

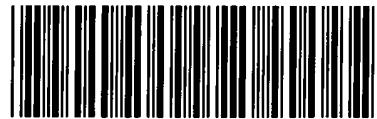
**Gunnebo Entrance Control Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2016**

**Company Registration No. 02589251**

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# **Gunnebo Entrance Control Limited**

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# **Gunnebo Entrance Control Limited**

## **Officers and professional advisers**

### **Directors**

Mr K R Hermans

Mr D J Taylor

### **Secretary**

Mr P N Crabtree (resigned 15 June 2017)

Mrs L Parry (appointed 15 June 2017)

### **Registered office**

Optimus

Bellbrook Business Park

Uckfield

East Sussex

TN22 1QU

### **Banker**

Skandinaviska Enskilda Banken AB

Scandinavian House

2 Cannon Street

London

EC4M 6XX

### **Solicitor**

Astbury's

210 High Street

Lewes

East Sussex

BN7 2NH

### **Auditor**

Deloitte LLP

Statutory Auditor

2 New Street Square

London

United Kingdom

EC4A 3BZ

# **Gunnebo Entrance Control Limited**

## **Strategic Report**

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

### **Principal activity**

The principal activity of the company during the year was the design, manufacture and technical support of building security and pedestrian entrance control systems. The company acts as the central hub for group-wide turnstile sales, supporting the Group sales outlets with business development and marketing activities, technical product support and innovation from its Research and Development projects.

### **Business review**

During the year the company shut down its manufacturing facilities in Uckfield as part of a planned strategy

The company continues with its principal activity, but sources its supply of turnstile products from within the Gunnebo group. It will continue to design, provide product and technical support, develop global business opportunities and continue to expand its Research and Development ('R&D') activities. Being the central hub during 2016 led to an increase in activity with other Group companies of approximately 16% vs 2015

### **Orders and sales**

The total closing order book was £3,897k (2015: £1,926k) being 102% up on the previous year.

Turnover for the year totalled £27,389k (2015: £19,315k) which was 42% up on the previous year. A decline of 21% was seen in the UK market due to the weaker order intake, however a 96% growth was seen in Europe as the company completed the large delivery of mass transit gates into the region.

### **Financial results**

Gross profit margin was 17% (2015 15%). This improvement in margin was due to continued improvements in economies of scale following the restructure, production streamlining in both factories and a strengthening in product revenues as a result of increased sales to group companies. This margin improvement will continue into the forthcoming year.

Administrative, selling and product development expenses during the year totalled £3,376 (2015: £3,408k). There has been little movement in this balance as administrative costs are largely fixed in the short term.

Net assets were £3,514k (2015: £377k). Dividends received from the company's subsidiary, Gunnebo Entrance Control Inc. were £1,728k (2015: £664k).

### **Research and development**

The company continued to invest in R&D to ensure its products are at the forefront of functionality, efficiency and are innovative in architectural design and appearance. Nine projects were either on-going from the previous year or commenced during the current year. During the year £599k of development expenditure was capitalised.

# Gunnebo Entrance Control Limited

## Strategic report (continued)

### Business review (continued)

Summary results for the year were as follows:

	Year to 31 December 2016 £000	Year to 31 December 2015 £000
Turnover	27,389	19,315
Pre-tax profit / (loss)	2,671	(69)
Net assets	3,514	377
Bank overdraft	(2,885)	(4,710)
Closing order book	3,897	1,926

### Financial position and liquidity

The financial position of the Company is presented in the balance sheet. The total shareholders' funds at 31 December 2016 was £3,514k (2015: £377k)

The Company has total assets of £11,938k. It has current liabilities of £7,912k (2015: £7,895k) and this included a bank overdraft of £2,885k (2015: £4,710k).

The Company is a member of Gunnebo Group and participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2016 the Group had cash balances of SEK 580.7m. In February 2014 the Group entered into a new financing agreement which expires in February 2019.

### Principal risks and uncertainties

The company operates as part of a Group and therefore its strategy is dictated by global plans. The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition, global and local economic circumstances and short-term supplier shortages.

The outcome of the British referendum to leave the UK was announced on 24 June 2016. We recognise that this will lead to greater uncertainty in the short to medium term and will assess the impact on the company as the matter evolves.

### Key Performance Indicators

The company continues to monitor performance through the use of Key Performance Indicators. The main indicators with summary comments are included in the following table.

Key Performance Indicators	2016	2015	Comments
Growth in Sales	42%	6%	An overall increase of 42%, with a large metro contract in Europe contributing to this growth. In addition sales to other Group companies increased by 16%.
Gross Margin	17%	15%	Economies of scale, improved production methods and procedures and improved product sales prices all contributed to GM progress.

## **Gunnebo Entrance Control Limited**

### **Strategic report (continued)**

#### **Key Performance Indicators (continued) cash inflows**

<b>Key Performance Indicators</b>	<b>2016</b>	<b>2015</b>	<b>Comments</b>
<b>External Debtor Days Ratio</b>	91.1	80.9	Although credit control remains effective with regular credit monitoring and communication with customers, Greek foreign exchange controls caused some delays to cash inflows.

#### **Financial risk management objectives and policies**

The Company's operations expose it to a variety of financial risks that include credit risk, interest rate risk, price risk and currency risk.

##### ***Credit Risk***

With regard to credit risk the Company has implemented policies that require appropriate credit checks on potential customers before contracts are commenced. The Company trades predominantly within the Group but there is no significant concentration of external credit risk with exposure spread over a number of customers throughout the world.

##### ***Interest Rate Risk***

In respect of interest rate risk the Company has interest bearing liabilities. These relate to the bank overdraft which has interest rates applied at floating market rates.

##### ***Price Risk***

The Company has some exposure to commodity price risk as a result of its operations. This risk is managed on a project by project basis by limited forward buying of certain commodities and by negotiating annual purchase agreements with key suppliers.

##### ***Currency Risk***

The Company is exposed to currency risks because it trades outside the UK. The Company has export income and import costs and, therefore, is exposed to exchange rate fluctuations, principally sterling/euro exposure. This currency risk is called transaction exposure and has an impact on the Company's operating result. In accordance with Group financial policy, the Company does not ordinarily hedge transaction exposure.

## **Gunnebo Entrance Control Limited**

### **Strategic report (continued)**

#### **Future developments**

In the coming year the Company will extend its procurement of finished entrance control (turnstile) products from within the Gunnebo Group manufacturing base following the closure of its own manufacturing facility in August 2016. However, it will continue to be the central hub for global turnstile sales, supporting the Group sales outlets with business development and marketing activities, technical product support and innovation from its Research and Development projects.

There have been no significant events since the balance sheet date.

Approved by the Board and signed on its behalf by:

  
Karl Robert Hermans  
Director

27/9/2017

**Registered office**  
Bellbrook Industrial Estate  
Uckfield  
East Sussex  
TN22 1QQ

# **Gunnebo Entrance Control Limited**

## **Directors' report**

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2016. Details of the business review, future developments, financial risk management and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2.

### **Principal activity**

Details of the principal activity can be found in the Strategic report on page 2 and form part of the cross reference.

### **Going concern**

The company has made a profit in 2016 and has a strong net assets position, however remains in a net current liabilities position and is therefore reliant on an overdraft facility provided the Group. The Group has provided a letter of support confirming the continued availability of the overdraft facility, which is valid for twelve months from the date the accounts are signed. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details can be found in the Statement of accounting policies in the financial statements.

### **Directors**

The directors, who served throughout the year except as noted, were as follows:

Mr K R Hermans  
Mr D J Taylor

### **Directors' indemnities**

The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year.

### **Employment policies**

The Company requires that a policy of equal opportunity employment is demonstrably evident at all times. Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential.

### **Dividends**

The directors do not recommend the payment of a final dividend (2015: £Nil).



## **Gunnebo Entrance Control Limited**

### **Directors' report (continued)**

#### **Auditor**

Deloitte LLP has expressed its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an annual general meeting.

Each of the persons who is 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 auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



Dave Taylor  
Finance Director

27<sup>th</sup> September 2017

**Registered office**  
Optimus  
Bellbrook Business Park  
Uckfield  
East Sussex  
TN22 1QU

## **Gunnebo Entrance Control Limited**

### **Directors' responsibilities statement**

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- confirm that the applicable UK Accounting Standard FRS 102 has been followed and that there have been no material departures from that standard; 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.

# **Gunnebo Entrance Control Limited**

## **Independent auditor's report to the members of Gunnebo Entrance Control Limited**

We have audited the financial statements of Gunnebo Entrance Control Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

### **Respective responsibilities of directors and auditor**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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.

### **Opinion on financial statements**

In our opinion the financial statements:

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

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

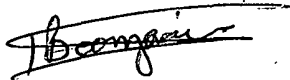
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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



Ivan Boonzaaier, FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

27 September 2017

## **Gunnebo Entrance Control Limited**

### **Income Statement For the year ended 31 December 2016**

	<b>Note</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Turnover</b>	<b>3</b>	<b>27,389</b>	<b>19,315</b>
<b>Cost of sales</b>		<b>(22,849)</b>	<b>(16,415)</b>
<b>Gross profit</b>		<b>4,540</b>	<b>2,900</b>
<b>Administrative, Selling and Product Development expenses</b>		<b>(3,376)</b>	<b>(3,408)</b>
<b>Operating profit/(loss)</b>		<b>1,164</b>	<b>(508)</b>
<b>Income from shares in group undertakings</b>		<b>1,728</b>	<b>664</b>
<b>Finance costs (net)</b>	<b>6</b>	<b>(221)</b>	<b>(225)</b>
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>4</b>	<b>2,671</b>	<b>(69)</b>
<b>Taxation on profit/(loss) on ordinary activities</b>	<b>7</b>	<b>466</b>	<b>(80)</b>
<b>Profit/(loss) for the financial year</b>		<b>3,137</b>	<b>(149)</b>

All the results derive from continuing operations.

There were no items of other comprehensive income in the current or previous financial year.

The profit for the financial year is entirely attributable to the equity shareholder of the company.

# Gunnebo Entrance Control Limited

## Statement of financial position At 31 December 2016

	Note	£'000	2016 £'000	2015 £'000
<b>Fixed assets</b>				
Intangible assets	8		2,132	1,601
Tangible assets	9		158	57
Investments	10		2,545	2,545
Deferred tax	7		463	-
			<u>5,298</u>	<u>4,203</u>
<b>Current assets</b>				
Stocks	11	108		766
Debtors	12	6,532		3,519
Cash at bank and in hand		0		6
		<u>6,640</u>	<u>4,291</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(7,912)</u>	<u>(7,895)</u>	
<b>Net current liabilities</b>			<u>(1,272)</u>	<u>(3,604)</u>
<b>Total assets less current liabilities</b>			4,026	599
<b>Provisions for liabilities</b>	14		<u>(512)</u>	<u>(222)</u>
<b>Net assets</b>			<u>3,514</u>	<u>377</u>
<b>Capital and reserves</b>				
Called up share capital	18		4,550	4,550
Share premium account			7	7
Profit and loss account			<u>(1,043)</u>	<u>(4,180)</u>
<b>Shareholder's funds</b>			<u>3,514</u>	<u>377</u>

These financial statements of Gunnebo Entrance Control Limited (registered number 02589251) were approved by the Directors and authorised for issue on

Signed on behalf of the Board of Directors



Mr K R Hermans  
Managing Director

## **Gunnebo Entrance Control Limited**

### **Statement of changes in equity At 31 December 2016**

	<b>Called-up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>At 31 December 2015</b>	4,550	7	(4,180)	377
<b>Profit for the financial year</b>	-	-	3,137	3,137
<b>At 31 December 2016</b>	<u>4,550</u>	<u>7</u>	<u>(1,043)</u>	<u>3,514</u>

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses.

# **Gunnebo Entrance Control Limited**

## **Notes to the financial statements For the year ended 31 December 2016**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### **General information and basis of accounting**

Gunnebo Entrance Control Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 6.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Gunnebo Entrance Control Limited is euro because a substantial majority of the Company's revenue and costs are denominated in euros. The Company has chosen to adopt sterling as the presentational currency. Accordingly, transactions are recorded initially in euros and for presentation purposes the financial statements are translated to sterling using the closing rate method.

Gunnebo Entrance Control Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of these financial statements. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments and presentation of a cash flow statement. Gunnebo Entrance Control Limited is consolidated in the financial statements of its ultimate parent, Gunnebo AB, which may be obtained at S-590 93, Gothenburg, Sweden.

#### **Going concern**

The financial statements have been prepared on the basis that the company is a going concern. The company is in a strong net assets position, and the ultimate parent company has committed to give support for a period of twelve months from the date of approval of the financial statements. The Directors have considered the position of the ultimate parent undertaking and, having taken into account the operational plans of the company, consider that the going concern basis is appropriate.

#### **Consolidation**

The financial statements contain information about Gunnebo Entrance Control Limited as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under s400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the financial statements of its ultimate parent, Gunnebo AB, a company incorporated in Sweden and whose financial statements are publicly available.



# **Gunnebo Entrance Control Limited**

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

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

#### **Turnover**

Turnover for goods is recognised net of VAT and discounts on the completion and shipment of a product in accordance with the contract between the customer and the company. Revenue is recognised after goods have left the company's premises. The company uses Incoterms published by the International Chamber of Commerce and typical terms used are FCA and CIF. Furthermore, turnover may be recognised in 'bill and hold' arrangements with customers where the product is manufactured but has not been despatched to the customer due to changes in the customer's installation programme. In these situations, the customer provides an acceptance certificate to the company confirming that the risks and rewards of ownership of the product have been transferred at the time of invoicing.

#### **Intangible fixed assets**

##### ***Research and development***

Expenditure on research and development is charged on the profit and loss account in the year in which it is incurred, with the exception of expenditure on the development of certain new products, where the outcome is assessed as being reasonably certain as regards economic viability and technical feasibility. Such expenditure is capitalised and amortised over a period that is not longer than five years commencing in the year sales of the product are first made.

##### ***Patents and Badging***

The cost of patents and badging is their purchase cost plus any incidental costs of acquisition.

Amortisation is calculated to write-off the cost of intangible fixed assets on a straight-line basis over the expected useful life of the asset concerned as follows:

Development expenditure	5 years
Patents and badging	2 - 10 years

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of these assets is their purchase cost plus any incidental costs of acquisition.

Depreciation is calculated to write-off on a straight-line basis the cost of an asset less its estimated residual value over the useful economic life of the asset as follows:

Leasehold improvements	5 - 10 years (or over the remaining life of the lease, if shorter)
Plant and machinery	3 - 10 years
Fixtures and fittings	3 - 5 years

# **Gunnebo Entrance Control Limited**

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

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

#### **Impairment of assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The company performs regular evaluations of the recoverability of the carrying amount of its investments and capitalised research and development spend whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Events or circumstances are based on a number of factors including operating results, business plans and forecasts, general and industry trends and economic projections and anticipated cash flows. Impairment losses are measured as to the amount by which the carrying value of an asset exceeds its fair value and as such are recognised in earnings.

#### **Stocks and work in progress**

Stocks are valued at the lower of cost or realisable value. Cost is determined on the first in, first out basis and includes inward transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of activity. Provision is made where necessary for obsolete, slow-moving and defective stocks on a monthly basis and adjustments may result from the periodic stock-takes which are undertaken throughout the year. Overall, stock valuations are reviewed and tested at least on an annual basis.

Work in progress is valued on the basis of direct costs plus overhead attributed to normal activity levels. Provision is made for any foreseeable losses where appropriate. No profit is included in the valuation of work in progress.

#### **Lease agreements**

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor, are charged against profits over the period of the lease.

#### **Employee benefits**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account in the year in which they fall due.

#### **Taxation**

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where all transactions or events that result in an obligation to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at average tax rates that are expected to apply in periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# **Gunnebo Entrance Control Limited**

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

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

#### **Foreign currency**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### *(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### *(i) Investments*

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

#### **Warranty costs**

Provisions for the expected costs of warranty are charged to the profit and loss account taking into account the specific warranty period and contractual obligation applying to each product.

#### **Government grant**

Government grants are recognised in the balance sheet so as to match the grant income with the expenditure incurred in the financial year to which the grant contributes.

#### **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

# Gunnebo Entrance Control Limited

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

### 1. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future years.

#### *Critical judgements in applying the Company's accounting policies*

There were no critical accounting judgments made by management in the preparation of the accounts.

#### *Key source of estimation uncertainty*

##### **Recoverability of intangible assets**

At 31 December 2016 the carrying value of intangible assets was £2,132k (2015: £1,601k). These assets comprised development expenditure capitalised and patent costs.

Determining whether intangible assets are recoverable requires a review to determine whether the product is technically feasible, whether any anticipated benefits have been or are likely to be realised, and whether the cost of developing the product can be managed within the budget. Key estimates made by management concern the future sales potential of any product in development, the likelihood of product obsolescence and future market developments.

### 2. Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation of the company for the year has been derived from its principal activity.

	2016 £'000	2015 £'000
<b>An analysis of turnover by geographical destination is given below:</b>		
United Kingdom	2,475	3,137
Europe	15,954	8,121
Middle East and Africa	2,560	2,217
Asia Pacific	4,667	3,957
Americas	1,733	1,883
	<hr/>	<hr/>
	27,389	19,315
	<hr/>	<hr/>

# **Gunnebo Entrance Control Limited**

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

### **3. Operating profit/(loss) on ordinary activities before tax**

	2016 £'000	2015 £'000
<b>Operating profit/(loss) on ordinary activities before tax is stated after charging / (crediting):</b>		
Amortisation of intangible fixed assets	77	79
Depreciation of owned tangible fixed assets	368	40
Research and development related costs	-	24
Operating lease costs:		
Land and buildings	124	140
Plant and machinery	12	12
Other	28	38
Net loss on foreign currency translation	216	161
Exceptional costs *	-	81

### **The analysis of auditor's remuneration is as follows:**

	2016 £'000	2015 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	16	18
<b>Total audit fees</b>	<b>16</b>	<b>18</b>

- \* Exceptional costs in 2015 relate to a dispute and the settlement and associated legal expenses of that dispute.

# Gunnebo Entrance Control Limited

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

### 4. Information regarding directors and employees

Directors' remuneration:	2016 £'000	2015 £'000
The directors' aggregate emoluments in respect of qualifying services were:		
Aggregate emoluments	331	488
Value of company pension contributions to defined contribution schemes	87	199
	<u>418</u>	<u>687</u>

The emoluments of the highest paid director during the year were £273,379 and comprise aggregate emoluments of £228,208 and pension contributions of £45,171.

Retirement benefits are accruing to two (2015 – three) directors under the company's defined contribution pension scheme.

Employee information:	2016 No.	2015 No.
Average monthly number of persons employed during the year (including executive directors)		
Factory/Direct	6	7
Office/Indirect	36	37
	<u>42</u>	<u>44</u>

	£'000	£'000
Staff costs during the year (including executive directors)		
Wages and salaries	1,862	1,872
Social security costs	180	190
Pension costs (note 17)	131	227
	<u>2,173</u>	<u>2,289</u>

### 5. Finance costs (net)

	2015 £'000	2015 £'000
Interest payable on bank overdrafts	<u>221</u>	<u>225</u>

# Gunnebo Entrance Control Limited

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

### 7. Taxation on ordinary activities

The tax charge comprises:

	2016 £'000	2015 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 20.25% (2015 – 20.25%) based on the profit / (loss) for the year	9	9
Adjustments in respect of previous periods	(12)	-
<b>Total current tax</b>	(3)	9
<b>Deferred tax</b>		
Origination and reversal of timing differences	(463)	71
<b>Total deferred tax</b>	(463)	71
<b>Total tax on profit/(loss) on ordinary activities</b>	(466)	80

There is no expiry date on timing differences, unused tax losses or tax credits.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	2015 £'000
<b>Profit / (loss) on ordinary activities before taxation</b>	2,671	(69)
<b>Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20.25% (2015 – 20.25%)</b>	534	(14)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	6	6
Non-taxable income	(346)	(134)
Utilisation of tax losses brought forward	(155)	-
Adjustments in respect of previous periods	(12)	-
R&D expenditure credit withheld on which deferred tax is utilised	9	9
Changes in deferred tax recognised	(586)	213
Changes to the tax rate from 20% to 17% on deferred tax balances	84	-
<b>Total charge/(credit)</b>	(466)	80

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016.

The closing deferred tax liability as at the balance sheet date has been calculated at 17% reflecting the tax rate at which the deferred tax liability is expected to be reversed in future periods.

# Gunnebo Entrance Control Limited

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

### Deferred tax

Deferred tax is provided as follows:

	2016 £	2015 £
Accelerated capital allowances	(68)	(39)
Tax losses available	530	39
Other timing differences	1	-
<b>Deferred tax asset</b>	<b>463</b>	<b>-</b>

### 8. Intangible fixed assets

	Development expenditure £'000	Patents & Badging £'000	Total £'000
<b>Cost</b>			
At 1 January 2016	2,142	110	2,252
Additions	599	9	608
Disposals	(502)	0	(502)
<b>At 31 December 2016</b>	<b>2,239</b>	<b>119</b>	<b>2,358</b>
<b>Amortisation</b>			
At 1 January 2016	580	71	651
Charge for the year	77	0	77
Disposals	(502)	0	(502)
<b>At 31 December 2016</b>	<b>155</b>	<b>71</b>	<b>226</b>
<b>Net book value</b>			
At 31 December 2016	2,084	48	2,132
At 31 December 2015	1,562	39	1,601



# **Gunnebo Entrance Control Limited**

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

### **9. Tangible fixed assets**

	<b>Leasehold improvements £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures &amp; fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2016	560	598	192	1,350
Additions	0	469	0	469
Disposals	0	(123)	0	(123)
<b>At 31 December 2015/16</b>	<b>560</b>	<b>944</b>	<b>192</b>	<b>1,696</b>
<b>Accumulated depreciation</b>				
At 1 January 2016	560	543	190	1,621
Charge for the year	0	368	0	368
Disposals	0	(123)	0	(123)
<b>At 31 December 2016</b>	<b>560</b>	<b>788</b>	<b>190</b>	<b>1,538</b>
<b>Net book value</b>				
At 31 December 2016	-	156	2	158
At 31 December 2015	-	55	2	57

### **10. Investments**

<b>Cost</b>	<b>2015 £'000</b>
At 31 December 2015 and 31 December 2016	2,545
<b>Provisions</b>	
At 31 December 2015 and 31 December 2016	Nil
<b>Net book value</b>	
At 31 December 2015 and 31 December 2016	2,545

The company has the following subsidiary undertaking, and held it as a direct investment, as at 1 January and 31 December 2016:

## Gunnebo Entrance Control Limited

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

Name of Subsidiary Undertaking	Place of business and registered office	Principal Activity	Nature and proportion of voting shares held
Gunnebo Entrance Control Inc	535 Getty Ctr, Suite F, Benicia, California, 94510, USA	Distribution and manufacture of pedestrian and vehicle access control equipment	100%

#### II. Stocks

	2016 £'000	2015 £'000
Raw materials	107	740
Finished goods	1	26
	<u>108</u>	<u>766</u>

There are no material differences between the value of stock as reported above and replacement cost.

## Gunnebo Entrance Control Limited

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

#### 12. Debtors

	2016 £'000	2015 £'000
Trade debtors	3,588	1,034
Amounts owed by group undertakings	2,362	1,985
Other debtors	486	351
Deferred tax	-	-
Prepayments and accrued income	96	149
	<u>6,532</u>	<u>3,519</u>

All trade debtors are due for payment within one year of the balance sheet date.

#### Deferred tax

The company has tax losses carried forward of £3,186k (2015: £3,903k) for which a deferred tax asset has been recognised.

#### 13. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank overdrafts	2,885	4,710
Trade creditors	307	446
Amounts due to group undertakings	3,948	2,002
Other taxation and social security	38	53
Government grant	-	2
Accruals and deferred income	734	682
	<u>7,912</u>	<u>7,895</u>

The overdraft is part of the Group's SEK 80m Multi Currency Account Facility provided by Skandinaviska Enskilda Banken secured by a Gunnebo AB corporate guarantee. The rate of interest charged on the overdraft is 2.69%.

## Gunnebo Entrance Control Limited

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

#### 14. Provisions for liabilities

	Warranty Provisions £'000	Dilapidations Provisions £'000	Total Provisions £'000
At 1 January 2016	22	200	222
Additions	246	44	290
At 31 December 2015	268	244	512

#### Other provisions

Within Provisions there are provisions for product warranty claims of £268,000 (2015: £22,000) and £244,000 (2015: £200,000) in respect of the factory closure. The Company made the decision to cease manufacturing operations at the Uckfield factory. Consequently, it is expected that the company will vacate the existing premises by the beginning of 2018. The provision represents primarily costs for closing the factory and factory property dilapidations.

#### 15. Financial commitments

Capital commitments are as follows:

	2016 £'000	2015 £'000
Contracted for but not provided for		
- Operational running costs	241	225
	241	225

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2016 £'000	2015 £'000	2015 £'000	2015 £'000
Leases which expire:				
- Within one year	190	143	-	4
- Within two to five years	-	-	51	78
	190	143	51	82

#### 16. Related party transactions

The company is exempt in terms of FRS102.331A from disclosing related party transactions as it is a wholly owned subsidiary of Gunnebo UK Limited and is included in the consolidated financial statements of Gunnebo AB, the ultimate parent company, which are publicly available.

There are no related party transactions other than those with other group companies.

## **Gunnebo Entrance Control Limited**

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

**17. Pension costs**

The company operates a defined contribution pension scheme. The pension charge for the year in the profit and loss account was £131,475 (2015: £227,000).

**18. Called up share capital**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Called up, allotted and fully paid:</b>		
4,550,000 (2015 – 4,550,000) ordinary shares of £1 each	<u>4,550</u>	<u>4,550</u>

**19. Contingent liabilities**

In the course of business, the company may occasionally provide bank guarantees and performance bonds to customers. The value of unexpired guarantees and bonds existing at 31 December 2016 amounted to £35,600 (2015: £548,491).

**20. Ultimate parent undertaking and controlling party**

Gunnebo Entrance Control Limited is a wholly owned subsidiary of Gunnebo UK Limited, the immediate parent company. The directors regard Gunnebo AB (incorporated in Sweden) as the ultimate parent company and the ultimate controlling party. Gunnebo AB is the parent of the smallest and largest group to consolidate these financial statements. Copies of the ultimate parent's consolidated financial statements may be obtained from Gunnebo AB, S-590 93, Gothenburg, Sweden.

**21. Subsequent events**

No significant events have occurred since the end of the financial year.