

---

**ALCON COMPONENTS LIMITED**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

MONDAY



\*A74ZA7QX\*

A10

30/04/2018

#472

COMPANIES HOUSE

---

## ALCON COMPONENTS LIMITED

---

### COMPANY INFORMATION

---

**Directors**

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

**Registered number**

02613471

**Registered office**

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

**Independent auditors**

Smith Cooper Limited  
158 Edmund Street  
Birmingham  
West Midlands  
B3 2HB

---

**ALCON COMPONENTS LIMITED**

---

**CONTENTS**

---

	Page
<b>Strategic report</b>	1 - 2
<b>Directors' report</b>	3 - 4
<b>Independent auditors' report</b>	5 - 7
<b>Statement of comprehensive income</b>	8
<b>Balance sheet</b>	9
<b>Statement of changes in equity</b>	10
<b>Notes to the financial statements</b>	11 - 28

---

## ALCON COMPONENTS LIMITED

---

### STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

---

#### Business review

The Directors are pleased to report another year of progress and growth. Turnover increased by 9.7% year on year with growth spread across all target market sectors of premium motorsport, especially in F1, NASCAR and World Rally; automotive OEMs and military and armoured protection vehicles. This growth was underpinned with a high level of new product introductions and customer specific projects that will sustain growth in future years.

The company's gross margin improved for the fourth year in succession, by 3.4 percentage points, contributing to an overall 9.4% percentage point uplift since 2014. This has been the result of a drive to better control the cost of sales and a continuing shift in the mix towards higher margin activity. The directors are confident that gross profit will be upheld as additional efficiency benefits are derived from new equipment and facilities.

The multi-year investment to build greater capacity, capability and reliability, started in 2015, continued with further new plant being acquired in line with the strategic plan. During the year the company fitted out and occupied a third building at its Tamworth site, moving all assembly operations to dedicated facilities in the new building, so providing room for further expansion of machining facilities in the main factory. In addition, work commenced on a total refit and expansion of the company's Tamworth offices to accommodate the ever expanding sales, design, manufacturing operations and administration teams.

The acquisition, via its top holding company, of a controlling stake in G.E. Precision Engineering Limited reported on in the previous business review, has provided access to vital additional precision machining capacity. In addition, several significant new contracts were secured that during the year and in coming years will ensure that this capacity will be well utilised.

During the period the company reached agreement with the owners of Pro-System Inc. of Mooresville, North Carolina to acquire equity in their company. Pro-System has a well-founded reputation for excellence in the design, manufacture and testing of brake systems throughout premium motorsport in the USA. This joining of forces substantially enhances Alcon's presence in the world's largest regional motorsport market and provides a launch pad for accelerated growth in sectors including NASCAR and sports/GT car racing and the performance aftermarket.

Looking to the future, the company's order book continues to grow, with new business being generated in race series where historically Alcon's presence has been low, and in the military and armoured protection arena where Alcon is fast generating a reputation for product quality and performance and the agility with which it responds to market requirements. As such, the directors are confident that the present growth trajectory will be sustained.

---

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**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 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 14 February 2018 and signed on its behalf.

A I Fergusson  
Director



---

**ALCON COMPONENTS LIMITED**

---

---

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

The directors present their report and the financial statements for the year ended 30 September 2017.

**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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and 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 £737,079 (2016 - £660,790).

Dividends of £283,000 were paid during the year (2016 - £50,000).

**Directors**

The directors who served during the year were:

J H Edwards  
A I Fergusson  
P F Jackson  
A C Smith  
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.

---

**ALCON COMPONENTS LIMITED**

---

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**Auditors**

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

This report was approved by the board on 14 February 2018 and signed on its behalf.



**A I Fergusson**  
Director

---

**ALCON COMPONENTS LIMITED**

---

---

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

---

**Opinion**

We have audited the financial statements of Alcon Components Limited (the 'Company') for the year ended 30 September 2017, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in

---

---

**ALCON COMPONENTS LIMITED**

---

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

---

our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

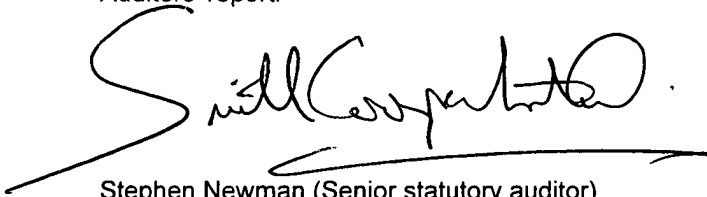
**ALCON COMPONENTS LIMITED**

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

**Auditors' responsibilities for the audit of the financial statements**

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

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



Stephen Newman (Senior statutory auditor)

for and on behalf of  
**Smith Cooper Limited**

158 Edmund Street  
Birmingham  
West Midlands  
B3 2HB  
Date:

14/2/18.

**ALCON COMPONENTS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	14,124,941	12,881,163
Cost of sales		(7,431,168)	(7,001,976)
<b>Gross profit</b>		<b>6,693,773</b>	<b>5,879,187</b>
Administrative expenses		(5,136,313)	(4,568,896)
<b>Operating profit before interest, tax, depreciation and exceptional</b>	5	<b>1,557,460</b>	<b>1,310,291</b>
Depreciation		(473,887)	(366,881)
<b>Operating profit before interest, tax and exceptional</b>		<b>1,083,573</b>	<b>943,410</b>
Interest payable	9	(187,829)	(161,467)
<b>Operating profit before tax and exceptional</b>		<b>895,744</b>	<b>781,943</b>
Exceptional expenses	11	(91,821)	(86,796)
<b>Profit before tax</b>		<b>803,923</b>	<b>695,147</b>
Tax on profit	10	(66,844)	(34,357)
<b>Profit for the financial year</b>		<b>737,079</b>	<b>660,790</b>

There was no other comprehensive income for 2017 (2016:£NIL).

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

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	12	582,233	280,163
Tangible assets	13	3,062,703	2,323,083
		<u>3,644,936</u>	<u>2,603,246</u>
<b>Current assets</b>			
Stocks	14	2,172,178	1,771,608
Debtors: amounts falling due within one year	15	5,460,587	3,995,810
Cash at bank and in hand	16	144,883	338,832
		<u>7,777,648</u>	<u>6,106,250</u>
Creditors: amounts falling due within one year	17	(5,285,190)	(3,474,776)
<b>Net current assets</b>		<u>2,492,458</u>	<u>2,631,474</u>
<b>Total assets less current liabilities</b>		<u>6,137,394</u>	<u>5,234,720</u>
Creditors: amounts falling due after more than one year	18	(2,420,602)	(2,038,851)
<b>Provisions for liabilities</b>			
Deferred tax	19	(243,458)	(176,614)
		<u>(243,458)</u>	<u>(176,614)</u>
<b>Net assets</b>		<u><u>3,473,334</u></u>	<u><u>3,019,255</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	100	100
Profit and loss account	21	3,473,234	3,019,155
		<u><u>3,473,334</u></u>	<u><u>3,019,255</u></u>

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



**A I Fergusson**  
Director

The notes on pages 11 to 28 form part of these financial statements.

16 February 2018

**ALCON COMPONENTS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 October 2015</b>	<b>100</b>	<b>2,408,365</b>	<b>2,408,465</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	660,790	660,790
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	660,790	660,790
Dividends: Equity capital	-	(50,000)	(50,000)
<b>Total transactions with owners</b>	-	(50,000)	(50,000)
<b>At 1 October 2016</b>	<b>100</b>	<b>3,019,155</b>	<b>3,019,255</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	737,079	737,079
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	737,079	737,079
Dividends: Equity capital	-	(283,000)	(283,000)
<b>Total transactions with owners</b>	-	(283,000)	(283,000)
<b>At 30 September 2017</b>	<b>100</b>	<b>3,473,234</b>	<b>3,473,334</b>

---

---

## ALCON COMPONENTS LIMITED

---

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

---

#### 1. General information

Alcon Components Limited is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office and company registration number is shown on the company information page. The principal activity of the company is the design and manufacture of automotive braking systems and clutches for motor sport and performance road car applications.

#### 2. Accounting policies

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

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

The financial statements level of rounding is to the nearest £1.

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 Revenue

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 2017**

---

**2. Accounting policies (continued)**

**2.3 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, using the straight-line method.

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 comprehensive income.

**2.4 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. Work in progress and finished goods include labour and attributable overheads.

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.

**2.5 Debtors**

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

**2.6 Cash and cash equivalents**

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

**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 and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans

---

**ALCON COMPONENTS LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**2. Accounting policies (continued)**

**2.7 Financial instruments (continued)**

and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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.

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

**2.8 Creditors**

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

**2.9 Grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**2. Accounting policies (continued)**

**2.10 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

**2.11 Finance costs**

Finance costs are charged to the Statement of comprehensive income 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.

**2.12 Dividends**

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

**2.13 Operating leases: Lessee**

Rentals paid under operating leases are charged to the Statement of comprehensive income 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.

---

**ALCON COMPONENTS LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**2. Accounting policies (continued)**

**2.14 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 comprehensive income 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.

**2.15 Borrowing costs**

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

**2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

---

**ALCON COMPONENTS LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**2. Accounting policies (continued)**

**2.17 Current and deferred taxation**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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.

**2.18 Exceptional items**

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

**2.19 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, which range from 3 to 6 years.

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 2017**

---

**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 judgment in the process of applying the company's accounting policies. Estimates and judgments 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 judgments:

**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 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 2017

### 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 judgment 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:

	2017 £	2016 £
United Kingdom	3,369,636	3,100,931
Rest of Europe	6,640,554	6,603,435
Rest of the world	4,114,751	3,176,797
	<u>14,124,941</u>	<u>12,881,163</u>

### 5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Research and development	(555,794)	(307,315)
Depreciation of tangible fixed assets	473,888	377,032
Amortisation of intangible assets	83,442	76,764
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	10,000	10,000
Exchange differences	22,873	78,005
Other operating lease rentals	185,000	182,083
Defined contribution pension cost	195,831	148,028
	<u>195,831</u>	<u>148,028</u>

**ALCON COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**6. Auditors' remuneration**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<b>10,000</b>	<b>10,000</b>

**7. Employees**

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>4,512,367</b>	<b>3,890,070</b>
Social security costs	<b>414,764</b>	<b>378,888</b>
Cost of defined contribution scheme	<b>195,831</b>	<b>148,028</b>
	<b>5,122,962</b>	<b>4,416,986</b>

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Management, selling and distribution	<b>122</b>	<b>113</b>

**8. Directors' remuneration**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	<b>434,451</b>	<b>309,298</b>
Company contributions to defined contribution pension schemes	<b>41,663</b>	<b>25,245</b>
	<b>476,114</b>	<b>334,543</b>

During the year retirement benefits were accruing to 3 directors (2016 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £103,800 (2016 - £107,458).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £22,867 (2016 - £16,179).

**ALCON COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**9. Interest payable and similar charges**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank interest payable	<b>16,348</b>	26,244
Other loan interest payable	<b>115,425</b>	95,518
Finance leases and hire purchase contracts	<b>56,056</b>	39,705
	<u><b>187,829</b></u>	<u>161,467</u>

**10. Taxation**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>66,844</b>	55,696
Changes to tax rates	-	(21,339)
<b>Total deferred tax</b>	<u><b>66,844</b></u>	<u>34,357</u>
<b>Taxation on profit on ordinary activities</b>	<u><b>66,844</b></u>	<u>34,357</u>

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 10. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - *lower than*) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<b>803,923</b>	695,149
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	<b>156,765</b>	139,030
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>3,592</b>	3,779
Capital allowances for year in excess of depreciation	-	2,563
Adjustments to tax charge in respect of prior periods	<b>(9,825)</b>	(31,167)
Non-taxable income	<b>(68,245)</b>	(49,496)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	<b>(15,443)</b>	(30,352)
<b>Total tax charge for the year</b>	<b>66,844</b>	34,357

#### Factors that may affect future tax charges

In 2017 research and development tax credits of £350,000 (2016: £300,186) have been offset against the gross research and development costs incurred within administrative expenses.

### 11. Exceptional items

Legal costs relating to appeal against an historic case for patent infringement.

	2017 £	2016 £
Claims	<b>91,821</b>	86,796
	<b>91,821</b>	86,796

---

---

**ALCON COMPONENTS LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**12. Intangible assets**

	Development £
<b>Cost</b>	
At 1 October 2016	430,233
Additions	385,512
	<hr/>
At 30 September 2017	815,745
	<hr/>
<b>Amortisation</b>	
At 1 October 2016	150,070
Charge for the year	83,442
	<hr/>
At 30 September 2017	233,512
	<hr/>
<b>Net book value</b>	
At 30 September 2017	582,233
	<hr/> <hr/>
At 30 September 2016	280,163
	<hr/> <hr/>

**ALCON COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**13. Tangible fixed assets**

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Assets under construction £	Total £
<b>Cost</b>						
At 1 October 2016	118,203	5,380,254	66,667	424,841	-	5,989,965
Additions	295,407	563,575	-	86,419	268,107	1,213,508
At 30 September 2017	413,610	5,943,829	66,667	511,260	268,107	7,203,473
<b>Depreciation</b>						
At 1 October 2016	21,957	3,207,209	49,017	388,699	-	3,666,882
Charge for the year on owned assets	34,497	389,257	11,944	38,190	-	473,888
At 30 September 2017	56,454	3,596,466	60,961	426,889	-	4,140,770
<b>Net book value</b>						
At 30 September 2017	357,156	2,347,363	5,706	84,371	268,107	3,062,703
At 30 September 2016	96,246	2,173,045	17,650	36,142	-	2,323,083

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

	2017 £	2016 £
Plant and machinery	1,900,431	1,771,344
Motor vehicles	3,646	17,650
Furniture, fittings and equipment	77,437	6,643
	1,981,514	1,795,637

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 14. Stocks

	2017 £	2016 £
Raw materials and consumables	1,803,663	1,387,321
Work in progress	368,515	384,287
	<u>2,172,178</u>	<u>1,771,608</u>

Stock recognised in cost of sales during the year as an expense was £5,217,102 (2016: £5,057,896).

A reversal of write downs of stock to net realisable value recognised during the year in cost of sales amounted to £17,807 (2016: write downs of £44,077).

### 15. Debtors

	2017 £	2016 £
Trade debtors	2,657,888	2,037,936
Amounts owed by group undertakings	2,108,302	1,305,497
Other debtors	545,076	562,897
Prepayments and accrued income	149,321	89,480
	<u>5,460,587</u>	<u>3,995,810</u>

An impairment loss of £Nil (2016: £Nil) was recognised in administrative expenses against trade debtors during the year.

### 16. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	144,883	338,832
	<u>144,883</u>	<u>338,832</u>

**ALCON COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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

	2017 £	2016 £
Bank loans	224,936	134,160
Trade creditors	2,113,190	1,664,082
Amounts owed to group undertakings	245,487	245,487
Taxation and social security	121,647	103,664
Obligations under finance lease and hire purchase contracts	419,371	367,626
Other creditors	1,427,211	687,703
Accruals and deferred income	733,348	272,054
	<u>5,285,190</u>	<u>3,474,776</u>

Included within other creditors is a balance of £1,302,009 (2016: £623,364) which relates to invoice discounting, secured over the trade debtors to which it relates.

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

	2017 £	2016 £
Bank loans	738,530	297,117
Net obligations under finance leases and hire purchase contracts	1,033,953	1,093,615
Amounts owed to group undertakings	648,119	648,119
	<u>2,420,602</u>	<u>2,038,851</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. The amount guaranteed in this way at 30 September 2017 was £nil (2016: £nil).

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 19. Deferred taxation

	2017 £	2016 £
At beginning of year	(176,614)	(142,257)
Charged to profit or loss	(66,844)	(34,357)
<b>At end of year</b>	<b>(243,458)</b>	<b>(176,614)</b>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(251,120)	(184,276)
Tax losses carried forward	3,978	3,978
Short term timing difference	3,684	3,684
	<b>(243,458)</b>	<b>(176,614)</b>

### 20. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	<b>100</b>	<b>100</b>

### 21. Reserves

#### Profit and loss account

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

# ALCON COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 22. Capital commitments

At 30 September 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	844,133	-
	<u>844,133</u>	<u>-</u>

### 23. 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 £195,831 (2016: £148,028). Contributions totalling £24,461 (2016: £21,671) were payable to the fund at the balance sheet date and included in creditors.

### 24. Commitments under operating leases

At 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	135,500	185,000
Later than 1 year and not later than 5 years	140,667	232,500
Later than 5 years	122,500	157,500
	<u>398,667</u>	<u>575,000</u>

---

**ALCON COMPONENTS LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

---

**25. 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 £185,000 (2016: £182,083), which were consistent with an existing lease agreement and an additional lease agreement signed.

Mr P Jackson, senior partner of Beavis Morgan LLP, during the year fees for his services and associated travel costs, and fees for consultancy work performed by Beavis Morgan LLP, were paid to Beavis Morgan LLP, amounting to £158,558 (2016: £54,000).

At the year end Beavis Morgan LLP were owed £8,092 (2016: £6,886) by Alcon Components Limited, which is included within Trade Creditors.

**26. 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.