Gnutti Carlo (UK) Limited

Report and Financial Statements

31 December 2017

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COMPANIES HOUSE

Directors

P C Gnutti
M Gnutti
P Groff
S P Shaw

Auditors

Ernst & Young LLP
24 Marina Court
Castle Street
Hull HU1 1TJ

Registered Office

33 West Street
Alford
Lincolnshire LN13 9 DQ

Strategic report

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

Principal activities and review of the business

The company's principle activity continues to be general engineering, primarily for the value actuation heavy duty diesel engine sector.

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

	2017	*2016*	*Change*
	£000	*£000*	*%*
Turnover	12,200	9,981	22.23%
Operating Profit	1,007	1,047	(3.82)%
Profit after tax	1,568	863	81.69%

The company saw improved results in 2017 with increased turnover and profits. Sales turnover for the year was 22% over that of 2016, at £12,200,000, and 35% higher than budgeted, with the industry in general benefitting from significant growth.

In the year the company also profited from the disposal of assets, namely the sale of the premises. This has not only freed up cash for investments within the group but will also allow us greater focus and flexibility on the changing structure of the UK operations.

The increased sales turnover did not translate to the same level of increase in profits with cost of sales higher due to premium shift patterns and special transport costs incurred in meeting increased demand. This, coupled with sales price decreases, resulted in a reduction in operating profit linked to sale of goods and services, of 4%.

For 2018, the customer demand is expected to remain stable but we anticipate further reduction in pre-tax profits as margins become squeezed by reduced selling prices and higher material costs. The level of value added assembly work will continue to reduce through 2018 as these operations are transitioned to sister companies affecting the UK cost and organisation structures, and we will become increasingly focused on providing a logistics service to our customer, both external and within the Gnutti group, rather than on assembly work. Headcount will decline as the level of sub-assembled components from sister companies increases.

Principal risks and uncertainties

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

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board are implemented by the company's management.

Price risk

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

Strategic report

Principal risks and uncertainties (continued)

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company retains sufficient cash to ensure it has available funds for operations and capital expenditure. The company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

The company does not have interest bearing assets, but has interest bearing liabilities with its parent undertaking at fixed rates which ensures certainty of future interest cash flows. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The directors will reconsider the appropriateness of this policy should the company's Operations change in size or nature.

Pension risk

The Company operates a Defined Benefit Pension Scheme. The scheme was closed to future benefit accrual on 31 October 2005, but the Company is responsible to ensure that this scheme is sufficiently funded to provide the future pensions for all for its members. The company works closely with the Trustees of the scheme to reach agreement on aspects such as investment strategy which will have a future impact on the funding of the scheme.

The cost of defined benefits pension plans is determined by using actuarial calculations. Such valuations require the elaboration of hypotheses about discount rates, the expected yield from investments, future salary increases, the mortality rate and the future pensions increases. Due to the long lasting nature of these plans, such estimations are subject to a remarkable degree of uncertainty.

On behalf of the Board

S Shaw

Director

15 May 2018

Registered No. 3047921

Directors' report

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

Results and dividends

The profit for the year after taxation amounted to £1,568,000 (2016 – profit of £863,000). No dividends were paid during the year (2016 – £nil). The directors do not recommend a final dividend (2016 – £nil).

Future developments

The company continues to change and develop its business as part of the Gnutti Carlo group to meet the requirements of its customers.

Research and development

The company and group continue to develop and improve its products.

Financial instruments

Details of financial instruments are provided in the strategic report.

Going concern

At the balance sheet date the company has net assets of £5,561,000 (2016 – £3,014,000). Having made a profit in 2017 and 2016, this trend should continue and in future years the company is anticipated to make profits and generate cash. The directors have prepared budgets and cash flows for at least the next twelve months that support the company's ability to make profits, generate cash and meet its liabilities as they fall due. Based on the above, the directors consider that it is appropriate to draw up these financial statements on a going concern basis.

Directors

The directors who served the company during the year were as follows:

P C Gnutti
M Gnutti
P Groff
S P Shaw

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



S Shaw
Director
15 May 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable law Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework' have been followed, subject to any material departures disclosed and explained in the financial statements;

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.

Independent auditors' report

to the members of Gnutti Carlo (UK) Limited

Opinion

We have audited the financial statements of Gnutti Carlo (UK) Limited for the year ended 31 December 2017 which comprise Profit and Loss Account, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to [x], including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Independent auditors' report

to the members of Gnutti Carlo (UK) Limited

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Independent auditors' report

to the members of Gnutti Carlo (UK) Limited

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP.

Peter Buckler (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

21 May 2018

Profit and loss account

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	2	12,200	9,981
Cost of sales		(10,454)	(8,270)
Gross Profit		1,746	1,711
Distribution costs		(4)	3
Administrative expenses		(735)	(667)
Operating Profit	3	1,007	1,047
Other Operating Income		769	–
Interest payable and similar charges	6	–	(5)
Other finance costs		–	–
Profit on ordinary activities before taxation		1,776	1,042
Tax	7	(208)	(179)
Profit for the financial year		1,568	863

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2017

	2017 £000	2016 £000
Profit for the financial year	1,568	863
Other comprehensive income in the year:		
Actuarial gain on pension scheme (note 17)	1,180	(783)
Movement on deferred tax relating to pension scheme	(201)	106
Other comprehensive income for the year	979	(677)
Total recognised gains for the year	2,547	186

Statement of financial position

at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	9	35	110
Intangible assets	8	36	36
Investments	10	1	1
		72	147
Current assets			
Stocks	11	1,428	1,392
Debtors	12	2,590	2,342
Cash at bank and in hand		3,132	1,438
		7,150	5,172
Creditors: amounts falling due within one year	13	(2,560)	(2,079)
Net current assets		4,590	3,093
Total assets less current liabilities		4,662	3,240
Provisions for liabilities	14	(100)	–
Net assets excluding pension asset		4,562	3,240
Pension asset	17	999	(226)
Net asset including pension asset		5,561	3,014
Capital and reserves			
Called up share capital	15	619	619
Share premium account		3,281	3,281
Other reserves		1,500	1,500
Profit and loss account		161	(2,386)
Shareholders' funds		5,561	3,014

The financial statements were approved by the Board of Directors and authorised for issue on 15 May 2018 and signed on its behalf by:

S Shaw

Director

15 May 2018

Statement of changes in equity

for the year ended 31 December 2017

	Share capital	*Share premium*	*Other reserves*	*Retained earnings*	*Total equity*
	£	£	£	£	£
At 1 January 2016	619	3,281	1,500	(2,572)	2,828
Profit for the financial year	–	–	–	863	863
Other comprehensive income	–	–	–	(677)	(677)
At 1 January 2017	619	3,281	1,500	(2,386)	3,014
Profit for the financial year	–	–	–	1,568	1,568
Other comprehensive income	–	–	–	979	979
At 31 December 2017	619	3,281	1,500	161	5,561

Notes to the financial statements

at 31 December 2017

1. Accounting policies

The following accounting policies set out below were applied in preparing the financial statements for the year ended 31 December 2017.

Statement of compliance with FRS 101

Gnutti Carlo (UK) Limited (the "Company") is a company incorporated and domiciled in the UK. The financial statements for the year ended 31 December 2017 were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The financial statements are prepared under the historical cost convention. The results of Gnutti Carlo (UK) Limited are included in the consolidated financial statements of Gnutti Carlo Holding Sweden AB (see Note 20 below).

Basis of preparation

The company's financial statements are presented in Sterling its functional currency.

The company transitioned from previously extant UK Generally Accepted Accounting Practice to FRS101 for all periods presented.

In these financial statements, the company has applied the exemptions available under FRS101 in respect of the following disclosures;

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible and intangible fixed assets;
- financial instruments;
- the effects of new but not yet effective International Financial Reporting Standards;
- group related party transactions and information about key management personnel.
- fair value measurement and financial instrument disclosure

After making enquiries, the directors have a reasonable expectation that the company and its group will be able to generate positive cash flows from its business operations and have adequate resources to continue in operational existence for the foreseeable future. In addition, overall liquidity is supported by the group where required. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported in revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. The brought forward carrying amount of property, plant and equipment has been used as deemed cost at date of transition to FRS 101.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	–	20 years
Plant and machinery	–	4 to 10 years
Fixtures and fittings	–	3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment at each reporting date to assess whether events or changes in circumstances indicate the carrying values may not be recoverable and are written down immediately to their recoverable amount. Impairment losses are recognised in the profit and loss account. Useful lives and residual values are reviewed annually.

Intangible assets

Intangible assets are initially capitalised at cost. Following the initial recording, intangible assets are recorded at cost net of depreciation and of possible accumulated value losses.

Intangible assets are depreciated during their useful life and subjected to congruity tests every time there are indications of a possible value loss. The period and the depreciation method applied is re-examined at the end of each financial year, or more frequently if deemed necessary. Variations in the expected utilisation life are recorded by modifying the depreciation period or method and treated as modifications of the accounting estimations. The intangible assets depreciation rates with definite life are recorded in the profit and loss account.

The depreciation of the asset starts when the development has been completed and the asset is available for use. At the 31 December 2017 the intangible assets relate to software under construction and therefore not yet amortised.

Investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue from the sale of goods is recognised, exclusive of value added tax, when the risks and rewards of ownership of the goods have passed to the buyer, generally on delivery to the customer.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first-in first out method is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

The company reviews inventories for slow moving or obsolete items on an ongoing basis and establishes appropriate adjustment provisions if necessary.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Leasing and hire purchase commitments

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease. Leasing and hire purchase agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the commitment is shown as obligations under finance leases and hire purchase agreements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Pension costs

The company contributes to the individual personal pension schemes of its employees. The cost of these contributions is recognised in the year in which payments are made.

The company operates a defined benefit pension scheme which is now closed to new members and future accruals covering the majority of its employees up to 31 October 2006. The assets of the scheme are held independently of the company.

The regular service cost of providing retirement benefits to employees during the year is charged to operating profit in the year. The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the year.

Income representing the expected return on assets of the fund during the year is included within other finance income. This is based on the market value of the assets of the fund at the start of the financial year. A cost representing the interest on the liabilities of the fund during the year is also included within other finance income. This arises from the liabilities of the fund being one year closer to payment.

Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions underlying the present value of scheme liabilities and experience gains and losses arising on scheme liabilities.

Research and development expenditure

Research and development costs are expensed as incurred.

Notes to the financial statements

at 31 December 2017

2. Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied. All revenue is recognised at the date of supply.

Turnover by destination for the year was as follows:

	2017	*2016*
	£000	*£000*
United Kingdom	11,445	9,438
Other EU	15	4
Rest of the world	740	539
	12,200	9,981

3. Operating Profit

This is stated after charging/(crediting):

	2017	*2016*
	£000	*£000*
Auditors' remuneration		
Audit work	24	24
Non audit work – tax compliance	8	7
Depreciation of property, plant and equipment	43	72
Cost of stock recognised as an expense in cost of sales including; write-down of stocks to net realisable value	9,835	7,839
Net foreign exchange differences	(71)	(86)
Operating lease payments – minimum lease payments	20	23

4. Directors' remuneration

	2017	*2016*
	£000	*£000*
Remuneration	98	64
Company contributions to defined contribution pension schemes	4	4
	102	68

Certain directors are remunerated for services to the Gnutti group and this company by the ultimate parent undertaking with no separate charge being made to the company.

Notes to the financial statements

at 31 December 2017

5. Staff costs

The aggregate payroll costs of these persons, including directors, were as follows:

	2017	*2016*
	£000	*£000*
Wages and salaries	584	391
Social security costs	16	18
Other pension costs	11	20
	611	429

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Management and administration	7	7
Production and distribution	15	13
	22	20

6. Interest payable and similar charges

	2017	*2016*
	£000	*£000*
Interest payable to group undertaking	0	5

7. Taxation

(a) Tax on profit on ordinary activities

The tax charge in the income statement is made up as follows:

	2017	*2016*
	£000	*£000*
Current income tax:		
UK corporation tax on the profit for the year	188	148
Prior year charge	–	–
Total current tax	188	148
Deferred tax:		
Current year	20	31
Prior year charge	–	–
Total deferred tax	20	31
Tax charge in the income statement	208	179

Notes to the financial statements

at 31 December 2017

7. Taxation (continued)

(a) Tax on profit on ordinary activities (continued)

The tax charged to items charged or credited to other comprehensive income is made up as follows:

	2017	*2016*
	£000	*£000*
Current income tax:		
Current year	–	–
Total current tax	–	–
Deferred tax:		
Movement on deferred tax relating to pension scheme	201	(106)
Total deferred tax	201	(106)
Tax charge in the statement of other comprehensive income	201	(106)

(b) Reconciliation of total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2016 – 20.00%). The differences are explained below:

	2017	*2016*
	£000	*£000*
Profit on ordinary activities before tax	1,776	1,042
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%)	342	208
Effects of:		
Expenses not deductible for tax purposes	(131)	5
Pension cost relief in excess of pension cost charge	–	(30)
Tax rate changes	(3)	(4)
Adjustments in respect of prior years	–	–
Total tax charge reported in the income statement (note 7(a))	208	179

(c) Deferred tax

The movement in the deferred tax liability was:

	£000
At 1 January 2017	121
Profit and loss movement arising during the year	(20)
Other comprehensive income movement during the year	(201)
At 31 December 2017	(100)

Notes to the financial statements

at 31 December 2017

7. Taxation (continued)

(c) Deferred tax (continued)

The deferred taxation included in the company statement of financial position:

	2017	*2016*
	£000	*£000*
Accelerated capital allowances	48	64
Pension scheme	(170)	38
Other timing differences	22	19
Deferred taxation included in debtors	(100)	121

Deferred taxation in the income statement

	2017	*2016*
	£000	*£000*
Accelerated capital allowances	16	19
Other timing differences	(4)	14
Pension	8	(2)
Deferred tax charge	20	31

(d) Factors affecting future tax charges

The Finance (No.2) Act 2015 obtained Royal Assent on 18 November 2015 and enacted a reduction in the UK corporation tax rate from 20% to 19% effective 1 April 2017 and a further reduction to 18% effective 1 April 2020.

The Finance Act 2016 obtained Royal Assent on 15 September 2016 and determined that the tax rate effective from 1 April 2020 would, in fact, be 17%.

Deferred tax has therefore been provided at 17% being the rate enacted at the balance sheet date and at which the temporary differences are expected to reverse.

Notes to the financial statements

at 31 December 2017

8. Intangible fixed assets

	Software licenses & development £000
Cost:	
A1 January 2017	36
Additions	–
Disposals	–
At 31 December 2017	36
Depreciation:	
At 1 January 2017	–
Charge for the year	–
Disposals	–
At 31 December 2017	–
Net book value:	
At 31 December 2017	36
At 1 January 2017	36

9. Tangible fixed assets

	Freehold land and buildings £000	*Plant and machinery £000*	*Fixtures and fittings £000*	*Total £000*
Cost:				
At 1 January 2017	1,722	1,172	1,289	4,183
Additions	–	–	–	–
Disposals	(1,718)	(368)	(94)	(2,180)
At 31 December 2017	4	804	1,195	2,003
Depreciation:				
At 1 January 2017	1,671	1,122	1,280	4,073
Charge for the year	20	16	8	44
Disposals	(1,687)	(368)	(94)	(2,149)
At 31 December 2017	4	770	1,194	1,968
Net book value:				
At 31 December 2017	0	34	1	35
At 1 January 2017	51	50	9	110

Assets held under finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2017 was £nil (2016 – £nil). Additions during the year include £nil (2016 – £nil) of plant and equipment held under finance leases and hire purchase. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Notes to the financial statements

at 31 December 2017

10. Investments

	Other investments £000
Cost:	
At 1 January 2017 and 31 December 2017	1

The company holds a debenture issued by Kenwick Park Conference Centre.

11. Stocks

	2017 £000	*2016 £000*
Raw materials and consumables	554	401
Work in progress	726	829
Finished goods and goods for resale	148	162
	1,428	1,392

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12. Debtors

	2017 £000	*2016 £000*
Trade debtors	2,275	1,830
Other debtors	6	5
Prepayments	28	29
Amounts due from group undertakings	281	357
Deferred tax	0	121
	2,590	2,342

Notes to the financial statements

at 31 December 2017

13. Creditors: amounts falling due within one year

	2017	*2016*
	£000	*£000*
Trade creditors	423	308
Amounts owed to group undertakings	1,330	1,015
Current tax liability	30	77
Other taxes and social security costs	17	11
Other creditors	679	655
Accruals and deferred income	81	13
	2,560	2,079

Trade creditors are non-interest bearing and are normally settled on 60 day end of month terms. All other creditors are non-interest bearing on variable terms.

14. Provisions for liabilities

	2017	*2016*
	£000	*£000*
Deferred tax	100	–

15. Issued share capital

		2017		*2016*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	619,150	619	619,150	619

16. Reserves

Share premium accounts comprises premium received on the issue of shares

Other reserves consist of a capital contribution received from Gnutti Powertrain Components AB, the company's immediate parent undertaking.

Notes to the financial statements

at 31 December 2017

17. Pensions

IAS 19 disclosures

The most recent actuarial valuation of the company pension scheme was at 1 July 2016. The scheme closed to new members and future accruals as at 31 October 2005. The valuation of the scheme used the projected unit method and was carried out by independent, professionally qualified actuaries.

An actuarial estimate performed by independent qualified actuaries, based on the last full valuation as at 1 July 2016 updated to 31 December 2017 has been undertaken to provide the information required for IAS 19. The major assumptions used by the actuaries to calculate the Scheme liabilities under IAS 19 are as follows:

	2017	*2016*
Rate of increase in pension payment	2.20%	2.40%
Discount rate	2.40%	2.60%
Retail price inflation assumption	3.20%	3.40%
Consumer price inflation assumption	2.20%	2.40%
Life expectancy of a male age 65	22.2	22.6
Life expectancy at age 65 of a male aged 45	24.0	24.3
Life expectancy of a female age 65	24.3	24.8
Life expectancy at age 65 of a female aged 45	26.2	26.7

Scheme assets are stated at their market value at the respective balance sheet dates and comprise:

	Gnutti Pension and Life Assurance scheme value at	
	2017	*2016*
	£000	*£000*
Equities	5,494	5,052
Bonds	10,931	10,663
Other	179	65
	16,604	15,780

The scheme assets are invested in unit-linked contracts of long term insurance, the value of which is represented by the units in the pooled fund. They are classified as level 2 instruments under IFRS13 Fair Value Measurement.

The scheme has no investments in the company's financial instruments.

Notes to the financial statements

at 31 December 2017

17. Pensions (continued)

IAS19 disclosures (continued)

The following amounts at the year-end were measured in accordance with the requirements of IAS 19:

	Gnutti Pension and Life Assurance Scheme	
	2017	*2016*
	£000	*£000*
Fair value of scheme assets	16,604	15,780
Present value of scheme liabilities	(15,605)	(16,006)
Net pension asset	999	(226)

Analysis of amount charged to operating profit:

	2017	*2016*
	£000	*£000*
Current service cost	–	–

Analysis of amount charged to other finance income:

	2017	*2016*
	£000	*£000*
Past service cost	–	–
Interest on pension Scheme liabilities	5	(18)
Net charge recognised in profit and loss account	5	(18)

Analysis of statement of comprehensive income:

	2017	*2016*
	£000	*£000*
Return on pension scheme assets	(658)	(2,381)
Loss arising from changes in financial assumptions	28	4,225
Experience gain	(178)	(1,061)
Gain arising from changes in demographic assumptions	(372)	–
Credit recognised in comprehensive income	(1,180)	783

Changes in the fair value of plan assets and analysed as follows:

	2017	*2016*
	£000	*£000*
At 1 January	15,780	13,206
Interest income	407	509
Return on assets	658	2,381
Contribution by employer	50	150
Benefits paid	(291)	(466)
31 December	16,604	15,780

Notes to the financial statements

at 31 December 2017

17. Pensions (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2017	*2016*
	£000	*£000*
At 1 January	16,006	12,817
Interest cost	412	491
Actuarial losses arising from changes in financial assumptions	28	4,225
Other experience items	(178)	(1,061)
Changes in demographic assumptions	(372)	–
Benefits paid	(291)	(466)
At 31 December	15,605	16,006

The company has agreed the following funding objectives with trustees:

The trustees of the scheme have powers under the trust deed to set the contribution rate payable by the company to the Scheme. They also have powers under certain circumstances to trigger a wind up of the Scheme and to transfer the pension obligations on a buy-out basis to an insurer.

The Company does not expect to contribute to the scheme during the year ending 31 December 2018.

Responsibility for making good any deficit within the scheme lies with the Company.

Sensitivity of the liability to change in the principal assumptions

If the discount rate was 0.1% higher, the scheme liabilities would decrease by approximately £343,000 if all other assumptions remain unchanged

If the inflation assumption was 0.1% higher the scheme liabilities would increase by approximately £328,000. All inflations assumptions have been appropriately adjusted in this case, the other assumptions remain unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by approximately £660,000 if all other assumptions remained unchanged.

18. Future minimum rentals payable under non-cancellable operating leases

The Company has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 3 and 5 years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017	*2016*
	£000	*£000*
Not later than one year	70	23
After one year but not more than five years	120	10
After five years	–	–
	190	33

Notes to the financial statements

at 31 December 2017

19. Related party transactions

Under FRS101 the company is exempt from the requirement to disclose details of transactions with its ultimate parent and group undertakings.

20. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Gnutti Carlo Holding Sweden AB, incorporated in Sweden.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Gnutti Carlo Holding Sweden AB, which is incorporated in Sweden. Copies of the group financial statements are available from Lasarettgatan 3, Box 103, 5-331 21 Varnamo, and Sweden.

The parent undertaking and controlling party of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Gnutti Carlo SPA, a company incorporated in Italy. Copies of the group financial statements are available from Via Artigiani 2 25030, Maclodio (BS), Italy.