

Alcon Components Limited

Directors' report and financial statements

for the year ended 30 September 2013

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ACCOUNTANTS

Alcon Components Limited

Company Information

Directors

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

Registered number

02613471

Registered office

Apollo
Lichfield Road Industrial Estate
Tamworth
Staffordshire
B79 7TN

Independent auditors

Dains LLP
15 Colmore Row
Birmingham
B3 2BH

Alcon Components Limited

Contents

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 17

Business review

Turnover of brake and clutch systems increased by 15% in the year as a result of strong export growth in both motorsport and non-motorsport market sectors. Gross margin was also improved, up 2.6 percentage points in the year to deliver an overall gross profit improvement of 22%, reflecting successful work on productivity improvement and material cost reduction. As forecast in the 2012 Directors' report, the company has substantially strengthened its operating profit position in the year, and the directors are confident that the trend in sales and profit growth will be continued during the next financial year. Cash targets for the year were achieved while facilitating c. £500k of capital investment made to increase both capacity and capability in product design/development and in manufacturing.

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 18 July 2014 and signed on its behalf.



Mr A I Fergusson
Director

Alcon Components Limited

Directors' report for the year ended 30 September 2013

The directors present their report and the financial statements for the year ended 30 September 2013.

Principal activities

The company is principally engaged in the design and manufacture of automotive braking systems and clutches for motor sport and performance road car applications.

Results and dividends

The profit for the year, after taxation, amounted to £220,721 (2012 - loss £34,522).

The Directors do not recommend the payment of a dividend (2012: £nil).

Directors

The directors who served during the year were:

Dr A C Smith
Mr P J Stubbs
Mr P J Smith
Mr R Kishor (resigned 8 March 2013)
Mr A I Fergusson
Mr J H Edwards
Mr R M Cooke (resigned 14 May 2014)
Mr P F Jackson (appointed 8 March 2013)

Directors' responsibilities statement

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Alcon Components Limited

**Directors' report
for the year ended 30 September 2013**

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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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.

Auditors

Dains LLP were reappointed auditors during the year and have expressed their willingness to continue in office as auditors and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18 July 2014 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A I Fergusson', is written over a horizontal line.

Mr A I Fergusson
Director

We have audited the financial statements of Alcon Components Limited for the year ended 30 September 2013, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, 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's 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 the financial statements.

Alcon Components Limited

Independent auditors' report to the members of Alcon Components Limited

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.



Mark Hargate FCA (Senior statutory auditor)

for and on behalf of
Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham

18 July 2014

Alcon Components Limited**Profit and loss account
for the year ended 30 September 2013**

	Note	2013 £	2012 £
Turnover	1,2	9,875,444	8,593,757
Cost of sales		(5,689,576)	(5,170,455)
Gross profit		4,185,868	3,423,302
Administrative expenses		(3,808,001)	(3,688,736)
Operating profit/(loss)	3	377,867	(265,434)
Interest payable and similar charges	6	(80,617)	(80,070)
Profit/(loss) on ordinary activities before taxation		297,250	(345,504)
Tax on profit/(loss) on ordinary activities	7	(76,529)	310,982
Profit/(loss) for the financial year	15	220,721	(34,522)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

Alcon Components Limited
Registered number: 02613471

Balance sheet
as at 30 September 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	8		695,032		516,172
Current assets					
Stocks	9	1,146,038		939,593	
Debtors	10	4,088,526		3,621,761	
Cash at bank and in hand		195,610		1,378	
			<u>5,430,174</u>	<u>4,562,732</u>	
Creditors: amounts falling due within one year	11	(3,136,337)		(2,884,480)	
Net current assets			<u>2,293,837</u>		<u>1,678,252</u>
Total assets less current liabilities			<u>2,988,869</u>		<u>2,194,424</u>
Creditors: amounts falling due after more than one year	12		(902,165)		(347,840)
Provisions for liabilities					
Deferred tax	13		(19,399)		-
Net assets			<u><u>2,067,305</u></u>		<u><u>1,846,584</u></u>
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account	15		<u>2,067,205</u>		<u>1,846,484</u>
Shareholders' funds	16		<u><u>2,067,305</u></u>		<u><u>1,846,584</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 July 2014.



Mr A I Fergusson
Director

The notes on pages 8 to 17 form part of these financial statements.

Alcon Components Limited

Notes to the financial statements for the year ended 30 September 2013

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	-	20-50% straight line
Motor vehicles	-	25% straight line
Fixtures and fittings	-	20-35% straight line
Tooling	-	33% straight line

1.5 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 purchase are depreciated over their useful lives. Finance leases are those where substantially all of 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.

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account 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 period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1. Accounting policies (continued)

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Foreign currencies

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 translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Alcon Components Limited**Notes to the financial statements
for the year ended 30 September 2013****2. Turnover**

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

A geographical analysis of turnover is as follows:

	2013 £	2012 £
United Kingdom	2,107,671	2,525,146
Rest of European Union	3,778,448	3,122,798
Rest of world	3,989,325	2,945,813
	<u>9,875,444</u>	<u>8,593,757</u>

3. Operating profit/(loss)

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

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	89,187	111,962
- held under finance leases	136,657	127,869
Auditors' remuneration	16,000	11,900
Operating lease rentals:		
- other operating leases	150,000	166,094
Difference on foreign exchange	(40,069)	32,938
Profit on sale of tangible assets	(22,467)	(11,955)
	<u></u>	<u></u>

4. Staff costs

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

	2013 £	2012 £
Wages and salaries	2,726,731	2,469,588
Social security costs	254,221	228,937
Other pension costs	55,581	74,376
	<u>3,036,533</u>	<u>2,772,901</u>

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

	2013 No.	2012 No.
Average number of employees	<u>75</u>	<u>75</u>

Alcon Components Limited**Notes to the financial statements
for the year ended 30 September 2013****5. Directors' remuneration**

	2013 £	2012 £
Remuneration	<u>464,413</u>	<u>432,031</u>
Company pension contributions to defined contribution pension schemes	<u>14,855</u>	<u>24,489</u>

During the year retirement benefits were accruing to 3 directors (2012 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £105,213 (2012 - £99,634).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,991 (2012 - £9,649).

6. Interest payable

	2013 £	2012 £
On bank loans and overdrafts	43,536	46,581
On finance leases and hire purchase contracts	37,081	33,489
	<u>80,617</u>	<u>80,070</u>

7. Taxation

	2013 £	2012 £
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge/(credit) on profit/loss for the year	33,963	(160,000)
Adjustments in respect of prior periods	14,391	(144,000)
Total current tax	<u>48,354</u>	<u>(304,000)</u>
Deferred tax		
Origination and reversal of timing differences	28,944	(6,982)
Prior period adjustment	(769)	-
Total deferred tax (see note 13)	<u>28,175</u>	<u>(6,982)</u>
Tax on profit/loss on ordinary activities	<u>76,529</u>	<u>(310,982)</u>

Alcon Components Limited

**Notes to the financial statements
for the year ended 30 September 2013**

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 20% (2012 - 20%). The differences are explained below:

	2013 £	2012 £
Profit/loss on ordinary activities before tax	<u>297,250</u>	<u>(345,504)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2012 - 20%)	59,450	(69,101)
Effects of:		
Expenses not deductible for tax purposes	1,093	(25,656)
(Capital allowances in excess of depreciation)/Depreciation in excess of capital allowances	(23,352)	3,071
Utilisation of tax losses	(4,680)	-
Adjustments to tax charge in respect of prior periods	14,391	(144,000)
Short term timing difference	1,452	3,911
Research and development	-	(72,225)
Current tax charge/(credit) for the year (see note above)	<u><u>48,354</u></u>	<u><u>(304,000)</u></u>

Factors that may affect future tax charges

The company is currently in the process of preparing a Research and Development tax claim for the current year which the directors believe will result in a substantial repayment to the company.

Alcon Components Limited

**Notes to the financial statements
for the year ended 30 September 2013**

8. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures & fittings £	Tooling £	Total £
Cost					
At 1 October 2012	2,851,068	94,032	280,681	-	3,225,781
Additions	339,223	42,476	54,269	64,930	500,898
Disposals	(127,895)	(50,565)	-	-	(178,460)
At 30 September 2013	<u>3,062,396</u>	<u>85,943</u>	<u>334,950</u>	<u>64,930</u>	<u>3,548,219</u>
Depreciation					
At 1 October 2012	2,441,962	59,713	207,934	-	2,709,609
Charge for the year	150,168	17,810	43,652	14,214	225,844
On disposals	(60,092)	(22,174)	-	-	(82,266)
At 30 September 2013	<u>2,532,038</u>	<u>55,349</u>	<u>251,586</u>	<u>14,214</u>	<u>2,853,187</u>
Net book value					
At 30 September 2013	<u>530,358</u>	<u>30,594</u>	<u>83,364</u>	<u>50,716</u>	<u>695,032</u>
At 30 September 2012	<u>409,106</u>	<u>34,319</u>	<u>72,747</u>	<u>-</u>	<u>516,172</u>

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

	2013 £	2012 £
Plant and machinery	343,074	263,223
Motor vehicles	30,594	34,319
Fixtures and fittings	19,325	34,543
	<u>392,993</u>	<u>332,085</u>

9. Stocks

	2013 £	2012 £
Raw materials	937,618	825,356
Work in progress	208,420	114,237
	<u>1,146,038</u>	<u>939,593</u>

Alcon Components Limited**Notes to the financial statements
for the year ended 30 September 2013****10. Debtors**

	2013 £	2012 £
Due after more than one year		
Amounts owed by group undertakings	1,305,498	1,289,611
Due within one year		
Trade debtors	2,419,336	1,877,644
Other debtors	186,990	5,918
Prepayments and accrued income	65,056	100,531
Corporation tax recoverable	111,646	339,281
Deferred tax asset (see note 13)	-	8,776
	<u>4,088,526</u>	<u>3,621,761</u>

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

	2013 £	2012 £
Bank loans and overdrafts	68,137	6,060
Net obligations under finance leases and hire purchase contracts	152,371	123,708
Trade creditors	1,501,118	1,130,768
Amounts owed to group undertakings	267,763	267,771
Other taxation and social security	81,768	70,851
Other creditors	809,545	1,135,733
Accruals and deferred income	255,635	149,589
	<u>3,136,337</u>	<u>2,884,480</u>

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

	2013 £	2012 £
Bank loans	27,950	166,739
Net obligations under finance leases and hire purchase contracts	272,596	181,101
Amounts owed to group undertakings	601,619	-
	<u>902,165</u>	<u>347,840</u>

Alcon Components Limited

Notes to the financial statements for the year ended 30 September 2013

12. Creditors: Amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2013 £	2012 £
Between one and five years	<u>272,596</u>	<u>181,101</u>

The bank loans and overdraft and other creditors are secured by fixed and floating charges over all the assets of the company. Included within other creditors is a balance of £791,184 (2012 - £1,120,352) which relates to invoice discounting.

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

The bank loans comprise of a loan of £96,087, with fixed interest at the rate of 10.5% per annum, which is repayable in monthly installments of £6,274.

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

13. Deferred taxation

	2013 £	2012 £
At beginning of year	8,776	1,794
Movement for year	(28,175)	6,982
At end of year	<u>(19,399)</u>	<u>8,776</u>

The deferred taxation balance is made up as follows:

	2013 £	2012 £
Accelerated capital allowances	20,852	4,865
Other timing differences	(1,453)	3,911
	<u>19,399</u>	<u>8,776</u>

14. Share capital

	2013 £	2012 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Alcon Components Limited**Notes to the financial statements
for the year ended 30 September 2013****15. Reserves**

	Profit and loss account £
At 1 October 2012	1,846,484
Profit for the financial year	220,721
	<u>2,067,205</u>
At 30 September 2013	<u>2,067,205</u>

16. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Opening shareholders' funds	1,846,584	1,881,106
Profit/(loss) for the financial year	220,721	(34,522)
	<u>2,067,305</u>	<u>1,846,584</u>

17. Financial commitments

At the 30 September 2013 the company had committed to the purchase of fixed assets totalling £NIL (2012 - £196,200).

18. Pension commitments

The company operates a defined contributions 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 amounted to £55,581 (2012: £74,376). Contributions totalling £7,262 (2012: £756) were payable to the fund at the balance sheet date and are included in creditors.

19. Operating lease commitments

At 30 September 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013 £	2012 £	2013 £	2012 £
Expiry date:				
Within 1 year	-	-	873	-
Between 2 and 5 years	-	-	1,074	4,564
After more than 5 years	150,000	150,000	-	-
	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>

Alcon Components Limited

Notes to the financial statements for the year ended 30 September 2013

20. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard Number 8 "Related Party Disclosures" not to disclose transactions with members of the group headed by Automotive Performance Technologies Holdings Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Mr A I Fergusson and Mr P J 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 £150,000 (2012: £150,000) which were consistent with the terms of the existing lease agreement.

Mr P Jackson is a director of Beavis Morgan LLP, during the year fees for his services as a director and associated travel costs were paid to Beavis Morgan LLP, amounting to £9,428 (2012: £Nil).

21. Ultimate parent undertaking and controlling party

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

The largest and smallest group in which the results of the company are consolidated is that headed by Automotive Performance Technologies 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.