

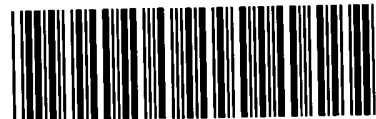
Registered number: 02613471

**ALCON COMPONENTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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# **ALCON COMPONENTS LIMITED**

## **COMPANY INFORMATION**

### **Directors**

Mr J H Edwards  
Mr A I Fergusson  
Mr P F Jackson  
Dr A C Smith  
Mr P J Stubbs

### **Registered number**

02613471

### **Registered office**

Concentric Park  
Apollo  
Lichfield Road Industrial Estate  
Tamworth  
Staffordshire  
B79 7TN

### **Independent auditors**

PKF Cooper Parry Group Limited  
No 8 Calthorpe Road  
Edgbaston  
Birmingham  
West Midlands  
B15 1QT

# **ALCON COMPONENTS LIMITED**

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## ALCON COMPONENTS LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### Business review

Turnover increased by 9.2% in the year as the company continued to build global market share across its chosen sectors. Sales into motorsport, especially Formula 1, World Rally, NASCAR, Formula E and World Rallycross remained strong, while a high level of new project activity generated additional revenue. In the automotive market the company experienced demand above the planned level from its key prestige and performance OEM customers and this is expected to continue through the ensuing financial year. In the special vehicles market, which includes military and armoured protection applications, another year of solid growth was achieved with several new products being launched to meet the unique demands of the sector.

The company's drive to increase profitability through better control of the cost of sales and a shift in the mix towards higher margin activity has enabled a continuation of the prior year's 3 percentage point improvement to deliver a further substantial uplift in gross margin of 3.4 percentage points. The directors are confident that gross profit will be upheld as additional efficiency benefits are derived from new equipment and facilities.

Cash targets for the year were achieved, enabling the continuation of the company's infrastructure investment plan. A multi-year programme to build capacity, capability and reliability is on schedule and has involved the acquisition of several significant items of new plant during the year, and hours lost to machine breakdown reduced by 60%. The year also saw the early stage planning to occupy further premises during 2017, which is key to meeting the continuing growth in demand for Alcon's brakes and clutches. The investment in Alcon's Research and Development Centre, started in the previous year has also continued, including the installation of a substantial new power supply to support a planned increase in brake testing capacity, and Alcon has enjoyed a noteworthy escalation in valuable R&D activity as a result.

During the period, the company entered into an agreement to acquire a controlling stake in G.E. Precision Engineering Limited of Northampton, England. This exciting new venture brings a greater breadth of Design and Production Engineering skills into the organisation, complements the company's existing product offering with that of engine components into similar and adjacent market sectors, and also substantially expands Alcon's overall machining capacity to meet the ever growing demand.

The period saw the conclusion of a long-running legal dispute in which the company was accused of patent infringement by a competitor. Having successfully argued in Court that the patent in suit was invalid, that judgement was then overturned on Appeal. Upon strong advice, received from Queen's Counsel specialising in Intellectual Property matters, that the Court of Appeal's judgement was in error, the company applied for permission to appeal to the Supreme Court but this was denied. The resultant damages award was made against the company shortly after the adoption of the 2014/15 Financial Statements. It is the Directors' strong opinion that it would be inappropriate and misleading to take the damages and costs in 2015/16 when they clearly apply to prior years. In retrospect, the adoption of the 2014/15 Financial Statements should have been held pending the Court's decision on damages and costs so as to include them as Exceptional Costs in that year. This is a regrettable oversight that has been corrected by way of a prior year adjustment.

Looking to the future, the strength of the company's order book continues to grow, benefitting from an increased level of longer-term contract content, the securing of some significant new motorsport business, together with a generally expanding market footprint in all sectors.

## ALCON COMPONENTS LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### Principal risks and uncertainties

##### Financial risk management, objectives and policies

The company uses financial instruments, other than derivatives, comprising group borrowings, bank borrowings, finance leases and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and exchange rate risk. The policies have remained unchanged from previous periods.

##### Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through group financing arrangements and bank facilities.

##### Interest rate risk

The company finances its operations through a mixture of retained profits, bank borrowings and finance lease agreements. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

##### Exchange rate risk

The company's sales profile comprises a substantial export concentration, some of which is based on a sterling price list and/sterling based contracts. The remainder comprises sales in US dollars and Euros. All non-sterling sales represent an exchange risk dependent on local and world market conditions. This risk is managed via a mixture of forward contracts, market orders and regular communication with external foreign exchange specialist partners.

#### Financial key performance indicators

The company monitors a variety of financial key performance indicators and continues to recognise the need to enhance their use in the coming year via the continuous improvement of its performance management system.

This report was approved by the board on 4 April 2017

and signed on its behalf.



**Mr A I Fergusson**  
Director

## **ALCON COMPONENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The directors present their report and the financial statements for the year ended 30 September 2016.

#### **Directors' responsibilities statement**

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

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **Results and dividends**

The profit for the year, after taxation, amounted to £660,791 (2015 - loss £46,284).

Dividends of £50,000 were paid during the year (2015: £nil).

#### **Directors**

The directors who served during the year were:

Mr J H Edwards  
Mr A I Fergusson  
Mr P F Jackson  
Dr A C Smith  
Mr P J Stubbs

#### **Disclosure of information to auditors**

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

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

#### **Post balance sheet events**

The company acquired 75% of share capital of GE Precision Engineering Limited on 9 December 2016.

**ALCON COMPONENTS LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**Auditors**

The auditors, PKF Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 April 2017 .

and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A I Fergusson', with a long horizontal flourish extending to the right.

**Mr A I Fergusson**  
Director

## **ALCON COMPONENTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALCON COMPONENTS LIMITED**

We have audited the financial statements of Alcon Components Limited for the year ended 30 September 2016, set out on pages 7 to 22. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

#### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Basis for qualified opinion on financial statements**

Included within exceptional administrative expenses in the Statement of Income and Retained Earnings for the prior year is an amount relating to the settlement of a legal claim of £678,637. This amount was paid during the year ended 30 September 2016 and the directors have treated this as a prior year adjustment, as they consider this cost relates to prior year activities. We consider that this was correctly treated as a contingent liability in the financial statements for the year ended 30 September 2015 and it should therefore be recognised as an expense in the year ended 30 September 2016.

Accordingly, exceptional administration expenses for the year ended 30 September 2016 should be increased by £678,637 and profit for the year reduced by the same amount. Net assets at 30 September 2015 should be increased by £678,637. There is no impact on net assets at 30 September 2016.



## ALCON COMPONENTS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALCON COMPONENTS LIMITED (CONTINUED)

#### Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Paul Rowley (Senior Statutory Auditor)

for and on behalf of  
**PKF Cooper Parry Group Limited**

No 8 Calthorpe Road  
Edgbaston  
Birmingham  
West Midlands  
B15 1QT

Date: 4 April 2017.

**ALCON COMPONENTS LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Note	2016 £	As restated 2015 £
<b>Turnover</b>	4	12,881,163	11,799,537
Cost of sales		(7,285,664)	(7,081,259)
<b>Gross profit</b>		<u>5,595,499</u>	<u>4,718,278</u>
Administrative expenses		(4,652,088)	(3,831,798)
<b>Operating profit</b>	5	943,411	886,480
Administration exceptional	11	(86,796)	(678,637)
<b>Profit on ordinary activities before interest</b>		<u>856,615</u>	<u>207,843</u>
Interest receivable and similar income		-	19
Interest payable and expenses	9	(161,467)	(173,836)
<b>Profit before tax</b>		<u>695,148</u>	<u>34,026</u>
Tax on profit	10	(34,357)	(80,310)
<b>Profit/(loss) after tax</b>		<u><u>660,791</u></u>	<u><u>(46,284)</u></u>
 Retained earnings at the beginning of the year		 2,408,364	 2,454,648
Profit/(loss) for the year		660,791	(46,284)
Dividends declared and paid		(50,000)	-
<b>Retained earnings at the end of the year</b>		<u><u>3,019,155</u></u>	<u><u>2,408,364</u></u>

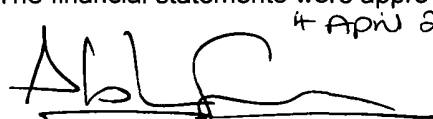
The notes on pages 9 to 22 form part of these financial statements.

**ALCON COMPONENTS LIMITED**  
**REGISTERED NUMBER: 02613471**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2016**

	Note	2016 £	As restated 2015 £
<b>Fixed assets</b>			
Intangible assets	12	280,163	170,482
Tangible assets	13	2,323,083	1,293,854
		<u>2,603,246</u>	<u>1,464,336</u>
<b>Current assets</b>			
Stocks	14	1,771,608	1,554,393
Debtors	15	3,995,811	4,482,700
Cash at bank and in hand		338,832	335,637
		<u>6,106,251</u>	<u>6,372,730</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(3,474,777)</u>	<u>(4,194,253)</u>
<b>Net current assets</b>		<u>2,631,474</u>	<u>2,178,477</u>
<b>Total assets less current liabilities</b>		<u>5,234,720</u>	<u>3,642,813</u>
Creditors: amounts falling due after more than one year	17	(2,038,851)	(1,092,092)
<b>Provisions for liabilities</b>			
Deferred tax	18	<u>(176,614)</u>	<u>(142,257)</u>
		<u>(176,614)</u>	<u>(142,257)</u>
<b>Net assets</b>		<u><u>3,019,255</u></u>	<u><u>2,408,464</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	100	100
Profit and loss account	20	3,019,155	2,408,364
		<u>3,019,255</u>	<u>2,408,464</u>

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

4 April 2017  


**Mr A I Fergusson**

Director

The notes on pages 9 to 22 form part of these financial statements.

## **ALCON COMPONENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **1. General information**

Alcon Components Limited (the company) is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is shown on the company information page.

The financial statements are prepared in Sterling (£), (which is the functional currency of the company). The financial statements are for a period of 12 months ended 30 September 2016 (2015: 12 months ended 30 September 2015).

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

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

Information on the impact of first-time adoption of FRS 102 is given in note 26.

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

The following principal accounting policies have been applied:

##### **2.2 Turnover**

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

###### **Sale of goods**

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

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

###### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

## ALCON COMPONENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 2. Accounting policies (continued)

##### 2.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

##### 2.4 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis:

Depreciation is provided on the following basis:

Leasehold improvements	- 11% straight line
Plant and machinery	- 10 - 33% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 20 - 35% straight line
Tooling	- 33% straight line

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

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

##### 2.5 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchases are depreciated over their useful lives. Finance leases are those where subsequently all the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Costs include all direct costs of raw materials and labour.

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

## **ALCON COMPONENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **2. Accounting policies (continued)**

##### **2.7 Financial instruments**

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

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

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

##### **2.8 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are transferred into sterling at the rate ruling at the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

##### **2.9 Finance costs**

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

##### **2.10 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

##### **2.11 Operating leases**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### **2.12 Pensions**

###### **Defined contribution pension plan**

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

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

## ALCON COMPONENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 2. Accounting policies (continued)

##### 2.13 Taxation

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

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

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

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

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

Research and development tax credits are included within administrative expenses.

##### 2.14 Restatement of prior year

The directors have made a prior year adjustment to administrative expenses which relates to the settlement of a legal claim. This was paid during the year ended 30 September 2016 but the directors consider this cost relates to prior year activities. This has increased exceptional administrative costs and decreased net assets in the prior year by £678,637. Further information is given in note 11.

##### 2.15 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

## ALCON COMPONENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

The company makes estimates and assumptions concerning the future. Management are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

In preparing these financial statements, the directors have made the following judgements:

##### **Leases**

Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

##### **Impairment reviews**

The company reviews the carrying value of all other assets for indications of impairment at each period end. If indicators of impairment exist, the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount. This process will usually involve the estimation of future cash flows which are likely to be generated by the asset.

##### **Provisions**

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

##### **Depreciation and residual values**

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projects disposal values.

##### **Carrying value of stocks**

Management review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. Management use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.



# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 3. Judgments in applying accounting policies (continued)

#### Recoverability of trade debtors

Trade and other receivables are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

### 4. Turnover

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	3,100,931	3,026,875
Rest of Europe	6,603,435	5,244,836
Rest of the world	3,176,797	3,527,826
	<u>12,881,163</u>	<u>11,799,537</u>

### 5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	377,032	298,121
Amortisation of intangible assets, including goodwill	76,764	46,457
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	10,000	10,000
Exchange differences	78,005	13,497
Other operating lease rentals	182,083	158,850
	<u>723,884</u>	<u>526,925</u>

### 6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>10,000</u>	<u>10,000</u>

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 7. Employees

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

	2016 £	2015 £
Wages and salaries	3,890,070	3,569,011
Social security costs	378,888	339,642
Other pension costs	148,028	118,770
	<u>4,416,986</u>	<u>4,027,423</u>

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

	2016 No.	2015 No.
Employees	<u>113</u>	<u>106</u>

### 8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	309,298	437,556
Company contributions to defined contribution pension schemes	25,245	19,221
	<u>334,543</u>	<u>456,777</u>

During the year retirement benefits were accruing to 2 directors (2015 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £107,458 (2015 - £106,733).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,179 (2015 - £12,011).

### 9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	26,244	46,765
Other loan interest payable	95,518	90,357
Finance leases and hire purchase contracts	39,705	36,714
	<u>161,467</u>	<u>173,836</u>

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 10. Taxation

	2016 £	2015 £
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	55,696	80,310
Changes to tax rates	(21,339)	-
<b>Total deferred tax</b>	34,357	80,310
<b>Taxation on profit on ordinary activities</b>	34,357	80,310

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.5%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	695,149	34,027
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.5%)	139,030	6,976
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,779	2,758
Fixed asset differences	2,563	(1,426)
Adjustments to tax charge in respect of prior periods	(31,167)	139,110
Short term timing difference leading to an increase (decrease) in taxation	-	487
Non-taxable income	(49,496)	(30,748)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(30,352)	(36,847)
<b>Total tax charge for the year</b>	34,357	80,310

#### Factors that may affect future tax charges

In 2016 research and development tax credits of £300,186 (2015: £247,481) have been offset against the gross research and development costs incurred within admin expenses.

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 11. Exceptional items

Two separate legal actions brought by a competitor and relating to patent infringement in prior years have been concluded.

The first was anticipated in the prior year accounts where it was treated as a contingent liability with the reduced disclosure exemption so as not to prejudice the outcome of the litigation. The matter was settled during the financial year 2015/16 and the damages and costs paid by the company have been taken back to the Financial Year 2014/15 in order to align them with the period to which they relate. These amount to £678,637.

The second action has been settled in the company's favour in the current financial year 2016/17 and the costs awarded to the company have been treated as a post balance sheet recovery in the 2015/16 Financial Statements and included as an Exceptional Item in accordance with the company's established policy. The costs award reduces the Exceptional Costs by £83,000 to £86,796.

	2016 £	2015 £
Claims	86,796	678,637
	<u>86,796</u>	<u>678,637</u>

### 12. Intangible assets

	Development costs £
<b>Cost</b>	
At 1 October 2015	243,788
Additions	186,445
At 30 September 2016	<u>430,233</u>
<b>Amortisation</b>	
At 1 October 2015	73,306
Charge for the year	76,764
At 30 September 2016	<u>150,070</u>
<b>Net book value</b>	
At 30 September 2016	<u>280,163</u>
At 30 September 2015	<u>170,482</u>

**ALCON COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**13. Tangible fixed assets**

	<b>Leasehold improvement £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost or valuation</b>					
At 1 October 2015	99,460	4,000,327	66,667	417,250	4,583,704
Additions	18,743	1,386,627	-	7,591	1,412,961
Disposals	-	(6,700)	-	-	(6,700)
At 30 September 2016	<u>118,203</u>	<u>5,380,254</u>	<u>66,667</u>	<u>424,841</u>	<u>5,989,965</u>
<b>Depreciation</b>					
At 1 October 2015	9,137	2,906,685	35,648	338,380	3,289,850
Charge for the period on owned assets	<u>12,820</u>	<u>300,524</u>	<u>13,369</u>	<u>50,319</u>	<u>377,032</u>
At 30 September 2016	<u>21,957</u>	<u>3,207,209</u>	<u>49,017</u>	<u>388,699</u>	<u>3,666,882</u>
<b>Net book value</b>					
At 30 September 2016	<u>96,246</u>	<u>2,173,045</u>	<u>17,650</u>	<u>36,142</u>	<u>2,323,083</u>
At 30 September 2015	<u>90,323</u>	<u>1,093,642</u>	<u>31,019</u>	<u>78,870</u>	<u>1,293,854</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	<b>2016 £</b>	<b>2015 £</b>
Plant and machinery	1,771,344	878,187
Motor vehicles	17,650	31,019
Furniture and fittings	6,643	13,296
	<u>1,795,637</u>	<u>922,502</u>

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 14. Stocks

	2016 £	2015 £
Raw materials and consumables	1,387,321	1,281,487
Work in progress	384,287	272,906
	<u>1,771,608</u>	<u>1,554,393</u>

Stock recognised in cost of sales during the year as an expense was £4,937,338 (2015: £4,594,640).

An impairment loss of £221,779 (2015: £177,702) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

### 15. Debtors

	2016 £	As restated 2015 £
Trade debtors	2,037,936	2,551,234
Amounts owed by group undertakings	1,305,497	1,305,497
Other debtors	562,897	333,504
Prepayments and accrued income	89,481	292,465
	<u>3,995,811</u>	<u>4,482,700</u>

The directors have reviewed the presentation of the amounts owed from group undertakings and considered it more appropriate to present the debtor as due within one year, with the comparative restated on the same basis.

An impairment loss of £Nil (2015: £Nil) was recognised in administrative expenses against trade debtors during the year.

**ALCON COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**16. Creditors: Amounts falling due within one year**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Bank loans	134,160	-
Trade creditors	1,664,082	1,799,667
Amounts owed to group undertakings	245,487	245,487
Taxation and social security	103,664	96,133
Obligations under finance lease and hire purchase contracts	367,626	269,868
Other creditors	687,703	1,508,185
Accruals and deferred income	272,055	274,913
	<u>3,474,777</u>	<u>4,194,253</u>

Included within other creditors is a balance of £623,364 (2015: £753,865) which relates to invoice discounting.

**17. Creditors: Amounts falling due after more than one year**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Bank loans	297,117	-
Net obligations under finance leases and hire purchase contracts	1,093,615	443,973
Amounts owed to group undertakings	648,119	648,119
	<u>2,038,851</u>	<u>1,092,092</u>

The bank loans and overdraft and other creditors are secured by fixed and floating charges over all the assets of the company.

Amounts due under hire purchase contracts are secured over the assets to which they relate.

There is an inter company guarantee in place relating to the borrowings of the company and its immediate parent entity Automotive Performance Technologies Limited and its ultimate parent company Automotive Performance Technologies Holdings Limited.

**18. Deferred taxation**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
At beginning of year	142,257	61,947
Charged to profit or loss	34,357	80,310
<b>At end of year</b>	<u>176,614</u>	<u>142,257</u>

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 18. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	184,276	150,608
Tax losses carried forward	(3,978)	(4,680)
Short term timing difference	(3,684)	(3,671)
	<u>176,614</u>	<u>142,257</u>

### 19. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Authorised, allotted, called up and fully paid</b>		
100 Ordinary shares shares of £1 each	<u>100</u>	<u>100</u>

### 20. Reserves

#### Profit and loss account

The profit and loss account includes all current and prior periods retained profit and losses.

### 21. Pension commitments

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. The pension cost charge represents contributions payable by the company to the fund and amount to £148,028 (2015: £118,770). Contributions totalling £21,671 (2015: £18,359) were payable to the fund at the balance sheet date and included in creditors.

### 22. Commitments under operating leases

At 30 September 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	185,000	185,000
Later than 1 year and not later than 5 years	742,646	745,743
Later than 5 years	465,588	653,234
	<u>1,393,234</u>	<u>1,583,977</u>



## ALCON COMPONENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 23. Related party transactions

As permitted by FRS 102 the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement, the aggregate remuneration of key management personnel and related party transactions with other wholly-owned members of the group. Where required, equivalent disclosures are given in the group accounts of Automotive Performance Technologies Holdings Limited. The group accounts of Automotive Performance Holdings Limited are available to the public and can be obtained as set out in note 26.

Mr A I Fergusson and Mr A C Smith each have family interests in Apollo Investments, an unincorporated partnership that owns the building from which Alcon Components Limited operated during the year.

Rentals were paid to Apollo Investments during the year amounting to £182,083 (2015: £158,000), which were consistent with an existing lease agreement and an additional lease agreement signed.

Mr P Jackson is a director of Beavis Morgan LLP, during the year fees for his services as a director and associated travel costs, and fees for consultancy work performed by Beavis Morgan LLP, were paid to Beavis Morgan LLP, amounting to £54,000 (2015: £38,135).

At the year end Beavis Morgan LLP were owed £6,886 (2015: £20,400) by Alcon Components Limited, which is included within Trade Creditors.

#### 24. Post balance sheet events

On 9 December 2016 the company purchased 75% of the share capital of GE Precision Engineering Limited.

#### 25. Ultimate parent undertaking and controlling party

The immediate parent company is Automotive Performance Technologies Limited, incorporated in England and Wales.

The largest and the smallest group in which the results of the company are consolidated is that headed by Automotive Performance Technologies Holdings Limited, incorporated in England and Wales. This company has no ultimate controlling party.

The consolidated financial statements of the group are available to the public from the Registrar of Companies in England and Wales.

#### 26. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.