**2019 £'000**	**2018 £'000**
Profit/(loss) for the year is stated after charging:		
Net foreign exchange (gains)/losses	24	26
Leases - plant and equipment[1]	156	385
Leases - other[1]	-	354
Fees payable to the company's auditors for the audit of the company's financial statements	68	48
Depreciation of property, plant and equipment	99	110
Depreciation of right-of-use assets[1]	407	-
Cost of inventories recognised as an expense	21,742	19,633
Staff costs (note 6)	8,271	7,756
Bad and doubtful debts	123	335
Past service cost on defined benefit schemes	-	1,699

[1]The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2018 the lease expense relating to plant and equipment and other leases is for operating leases under IAS 17 while in 2019 the leases are classified as right-of-use assets and depreciation under IFRS 16.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Selling and distribution	209	183
Administration	5	6
	214	189

6 Employees (continued)

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	7,140	6,683
Social security costs	903	853
Other pension costs	228	220
	8,271	7,756

Amounts of £157k (2018 - £1,814k) have been charged to the income statement in respect of the defined benefit scheme and are not included in the disclosure above. The movements in the defined benefit scheme liability are set out in note 21.

7 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	381	468
Company pension contributions to defined contribution schemes	14	18
Compensation for loss of office	-	70
	395	556

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 3).
The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to Nil (2018 - Nil).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	198	152
Company pension contributions to defined contribution schemes	14	11

One of the directors was remunerated directly by the company in 2018 for their work in relation to the company and its subsidiary, Motivation (Traffic Control) Limited. It is not possible to make an accurate apportionment of the director's emoluments in respect of each company for whom they work and hence all costs have been borne by ASSA ABLOY Entrance Systems Ltd, with no recharges being made to the subsidiary company.

Three of the directors are remunerated directly by ASSA ABLOY AB. Again it is not possible to make an accurate apportionment of the directors' emoluments in respect of each of the group companies for whom they work and hence no recharge for these costs has been made to ASSA ABLOY Entrance Systems Ltd during the year, as they would be incidental to Directors' services to other group entities.

8 Finance income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	81	13
Total finance income	81	13

9 Finance expenses

	2019 £'000	2018 £'000
Interest on bank overdrafts and loans	92	75
Interest on lease liabilities[1]	17	-
Total finance expenses	109	75

[1]The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2018 interest expense relating to lease liabilities is for finance lease under IAS 17 while in 2019 the interest expense is for lease liabilities under IFRS 16.

10 Tax on profit/(loss)

	2019 £'000	2018 £'000
Current tax		
Current year taxation	400	130
	400	130
Deferred tax		
Current year	47	(236)
	47	(236)
Tax charge/(credit) for the year	447	(106)

10 Tax on profit/(loss)

The tax charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2019 £'000	2018 £'000
Profit/(loss) before taxation	2,428	(719)
Expected tax charge based on a corporation tax rate of 19% (2018: 19%)	461	(137)
Expenses not deductible in determining taxable profit	-	2
Fixed asset differences	6	4
Amounts relating to other comprehensive income or otherwise transferred	18	(2)
Net tax rate changes	(24)	29
Deferred tax not recognised	(14)	(2)
Tax charge/(credit) for the year	447	(106)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £'000	2018 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	150	(16)

Tax rate changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the expense for the period by £48k, and to increase the deferred tax asset by £48k.

11 Dividends

	2019 £ per share	2018 £ per share	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders:				
£1 Ordinary shares				
Dividend paid in respect of year ended 31 December 2019 (31 December 2018)	15.14	15.00	757	750

The dividends for the year are paid out of the total realised profits for the company, which is comprised of both the capital contribution account and the accumulated losses.

12 Property, plant and equipment

	Short term leasehold improvements	Fixtures, fittings & equipment	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2019	397	580	1,593	101	2,671
Additions	24	2	67	-	93
Disposals	-	-	(1)	-	(1)
At 31 December 2019	421	582	1,659	101	2,763
Accumulated depreciation					
At 1 January 2019	257	522	1,532	101	2,412
Charge for the year	34	8	57	-	99
At 31 December 2019	291	530	1,589	101	2,511
Carrying amount					
At 31 December 2019	130	52	70	-	252
At 31 December 2018	140	58	61	-	259

13 Leases

The company has lease contracts for various offices and motor vehicles. The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the statement of financial position

	31 Dec 2019	1 Jan 2019[1]
Right-of use-assets	**£'000**	**£'000**
Buildings	568	653
Motor vehicles	637	141
	1,205	**794**
Lease liabilities		
Current	379	274
Non-current	817	520
	1,196	**794**

13 Leases

[1] The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.

Additions to right-of-use assets during the 2019 financial year were £818k.

Amounts recognised in the income statement

	2019	2018
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	(175)	-
Motor vehicles	(232)	-
	(407)	**-**
Interest expense (included within finance costs)	(17)	-
Expense relating to short-term leases (included within administrative expenses)	(156)	-
Future minimum lease payments as at 31 December 2019/31 December 2018 are as follows:		
Not later than one year	527	363
Later than one year and not later than five years	1,332	891
Later than five years	-	-
Total gross payments as at 31 December 2019/31 December 2018	**1,859**	**1,254**
Impact of finance expenses	(507)	(304)
Expense relating to short-term leases	(156)	(156)
Carrying amount of liability as at 31 December 2019/1 January 2019	**1,196**	**794**

The total cash outflow for leases in 2019 was £433k (2018: £363k).

14 Investments in subsidiaries

	2019 £'000	2018 £'000
Investments in subsidiaries	19,001	-

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Country of incorporation (or residence)	Proportion of ordinary shares directly held (%)	Nature of business
Dover Vanguard Roller Shutters Limited	United Kingdom	100%	Manufacture, marketing and distribution of custom roll-up doors for the retail, transportation and emergency industries
Industrial Door Engineering Limited	United Kingdom	100%	Manufacture, installation and repair of industrial doors.
Nassau Industrial Doors Limited*	United Kingdom	100%	Supply and installation of industrial doors.

*Indirect subsidiary undertakings

On 15 November 2019, the company purchased the entire share capital of two companies, Dover Vanguard Roller Shutters Limited and Industrial Door Engineering Limited. Industrial Door Engineering Limited owns the entire share capital of Nassau Industrial Doors Limited. The total consideration paid for the group of companies was £19,001k, split between £1,295k for Dover Vanguard Roller Shutters Limited and £17,706k for Industrial Door Engineering Limited and Nassau Industrial Doors Limited. Of this amount, £4,808k was deferred, for payment in October 2020.

In the previous year, the company owned 100% of the share capital in Motivation (Traffic Control) Limited, whose registered address was 7 Churchill Way, Chapeltown, Sheffield, Yorkshire, S23 2PY.

Motivation (Traffic Control) Limited ceased trading during the previous year and the assets and liabilities were hived up into this company.

The member's voluntary liquidation of the subsidiary company, Motivation (Traffic Control) Limited was completed on 24 December 2018 and the company was subsequently dissolved on 16 April 2019.

15 Inventories

	2019 £'000	2018 £'000
Raw materials	118	79
Work in progress	391	171
Finished goods	1,192	1,259
	1,701	1,509

16 Deferred tax asset

The following are the major deferred tax assets recognised by the company and movements thereon during the current and prior reporting year.

	ACAs	Retirement benefit obligations	Short term timing differences	Total
	£'000	£'000	£'000	£'000
Deferred tax asset at 1 January 2018	116	228	13	357
Deferred tax movements in prior year				
(Charge)/credit to profit or loss	(14)	249	-	235
Credit to other comprehensive income	-	16	-	16
Deferred tax asset at 1 January 2019	102	493	13	608
Deferred tax movements in current year				
Charge to profit or loss	(14)	(33)	-	(47)
Charge to other comprehensive income	-	(150)	-	(150)
Deferred tax asset at 31 December 2019	88	310	13	411

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019	2018
	£'000	£'000
Deferred tax assets	411	608
	411	608

A deferred tax asset of £326k (2018 - £339k) relating to non-trade loan relationship losses carried forward has not been recognised. This asset would be recovered should sufficient taxable profits be available which would be eligible for relief against the unutilised tax losses.

17 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables - Gross	8,823	9,104
Allowance for credit losses	(197)	(262)
	8,626	8,842
Amount due from parent undertaking	2,878	1,853
Amounts due from fellow group undertakings	-	9,457
Amounts due from subsidiary undertakings	159	-
Prepayments and accrued income	1,521	916
Other receivables	25	-
	13,209	21,068

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

£2,878k due from parent undertaking and £159k due from subsidiary undertakings are unsecured, interest free and repayable on demand. The remaining balance in the prior year comprised a £14,000k unsecured six-month term deposit repayable on 25 June 2019 bearing interest at 0.52%, which was offset by a £4,500,000 unsecured short-term loan payable on 25 June 2019 bearing interest at 1.25%.

18 Borrowings

	2019 £'000	2018 £'000
Unsecured borrowings at amortised cost		
Bank overdrafts	749	232

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £'000	2018 £'000
Current liabilities	749	232

The borrowings are part of the overall Group cash pool, are secured by guarantees from other group undertakings and bear interest at 1.25% (2018 - 1.25%)

19 Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	2,402	1,918
Amounts due to group undertakings	874	1,014
Amounts due to fellow group undertakings	4,397	-
Amounts due to subsidiary undertakings	-	59
Accruals	3,180	1,270
Taxation and social security	2,091	1,771
Contract liabilities	634	1,133
Lease liabilities	379	-
Deferred consideration	4,808	-
	18,765	7,165

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

Revenues of £1,100k (2018: £952k) included in deferred revenue as at 31 December 2018 were recognised during the year ended 31 December 2019. The year-end contract liabilities balance was £634k (2018: £1,133k). The decrease in contract liabilities is due to a strategic decision to cull certain service contracts. This was on a geographical basis to improve efficiency.

The deferred consideration of £4,808k relates to Dover Vanguard Roller Shutters Limited and Industrial Door Engineering Limited, which is payable upon completion of the acquisition of Monsoon USA Inc. by ASSA Abloy Entrance Systems US Inc.

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

20 Creditors: amounts falling due after more than one year

Amounts falling due after more than one year and less than five years:

	2019	2018
	£'000	£'000
Lease liabilities	817	-

21 Retirement benefit schemes

Defined contribution schemes

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

The total costs charged to the income statement in respect of defined contribution plans is £228k (2018 - £220k).

21 Retirement benefit schemes (continued)

Defined benefit scheme

The company participates in the defined benefit scheme operated by the group in the UK which provides benefits based on final pensionable salary. The assets of the scheme are held separately from the group.

A full actuarial valuation was last carried out in 5 April 2019 and updated triennial valuation to 31 December 2019 by an independent, qualified actuary.

The pension cost and contributions are assessed in accordance with the advice of the independent qualified actuary using the projected unit funding method. The major assumptions used by the actuary were (in nominal terms):

Key assumptions

	2019 %	2018 %
Discount rate	2.00	2.80
Pension growth rate	2.10	2.40
Salary growth rate	2.10	2.40
Inflation (RPI)	3.00	3.30
Inflation (CPI)	2.10	2.40

Mortality assumptions

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Mortality assumptions are based on the S2PxA mortality tables with an allowance for mortality improvement in line with CMI_2018 projections and a long-term rate of 1% p.a. based on year of birth.

The scheme converted to a career average scheme for past and future service with effect from 5 April 2007. Therefore the current service cost is not dependent on future salary and therefore the rate of increase in salaries is no longer applicable.

	Life expectancy at age 65	
	2019 Years	2018 Years
Retiring today		
- Males	21.6	21.8
- Females	23.5	23.7
Retiring in 20 years		
- Males	22.6	22.8
- Females	24.7	24.9

Amounts recognised in the income statement in respect of defined benefit plans are as follows:

	2019 £'000	2018 £'000
Past service cost and loss from settlements	-	1,699
Net interest cost	72	24
Expenses	85	91
	157	1,814

21 Retirement benefit schemes (continued)

Amounts recognised in other comprehensive income

	2019 £'000	2018 £'000
Actuarial changes arising from changes in demographic assumptions	153	98
Experience gains and losses arising on the defined benefit obligation	963	-
Actuarial changes arising from changes in financial assumptions	(2,059)	1,193
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	1,826	(1,382)
Total amount recognised in other comprehensive expense - gain/(loss)	883	(91)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(21,266)	(20,200)
Fair value of plan assets	19,661	17,522
Deficit in scheme at the end of the financial year	(1,605)	(2,678)

Movements in the present value of defined benefit obligations:

	2019 £'000	2018 £'000
At 1 January	20,200	20,011
Benefits paid and expenses	(437)	(710)
Actuarial losses and (gains)	943	(1,291)
Interest expense	560	491
Past service cost	-	1,699
At 31 December	21,266	20,200

Movements in the fair value of plan assets:

	2019 £'000	2018 £'000
At 1 January	17,522	18,891
Interest income	488	467
Return on plan assets (excluding amounts included in net interest)	1,826	(1,382)
Benefits paid and expenses	(522)	(801)
Contributions by the employer	347	347
At 31 December	19,661	17,522

The actual return on plan assets was £2,314k (2018 - £915k).

21 Retirement benefit schemes

The past service cost in the previous year of £1,700k includes GMP (Guaranteed Minimum Pension) equalisation impact of £200k and price index reversion (Pension increases link to RPI rather than CPI for pensions in excess of GMP) impact of £1,500k. Both estimated impacts were recognised as past service costs in profit and loss in 2018.

Sensitivity of the net obligation to changes in assumptions
The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to assumptions for revaluation and pension increases. The approximate average duration of the defined benefit obligation of the plan as at 31 December 2019 is 18 years.

The plan typically exposes the company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to the plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges to future profit and loss accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

	Change in assumption	2019 Change in liabilities	
Discount rate	Decrease by 0.25% pa	4.6%	increase
Inflation rate	Increase by 0.25% pa	3.5%	increase
Mortality rate	Increase life expectancy by 1 year	2.7%	increase

The best estimate of contributions to be paid by the company to the plan for the period commencing 1 January 2020 is £347k.

The fair value of plan assets at the reporting period end was as follows:

	2019 £'000	2018 £'000
Equity instruments	10,843	9,261
Debt instruments	7,739	7,157
Property	1,051	1,030
Cash	28	74
	19,661	17,522

All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

22 Called up share capital

	2019	2018
	£'000	£'000
Ordinary share capital		
Authorised		
100,000 (2018: 100,000) Ordinary shares of £1 each	100	100
Issued and fully paid		
50,000 (2018: 50,000) Ordinary shares of £1 each	50	50

23 Contingent liabilities

As part of the facilities the company holds with SEB Bank, guarantees in favour of certain customer contracts exist which expire over the course of 2020 to 2022.

24 Non-adjusting post balance sheet event (COVID-19)

At 31 December 2019 there was no explicit evidence of human to human transmission of COVID-19. The subsequent spread of COVID-19 does not provide further evidence of conditions that existed at the year end and is therefore considered to be a non-adjusting post balance sheet event. Accordingly, the development of COVID-19 has not been reflected in the directors' assessment of the measurement of assets and liabilities such as impairment of tangible assets, expected credit losses and the net realisable value of inventory.

On 29 Jun 2020, ASSA ABLOY announced that it entered into a binding agreement with FAAC group for the sale of PDS in France and the UK in ASSA ABLOY Entrance Systems division, as well as record operations in the Netherlands, Austria, Hungary and Slovenia, and their high-speed door business. This transaction was completed and the Company received £28m as a result.

25 Controlling party

The immediate parent company is ASSA ABLOY Ltd, a company incorporated in the UK. ASSA ABLOY Ltd has a 100% interest in the equity capital of ASSA ABLOY Entrance Systems Ltd at 31 December 2019.

The ultimate parent undertaking and controlling party is ASSA ABLOY AB, a company incorporated in Sweden.

ASSA ABLOY AB is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. ASSA ABLOY Entrance Systems AB is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

The consolidated financial statements of ASSA ABLOY AB and ASSA ABLOY Entrance Systems AB can be obtained from: ASSA ABLOY Entrance Systems Ltd, 7 Churchill Way, Chapeltown, Sheffield, Yorkshire S35 2PY.