

FAAC (U.K.) Limited

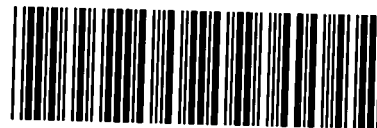
Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 01875607

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FAAC (U.K.) Limited

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Company Information

Directors	J Malacarne E Galloni E Nardi C Dodgson
Company secretary	Clarks Nominees Limited
Registered number	01875607
Registered office	Unit 10 The Hatch Industrial Park Greywell Road Mapledurwell Basingstoke Hampshire RG24 7NG
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH
Bankers	BNP Paribas 10 Harewood Avenue London NW1 6AA

FAAC (U.K.) Limited

Strategic Report For the Year Ended 31 December 2017

The directors present their Strategic Report for the year ended 31 December 2017.

Business review

The principal activities of the company are the distribution of automation systems for doors, gates, turnstiles and barriers and the provision and maintenance of revenue parking systems.

The company operates two business units, one in the access automation sector and the other in the parking sector.

The Access Automation business unit continued to deliver steady growth in the year. The Parking business unit delivered a substantial increase in sales revenues, benefiting from the product development of recent years and securing several new projects. Prospects are good for both business units in 2018.

Financial key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	2017 £'000	2016 £'000	Change %
Turnover			
Access Automation	10,688	10,093	6
Parking	6,379	3,980	60
Total	17,067	14,073	21
Operating profit	2,207	2,132	4
Profit after taxation	1,729	1,666	4
Shareholders' funds	7,143	5,414	32
Current assets as a % of current liabilities	204	159	28
Average number of employees	74	74	-

The Access Automation business continues to expand increasing by 6% whilst the Parking business had a strong year showing a revenue increase of 60%. The order book remains strong for 2018 and so further growth is expected. Gross profit increased though margins fell from 48% to 42% during the year.

Shareholders' funds increased in line with retained profit during 2017.

The ratio of current assets to current liabilities improved throughout the year.

The average number of employees remains stable.

Principal risks and uncertainties

The principal risks and uncertainties that face the company are broadly competitive and financial. As a result of the Brexit vote, management have considered the financial effect and activated plans to mitigate any risk.

FAAC (U.K.) Limited

Strategic Report (continued) For the Year Ended 31 December 2017

Competitive risks

In the Parking business unit there is a risk to the renewal of maintenance contracts, when a customer goes to tender for replacement / renewal of the parking system.

In the Access Automation business unit there is a competitive market and risks are associated with the continued supply of innovative and reliable products that meet market demand.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Price risk

The company is exposed to purchase price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to purchase price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The principal credit risk the company faces is that of non payment of invoices for goods supplied or services rendered. Controls are in place to manage debts with clients, but occasionally a bad debt is incurred due to matters beyond our control.

Liquidity risk

As a subsidiary of a large Italian group, Company is able to obtain any finance it might require from its parent company. Similarly, any surplus funds may be transferred to the parent company.

Foreign exchange risk

The company makes purchases in foreign currencies. The company's policy is to review the level of foreign currency balances on a regular basis and to recognise any associated gains and losses as they arise. The company does not maintain any forward hedging contracts.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitude and abilities. Disabled employees receive appropriate training to promote their career development within the company. Employees who become disabled are retained in their existing posts where applicable or retrained for suitable alternative posts.

Employee information

Regular meetings are held between senior management and employee representatives to discuss matters of concern. Employees are kept well-informed about progress and the position of the company by means of regular departmental meetings.

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


C Dodgson
Director

Date: 20/07/18

FAAC (U.K.) Limited

Directors' Report For the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £1,729,358 (2016 - £1,665,716).

An interim dividend of £Nil (2016 - £1,800,000) was paid during the year. The directors do not recommend the payment of a final dividend.

Future developments

The directors forecast continued growth in Access Automation and have broadened the company's Parking portfolio to address the challenging trading conditions in this sector.

Financial risks

Consideration of the financial risks faced by the company are disclosed in the Strategic Report.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Directors

The directors who served during the year and up to the date of signing were:

J Malacarne
W Walker (resigned 24 March 2017)
E Galloni
E Nardi
C Dodgson (appointed 24 March 2017)

FAAC (U.K.) Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Independent auditors

PricewaterhouseCoopers LLP were appointed during the year and a resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the Annual General Meeting.

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



C Dodgson
Director

Date: 20/07/18

FAAC (U.K.) Limited

Independent auditors' report to the members of FAAC (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion, FAAC (U.K.) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Income and Retained Earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

FAAC (U.K.) Limited

Independent auditors' report to the members of FAAC (U.K.) Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

FAAC (U.K.) Limited

Independent auditors' report to the members of FAAC (U.K.) Limited (continued)

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Katherine Stent (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

20 July 2018

FAAC (U.K.) Limited

Statement of Income and Retained Earnings For the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover		17,067,362	14,072,930
Cost of sales		(9,853,191)	(7,367,897)
Gross profit		7,214,171	6,705,033
Distribution costs		(574,225)	(514,801)
Administrative expenses		(4,433,328)	(4,058,570)
Operating profit	4	2,206,618	2,131,662
Interest receivable and similar income	8	11,029	7,336
Profit before taxation		2,217,647	2,138,998
Tax on profit	9	(488,289)	(473,282)
Profit after taxation		1,729,358	1,665,716
Retained earnings at the beginning of the year		5,314,044	5,448,328
Profit for the financial year		1,729,358	1,665,716
Dividends paid		-	(1,800,000)
Retained earnings at the end of the year		7,043,402	5,314,044

The notes on pages 10 to 23 form part of these financial statements.

FAAC (U.K.) Limited
Registered number: 01875607

Balance Sheet
As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	11		-		-
Tangible assets	12		192,087		226,065
Investments	13		1,961,448		1,961,448
			<u>2,153,535</u>		<u>2,187,513</u>
Current assets					
Stocks	14	1,290,261		1,566,928	
Debtors	15	8,417,501		4,464,121	
Cash at bank and in hand		161,439		2,680,815	
		<u>9,869,201</u>		<u>8,711,864</u>	
Creditors: amounts falling due within one year	16	(4,849,334)		(5,465,333)	
Net current assets			<u>5,019,867</u>		<u>3,246,531</u>
Total assets less current liabilities			<u>7,173,402</u>		<u>5,434,044</u>
Provisions for other liabilities	17		(30,000)		(20,000)
Net assets			<u><u>7,143,402</u></u>		<u><u>5,414,044</u></u>
Capital and reserves					
Called up share capital	18		100,000		100,000
Profit and loss account	19		7,043,402		5,314,044
Total shareholders' funds			<u><u>7,143,402</u></u>		<u><u>5,414,044</u></u>

The financial statements on pages 8 to 23 were approved and authorised for issue by the board and were signed on its behalf by:


C Dodgson
Director

Date: 20/07/18

The notes on pages 10 to 23 form part of these financial statements.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

FAAC (U.K.) Limited is a company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is Unit 10 The Hatch Industrial Park, Greywell Road, Mapledurwell, Basingstoke, Hampshire, RG24 7NG. The nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared on a going concern basis, 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 ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of FAAC SpA as at 31 December 2017 and these financial statements may be obtained from Camera di Commercio Industria Agricoltura e Artigianato, Ufficio Imprese, Piazza della Costituzione, 40100 Bologna, Italy.

1.3 Exemption from preparing consolidated financial statements

The company is a wholly owned subsidiary of FAAC SpA. It is included in the consolidated financial statements of FAAC SpA which are publicly available. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

1.4 Turnover

Turnover in respect of Access Automation and Parking represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised upon despatch of goods or on completion of the agreed servicing work or upon the completion of certain milestones.

Revenue from services is recognised only when the company can reliably measure the amount of revenue and the associated cost related to the stage of completion of a contract or transaction, and the recovery of the consideration is considered probable. Where reliable measurement of revenue and associated costs is not possible both revenue and associated costs thereon are deferred.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.5 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Income and Retained Earnings over its useful economic life.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

1.6 Tangible assets

Tangible 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:

Plant and machinery	- 6% - 40% straight line
Motor vehicles	- 25% - 50% straight line
Fixtures and fittings	- 6% - 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.

1.7 Impairment of goodwill and fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.9 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.

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 the Statement of Income and Retained Earnings.

1.10 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.

1.11 Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.11 Financial instruments (continued)

deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

1.12 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.

1.13 Share capital

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

1.14 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings.

1.15 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.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.16 Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Income and Retained Earnings over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Income and Retained Earnings over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the Statement of Income and Retained Earnings on a straight-line basis over the term of the lease.

1.17 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.

1.18 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

1.19 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 Income and Retained Earnings 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.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.20 Current and deferred taxation

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.

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

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 12)*
Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where 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 the projected disposal values.
- *Revenue recognition*
The company exercises judgement over whether services and milestones have been delivered including estimations about the current stage of performance which could affect the amount earned and unearned revenue. Amounts that have been invoiced but for which the revenue recognition criteria have not been met are included in deferred revenue.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

3. Turnover

	2017 £	2016 £
Sales of goods		
Access automation	10,688,091	10,093,327
Parking	5,162,753	2,531,526
	<u>15,850,844</u>	<u>12,624,853</u>
Sale of services		
Access automation	-	-
Parking	1,216,518	1,448,077
	<u>1,216,518</u>	<u>1,448,077</u>
	<u>17,067,362</u>	<u>14,072,930</u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible assets	105,133	116,942
Amortisation of intangible assets, including goodwill	-	100,024
Operating lease expense	241,869	240,883
Exchange rate differences	1,345	19,386
Defined contribution pension cost	58,933	51,064
Impairment of stocks recognised in cost of sales	161,789	127,223
Inventory recognised as an expense in cost of sales	7,952,983	6,225,473

5. Auditors' remuneration

	2017 £	2016 £
Fees payable to the company's auditors for the audit of the company's annual financial statements	<u>25,000</u>	<u>15,500</u>
Fees payable to the company's auditors in respect of:		
Taxation compliance services	-	2,950
All other services	-	2,315

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

6. Employees

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

	2017 £	2016 £
Wages and salaries	2,516,444	2,419,392
Social security costs	291,329	274,661
Other pension costs	58,933	51,064
	<u>2,866,706</u>	<u>2,745,117</u>

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

	2017 No.	2016 No.
Technical	41	41
Distribution	4	4
Administration	29	29
	<u>74</u>	<u>74</u>

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	93,110	166,906
Company contributions to defined contribution pension schemes	2,813	14,405
	<u>95,923</u>	<u>181,311</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

8. Interest receivable and similar income

	2017 £	2016 £
Interest receivable from group companies	10,761	-
Other interest receivable	268	7,336
	<u>11,029</u>	<u>7,336</u>

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

9. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	488,289	461,151
Adjustments in respect of previous periods	-	12,131
Total current tax	488,289	473,282

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit before taxation	2,217,647	2,138,998
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	426,897	427,800
Effects of:		
Expenses not deductible for tax purposes	41,206	22,478
Capital allowances for year in excess of depreciation	9,947	9,206
Adjustments to tax charge in respect of prior periods	-	12,132
Other differences leading to an increase in the tax charge	10,239	1,666
Total tax charge for the year	488,289	473,282

Factors that may affect future tax charges

The Finance Act 2015 reduced the main rate of Corporation Tax from 20% to 19% with effect from 1 April 2017. In addition the Government has announced that from 1 April 2020 the Corporation Tax main rate will be further reduced to 17%. We have used a rate of 19.25% for the purpose of preparing the tax disclosure.

10. Dividends

	2017 £	2016 £
Ordinary		
Interim dividend paid of £Nil (2016 - £18) per share	-	1,800,000

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

11. Intangible assets

	Goodwill £
Cost	
At 1 January 2017 and 31 December 2017	<u>1,700,403</u>
Accumulated amortisation	
At 1 January 2017 and 31 December 2017	<u>1,700,403</u>
Net book value	
At 31 December 2016 and 31 December 2017	<u><u>-</u></u>

12. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2017	132,805	180,806	306,232	619,843
Additions	7,722	62,865	568	71,155
Reclassifications	(7,285)	-	7,285	-
At 31 December 2017	<u>133,242</u>	<u>243,671</u>	<u>314,085</u>	<u>690,998</u>
Accumulated depreciation				
At 1 January 2017	99,160	102,723	191,895	393,778
Provided for the year	19,848	64,741	20,544	105,133
Reclassifications	(3,599)	-	3,599	-
At 31 December 2017	<u>115,409</u>	<u>167,464</u>	<u>216,038</u>	<u>498,911</u>
Net book value				
At 31 December 2017	<u><u>17,833</u></u>	<u><u>76,207</u></u>	<u><u>98,047</u></u>	<u><u>192,087</u></u>
At 31 December 2016	<u><u>33,645</u></u>	<u><u>78,083</u></u>	<u><u>114,337</u></u>	<u><u>226,065</u></u>

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017 and 31 December 2017	<u>2,802,068</u>
Impairment	
At 1 January 2017 and 31 December 2017	<u>840,620</u>
Net book value	
At 31 December 2016 and 31 December 2017	<u><u>1,961,448</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
DSS Automatic Doors Ltd	Ordinary	100 %	Automatic door supplier

The address of DSS Automatic Doors Ltd's registered office is 2 Cairn Court, Nerston Industrial Estate, East Kilbride, Glasgow, G74 4NB.

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit £
DSS Automatic Doors Ltd	<u>449,960</u>	<u>236,979</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

14. Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>1,290,261</u>	<u>1,566,928</u>

There is no difference between the replacement cost of stocks and the amounts stated above.

15. Debtors

	2017 £	2016 £
Due within one year		
Trade debtors	2,725,849	2,545,678
Amounts owed by group undertakings	5,011,063	1,799,107
Other debtors	117,168	4,120
Prepayments and accrued income	563,421	115,216
	<u>8,417,501</u>	<u>4,464,121</u>

Within trade debtors are provisions for bad debts totalling £336,270 (2016 - £92,996).

The amounts owed by group undertakings are repayable in 90 days following the end of the month, do not attract any interest, and remain unsecured.

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	29,581	-
Trade creditors	207,253	230,766
Amounts owed to group undertakings	3,898,948	3,695,620
Corporation tax	226,157	296,689
Other taxation and social security	196,277	824,709
Other creditors	-	16,840
Accruals and deferred income	291,118	400,709
	<u>4,849,334</u>	<u>5,465,333</u>

The amounts owed to group undertakings are repayable in 90 days following the end of the month, do not attract any interest, and remain unsecured.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

17. Provisions for other liabilities

	Warranty provision £
At 1 January 2017	20,000
Additions dealt with in profit or loss	10,000
At 31 December 2017	30,000

18. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
100,000 (2016 - 100,000) Ordinary shares of £1 each	100,000	100,000

19. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

20. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	8,258,593	7,029,720
Financial liabilities		
Financial liabilities measured at amortised cost	4,426,900	4,363,935

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owed from group undertakings, other creditors and accruals.

FAAC (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

21. Pension commitments

The pension cost charge represents contributions payable by the company to employee's own schemes which amounted to £58,933 (2016 - £51,064). Contributions totalling £5,154 (2016 - £23,900) were payable at the balance sheet date and are included in creditors.

22. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	305,840	284,359
Later than 1 year and not later than 5 years	991,629	961,483
Later than 5 years	1,379,251	1,573,546
	<u>2,676,720</u>	<u>2,819,388</u>

23. Related party transactions

The company is a wholly owned subsidiary of FAAC SpA and has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with FAAC SpA or other wholly owned subsidiaries within the group.

Key management personnel include all directors across the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £95,923 (2016 - £181,311).

24. Controlling party

The directors consider the company's immediate and ultimate parent company is FAAC SpA, which is registered in Italy.

FAAC SpA is the parent company for the largest and smallest group of which this company is a member and for which group accounts are prepared. FAAC SpA lodges the group accounts with Camera di Commercio Industria Agricoltura e Artigianato, Ufficio Imprese, Piazza della Costituzione, 40110 Bologna, Italy.

The directors consider the company's controlling party to be the Archdiocese of Bologna, Italy.