

FARID Hillend Engineering Limited
(Formerly HEIL FARID European Company Limited)

Annual report
for the year ended

31 December 2016

Registered no: SC053003



FARID Hillend Engineering Limited

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FARID Hillend Engineering Limited

Directors and advisors

Directors

Marco Orecchia

Charles Clinch

Brian Kennedy (appointed 22/06/16)

Registered office

Taxi Way

Hillend Industrial Estate

Dunfermline

Fife

KY11 9ES

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

Edinburgh

EH3 8EX

Bankers

NatWest

No 1 Hatton Gardens

London

EC1P 1DU

Barclays Bank

Chapel Road

Worthing

BN11 1EX

FARID Hillend Engineering Limited

Strategic report for the year ended 31 December 2016

Company registration number SC053003

Business review, principal activities and future developments

The principal activity of FARID Hillend Engineering Limited (the “company”) is the manufacture and service of refuse collection equipment. The principal activity of the company remained unchanged throughout the year and the directors do not anticipate any change in the principal activity in the foreseeable future.

The results for the company show a profit on ordinary activities before taxation of £450,497 (2015: £799,600) for the year and turnover of £26,331,472 (2015: £26,052,534).

Principal risks and uncertainties

The directors see the main risks and uncertainties that will or may impact on the business now and in the future being increased by Brexit.

Uncertainties in the European and global environment continue to cause exchange rate fluctuations. This is partly caused by the uncertainties being created around the UK’s vote to leave the EU. These currency uncertainties may be exacerbated as the UK agrees its trading relationship with the EU as part of the Brexit negotiations.

Price risk

The company operates in a competitive market which is a continuing risk and could result in the loss of sales to key customers. The company seeks to reduce this risk by building strong relationships with customers and offering tailor made options to vehicles at customer request.

The company is also susceptible to fluctuations in steel prices which are dependent on global demand. Management seeks to reduce the impact of commodity price risk by negotiating fixed prices in supplier contracts over a fixed term where possible.

Credit risk

The company’s core debtors are local authorities and UK Corporates. Due to the size and stability of the debtors, management do not believe that credit risk to the company is significant.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets and by the use of bank facilities and loans.

Appropriate trade terms are negotiated with suppliers and customers. Management review these terms and the relationships with suppliers and customers on a regular basis and manage any exposure on normal trade terms.

FARID Hillend Engineering Limited

Strategic report for the year ended 31 December 2016 Company registration number SC053003 (continued)

Interest rate risk

The company had debt at 31 December 2016 of £377,951 (2015: £664,590) which is at variable rates of interest, consisting of bank loan of £57,498 (2015: £87,781) and intercompany loan £320,453 (2015: £576,809). The company also has a finance lease liability of £62,036 (2015: £139,434) which is at a fixed rate of interest. The directors believe that debt can be repaid from future cash flows arising from operations without any significant exposure risk to the company but review any movements to interest rates on a regular basis.

The company monitors cash flow on an ongoing basis to ensure that interest costs on the utilisation of an arranged bank overdraft are kept to a minimum level.

Development and performance of the company

Turnover of manufactured components and services grew by £1m from £20m in 2015 to £21m in 2016. The increase was due to the better market conditions in 2016 and resulted in increased sales to Private municipalities.

The turnover from third party products has decreased by £0.8m from £6m in 2015 to £5.2m in 2016. This will fluctuate from year to year due to the customer decision on whether to purchase a chassis, and when applicable binlift, independently or to purchase through the company.

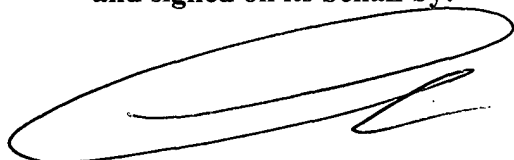
Sales to overseas markets decreased by 6.9% from £4.3m in 2015 to £4.0m in 2016.

The results for the company show a profit on ordinary activities before taxation of £450,497 (2015: £799,600) for the year and turnover of £26,331,472 (2015: £26,052,534).

Key performance indicators

The company's key performance measurement is the gross margin percentage by product stream. The company achieved a gross margin percentage of 16% in 2016 compared to 18% in 2015.

**Approved by the Board
and signed on its behalf by:**



Charles Clinch
Director

Dated: 12 JUN 2017



Brian Kennedy
Director

Dated: 12 June 2017

FARID Hillend Engineering Limited

Directors' report for the year ended 31 December 2016

Company registration number SC053003

Results and Dividends

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

On 29 December 2016 the company changed its name from HEIL Farid European Company Limited to FARID Hillend Engineering Limited.

Dividends declared and paid were £200,000 (2015: £nil).

Going Concern

The company's business activities, together with the factors likely to affect its future development and position are included in the strategic report on pages 3 to 4. The company's financial risk management policies for managing price, credit, liquidity and interest rate risk are set out in the strategic report.

The directors have a reasonable expectation that the company has adequate resources to meet its obligations and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

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

Marco Orecchia

Charles Clinch

Brian Kennedy (appointed 22 June 2016)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and 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 prepared 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 (FRS 102)*.

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:

FARID Hillend Engineering Limited

Directors' report for the year ended 31 December 2016

Company registration number SC053003

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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. 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.

Disclosure of information to Auditors

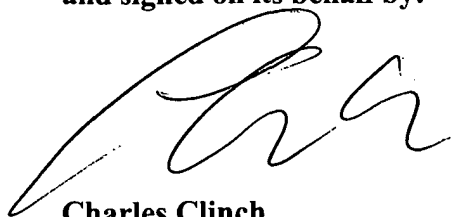
Each of the persons who are a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

**Approved by the Board
and signed on its behalf by:**



Charles Clinch
Director

Dated: 12/6/17



Brian Kennedy
Director

Dated: 12/6/17

FARID Hillend Engineering Limited

Independent auditors' report to the members of FARID Hillend Engineering Limited

Report on the financial statements

Our opinion

In our opinion, FARID Hillend Engineering Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of income and retained earnings for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

FARID Hillend Engineering Limited

Independent auditors' report to the members of FARID Hillend Engineering Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 5 to 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

FARID Hillend Engineering Limited

Independent auditors' report to the members of FARID Hillend Engineering Limited (continued)

What an audit of financial statements involves

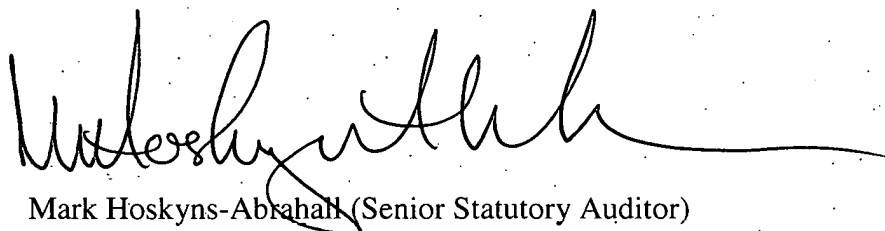
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Mark Hoskyns-Abraham (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
12 June 2017

FARID Hillend Engineering Limited

Statement of income and retained earnings for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	2	26,331,472	26,052,534
Cost of sales		(22,070,127)	(21,322,320)
Gross profit		4,261,345	4,730,214
Administrative expenses		(3,976,306)	(3,866,345)
Other Income		200,000	-
Operating profit		485,039	863,869
Interest receivable and similar income	6	-	135
Interest payable and similar expenses	7	(34,542)	(64,404)
Profit before taxation		450,497	799,600
Tax on profit	9	(109,557)	(163,121)
Profit for the financial year		340,940	636,479
Retained earnings at the beginning of the year		2,383,339	1,746,860
Dividends paid		(200,000)	-
Retained earnings at the end of the year		2,524,279	2,383,339

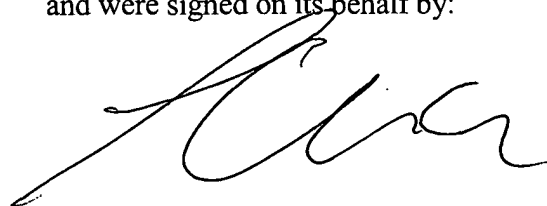
All the above figures relate to continuing activities.

FARID Hillend Engineering Limited

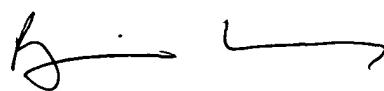
Balance Sheet as at 31 December

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	10	<u>910,164</u>	<u>965,394</u>
Current assets			
Stocks	11	4,122,298	4,153,139
Debtors	12	4,437,971	2,750,802
Cash at bank and in hand		<u>880,448</u>	<u>885,051</u>
		<u>9,440,717</u>	<u>7,788,992</u>
Creditors: amounts falling due within one year	13	<u>(6,368,142)</u>	<u>(5,109,507)</u>
Net current assets		<u>3,072,575</u>	<u>2,679,485</u>
Total assets less current liabilities		<u>3,982,739</u>	<u>3,644,879</u>
Creditors: amounts falling due after more than one year.	14	(89,631)	(376,691)
Provisions for liabilities	15	(1,353,829)	(869,849)
Net assets		<u><u>2,539,279</u></u>	<u><u>2,398,339</u></u>
Capital and reserves			
Called up share capital	17	15,000	15,000
Retained earnings		<u>2,524,279</u>	<u>2,383,339</u>
Total shareholders' funds		<u><u>2,539,279</u></u>	<u><u>2,398,339</u></u>

The financial statements on pages 10 to 27 were approved by the board of directors on and were signed on its behalf by:



Charles Clinch
Director



Brian Kennedy
Director

FARID Hillend Engineering Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies

General information

FARID Hillend Engineering Limited is a private company limited by shares. The address of its registered office is Taxi Way, Hillend Industrial Estate, Dunfermline, Fife, KY11 9ES.

The principal activity of FARID Hillend Engineering Limited (the “company”) is the manufacture and service of refuse collection equipment.

Statement of compliance

The individual financial statements of FARID Hillend Engineering Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements have been prepared under FRS 102.

Going concern

The company’s business activities, together with the factors likely to affect its future development and position are included in the strategic report. The company’s financial risk management policies for managing price, credit, liquidity and interest rate risk are set out in the strategic report.

The directors have a reasonable expectation that the company has adequate resources to meet its obligations and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the company’s shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. FARID Hillend Engineering Limited is a qualifying entity as its results are consolidated into the financial statements of FEG Brivio Spa which are publicly available.

FARID Hillend Engineering Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Turnover

Turnover represents the net invoiced value of units, spares and services sold including, where applicable, chassis, hoists and other third party supplied goods. Turnover is recognised when the goods are dispatched to the contracted point of delivery.

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension scheme.

i) Short term benefits

Short term benefits including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined contribution pension scheme

The company operate a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the statement of income and retained earnings represents the company contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure in respect of research and development is charged against profits in the year in which it is incurred.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity.

FARID Hillend Engineering Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Taxation (continued)

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Current tax is provided at amounts expected to be paid or (recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

ii) Deferred taxation

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which future reversal of underlying timing differences can be deducted.

Foreign currencies

i) Functional and presentation currency

The company's functional and presentation currency is Great British Pounds.

ii) 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.

Gains and losses arising from foreign currency transactions are taken to the statement of income and retained earnings in the year in which they arise.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Freehold land is not depreciated.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values over the expected useful economic lives of the assets concerned.

FARID Hillend Engineering Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

The principal annual rates used for this purpose are:

Buildings - freehold	Straight line over 50 years
Buildings - improvements	Straight line over 3 to 10 years
Plant and machinery	Straight line over 5 to 10 years
Computer equipment	Straight line over 3 to 5 years
Fixtures, Fittings & equipment	Straight line over 3 years

Operating leases

i) Operating leases

Operating lease payments are charged against profits in the year in which they are incurred on a straight line basis over the lease term.

ii) Lease incentives

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The company has taken advantage of the exemption under paragraph 35.10(p) of FRS 102 in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the statement of income and retained earnings over the period to the first review date on which the rent is adjusted to market rates.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell, and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of income and retained earnings.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an

FARID Hillend Engineering Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Impairment of non-financial assets (continued)

impairment loss is recognised in the statement of income and retained earnings.

Stocks

Finished goods are valued at cost of labour and materials plus an addition for factory overheads, or at estimated selling price less cost to complete and sell, if lower.

Raw materials are valued at the lower of cost and estimated selling price less cost to complete and sell.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

Warranties

The company has made a provision in respect of the estimated warranty costs which will be incurred over the standard warranty period. Where extended warranty cover has been purchased by customers the revenue is deferred and recognised over the extended warranty period.

The non-specific warranty provision is calculated using estimated cost rates that are based on historical trends and by applying judgement that this rate will prevail for the current year. The rate is applied to all vehicle sales using appropriate rates for the age of the vehicle from year one to year three when the warranty expires.

The specific warranty is calculated using estimated costs for known issues when they become known and are able to be estimated. The costs are then posted to the provision and over/under provisions are released once the actual costs crystallise.

Financial instruments

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

i) Financial assets

Basic financial assets, including trade debtors and cash and bank balances, 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

FARID Hillend Engineering Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

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 a 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.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the statement of income and retained earnings, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

ii) Financial liabilities

Basic financial liabilities, including trade creditors and loans from fellow group companies 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 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 creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors 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.

FARID Hillend Engineering Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements 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.

Related party disclosures

As a wholly-owned member of FEG Brivio Spa, the ultimate parent company, the company has taken advantage of the exemptions as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. The company discloses transactions with related parties which are not wholly owned within the same group. The company is included in the consolidated financial statements of FEG Brivio Spa, which are publicly available.

Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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:

i) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values of significant value assets are re-assessed annually. See note 10 for the carrying amount of the tangible fixed assets, and note 1 for the useful economic lives for each class of assets.

ii) Warranty provision

The non-specific warranty provision is calculated using estimated cost rates that are based on historical trends and by applying judgement that this rate will prevail for the current year. The rate is applied to all vehicle sales using appropriate rates for the age of the vehicle from year one to year three when the warranty expires. The specific warranty is calculated using estimated costs for known issues when they become known and are able to be estimated. The costs are then posted to the provision and over/under provisions are released once the actual costs crystallise. See note 15 for the carrying amount of the warranty provision.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

2 Turnover

	2016	2015
	£	£
UK	22,296,702	21,729,490
Other	4,034,770	4,323,044
	<u>26,331,472</u>	<u>26,052,534</u>

Turnover was entirely attributable to the manufacture, sale and service of refuse collection equipment.

3 Operating profit

	2016	2015
	£	£
Operating profit is stated after charging:		
Auditors' remuneration - the company and immediate parent	25,000	35,500
Depreciation	161,543	126,895
Hire of plant and machinery	152,137	143,711
Foreign exchange losses	144,136	31,538
Operating lease rentals	242,188	240,844

4 Directors' remuneration

	2016	2015
	£	£
Aggregate remuneration	<u>85,500</u>	<u>24,000</u>

Two directors received remuneration in respect of their services to the company (2015: one). Contributions of £10,300 were paid under the defined contribution scheme (2015: £nil). No retirement benefits are accruing to directors (2015: £nil).

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**
5 Employee information

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

	2016	2015
	Number	Number
Production	146	162
Selling & distribution	36	12
Administration	18	25
	200	199

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	5,835,377	5,655,670
Social security costs	448,271	432,738
Other pension costs (note 20)	261,469	216,255
	6,545,117	6,304,663

6 Interest receivable and similar income

	2016	2015
	£	£
Bank Interest	-	135
	-	135

7 Interest payable and similar expenses

	2016	2015
	£	£
Inter-company Interest	21,918	35,413
Bank loan Interest	1,288	1,796
Bank overdraft Interest	11,336	27,195
	34,542	64,404

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

8 Dividends

Dividends declared and paid were £200,000 (2015: £nil). A final dividend in respect of the year ended 31 December 2016 was declared on the 21 April 2016.

9 Tax on profit

	2016 £	2015 £
Current tax:		
UK corporation tax at 20%, (2015: 20.25%), on the profit for the year	61,461	-
Adjustments in respect of prior years	27	-
Current tax (credit) / charge for the year	<u>61,488</u>	<u>-</u>
Deferred tax:		
Reversal of timing differences	34,675	164,603
Recoverable assets from prior period	16,862	2,022
Effect of changes in tax rates	<u>(3,468)</u>	<u>(3,504)</u>
Tax on profit	<u><u>109,557</u></u>	<u><u>163,121</u></u>

The tax assessed for the year is higher, (2015: higher), than the standard rate of corporation tax in the UK (20%) (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
Profit before income tax	<u>450,497</u>	<u>799,600</u>
Profit on ordinary activities multiplied by standard rate in the UK 20% (2015: 20.25%)	90,099	161,919
Effects of:		
Expenses/(Income) not deductible for tax purposes and other permanent differences	5,607	2,684
Gains / rollover relief etc	430	
Tax rate changes	(3,468)	(3,504)
Adjustments in respect of prior years	16,889	2,022
Total tax charge for the year	<u><u>109,557</u></u>	<u><u>163,121</u></u>

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

9 Tax on profit on ordinary activities (continued)

The Finance (No. 2) Act 2015, substantively enacted on the 26 October 2015, included future reductions to the corporation tax rate from 20% to 19% with effect from 1 April 2017 and then from 19% to 18% from 1 April 2020.

The Finance Act 2016, substantively enacted on 6 September 2016 then amended this final change so that the corporation tax rate will reduce from 19% to 17% with effect from 1 April 2020

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**
10 Tangible assets

	Freehold land, buildings and building improvements £	Plant and machinery £	Computer equipment £	Fixtures, fittings and equipment £	Total £
Cost					
At 1 January 2016	1,371,834	1,208,415	371,805	51,076	3,003,130
Additions	6,520	120,886	-	-	127,406
Disposals	-	(30,925)	-	-	(30,925)
At 31 December 2016	1,378,354	1,298,376	371,805	51,076	3,099,611
Accumulated Depreciation					
At 1 January 2016	887,133	790,478	309,049	51,076	2,037,736
Charge for year	21,687	123,121	16,735	-	161,543
Disposals	-	(9,832)	-	-	(9,832)
At 31 December 2016	908,820	903,767	325,784	51,076	2,189,447
Net book value					
At 31 December 2016	469,534	394,609	46,021	-	910,164
At 31 December 2015	484,701	417,937	62,756	-	965,394

The freehold land and buildings includes the cost of freehold land £125,890, (2015: £125,890), which is not depreciated.

Barclays Bank Plc holds a legal charge over the following Freehold land, buildings and building improvements:

- i) Units AF14, AF15 & AF16 of the facilities at Dalgety Bay which amount to total net book value of £125,716, (2015: £133,082); and
- ii) Unit K of the site at Arundel which amounts to a net book value of £343,818, (2015: £351,617).

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

11 Stocks

	2016	2015
	£	£
Raw materials and consumables	3,767,977	3,908,403
Finished goods	354,321	244,736
	<u>4,122,298</u>	<u>4,153,139</u>

An impairment loss of £244,658 (2015: £231,658) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

12 Debtors

	2016	2015
	£	£
Amounts falling due within one year		
Trade debtors	4,137,323	2,322,512
Amounts owed by group undertakings	152,456	80,405
Other debtors	12,957	113,959
Corporation tax	-	7,988
Deferred tax (note 16)	67,821	115,890
Prepayments and accrued income	67,414	110,048
	<u>4,437,971</u>	<u>2,750,802</u>

A provision for impairment loss of £5,832 (2015: £31,369) was included against trade debtors.

Amounts owed by group undertakings is an unsecured, interest free, normal trading account balance with Farid Industrie S.P.A.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**
13 Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank overdraft	-	413,049
Bank loan	31,956	31,541
Trade creditors	1,531,088	2,113,939
Amounts owed to group undertakings	1,771,560	1,401,613
Other Taxation and social security	123,721	136,440
Corporation tax	53,501	-
Accruals and deferred income	2,856,316	1,012,925
	<u>6,368,142</u>	<u>5,109,507</u>

Amounts owed to group undertakings include an unsecured loan of £256,364, (2015: £256,358) to FEG Brivio Spa. accruing interest at 4.35% plus Euribor rate at monthly due date, repayable in quarterly instalments expiring 31 March 2018. The remaining balance is an unsecured, interest free, normal trading account balance with Farid Industrie S.P.A. in 2016 of £1,515,196 (2015: £1,145,255). A bank overdraft facility from Barclays is secured by a fixed charge on the freehold properties.

14 Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Amounts owed to group undertakings	64,089	320,451
Bank loan	25,542	56,240
	<u>89,631</u>	<u>376,691</u>

Barclays Bank Plc originally advanced a loan facility of £280,000 to Farid UK Limited, the parent entity of the company, on 3 October 2003 which is repayable over 15 years. Interest was charged at a fixed rate of 6.1% over the first 10 years and thereafter at a variable rate of 1.250% above base rate. Current repayments are made in instalments of £2,623 per month. The loan was transferred to the company on 1 May 2013 and is secured by a charge, registered 20 June 2013, as referenced in note 10.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

15 Provisions for liabilities

	Warranty provision £
At 1 January 2016	869,849
Profit and loss - created in year	483,980
At 31 December 2016	<u>1,353,829</u>

The warranty provision reflects the company's expected cost of meeting anticipated warranty claims for refuse collection equipment.

16 Deferred tax

	2016	2015
	Recognised £	Recognised £
Accelerated capital allowances	64,538	(16,230)
Trading timing differences	3,283	2,976
Trading losses	<u>-</u>	<u>129,144</u>
Total deferred taxation	<u>67,821</u>	<u>115,890</u>

No deferred tax asset in respect of trading losses has been recognised (2015:£129,144). There are no unrecognised deferred tax amounts.

17 Called up share capital

	2016	2015
	£	£
Allotted, called up, issued and fully paid		
15,000 (2015:15,000) Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of capital and the repayment of capital.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)****18 Contingent liabilities**

The company has granted a guarantee to the Commissioners of Customs & Excise for £100,000 (2015: £100,000). This guarantee is for duty deferment in favour of Natwest for import of goods.

19 Leases

At 31 December 2016 the company's future minimum operating lease payments are as follows:

	2016	2015
	£	£
Within one year	25,789	9,304
From one to five years	193,942	313,121
	<u>219,731</u>	<u>322,425</u>

20 Pension arrangements**Defined Contribution Pension Scheme**

The company operates a defined contribution pension scheme. The cost of company contributions to the scheme was £261,469 (2015: £216,255), of which £nil was accrued as at 31 December 2016 (2015: £nil).

21 Related Party Transactions

The company has taken exemption from providing certain related party disclosures as mentioned in the accounting policy.

22 Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is Farid UK Limited.

FEG Brivio Spa is the parent undertaking of the largest group of undertakings to consolidate these financial statements. The consolidated financial statements of FEG Brivio Spa are available from its registered office FEG Brivio Spa, Corso Re Umberto 1, Turin, Italy.