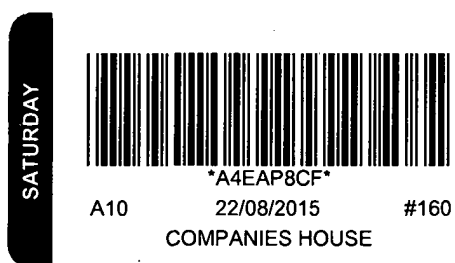


Valve Train Components Limited

Directors' report and financial statements

For the year ended 31 December 2014



Valve Train Components Limited

Company Information

Directors

T J Glaister
J W Mellowes
T Endres
S Boeding
C Mellowes

Company secretary

T Endres

Registered number

02908669

Registered office and trading address

Unit 9, Attwood Road
Zone 1, Burntwood Business Park
Burntwood
Staffordshire
WS7 3GJ

Independent auditors

Dains LLP
15 Colmore Row
Birmingham
B3 2BH

Valve Train Components Limited

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Valve Train Components Limited

Directors' report

For the year ended 31 December 2014

The Directors present their report and the financial statements for the year ended 31 December 2014.

Principal activities

The company's principal activity continued to be that of the manufacture and supply of precision metal pressings for the automotive industry.

Results

The loss for the year, after taxation, amounted to £1,799,112 (2013 - loss £3,429,157).

Directors

The Directors who served during the year were:

J A Mellowes (resigned 3 June 2014)
T J Glaister
J W Mellowes
T Endres
S Boeding
C Mellowes (appointed 3 June 2014)

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

Valve Train Components Limited

Directors' report

For the year ended 31 December 2014

Disclosure of information to auditors

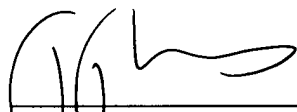
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Dains LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 June 2015 and signed on its behalf.



T Endres
Director

Business review

The UK trading entity experienced a year of recovery in 2014. This included satisfying the bought forward Customer arrears situation in the first quarter and the start-up of a brand new process / product line, (Cold forming engine retainers).

The impact of the Management team that was introduced in 2013 embedded robust planning and procedures to ensure that output levels not only could be sustained but also improved both in volume and consistency of quality eradicating previous year's experiences of premium manufacturing and freight costs.

During the final quarter of the year, the facility made further process efficiencies that have proven the Company has created and invested in capacity for increased volumes and/or to widen its product portfolio.

Principal risks and uncertainties

The company faces various challenges, risks and uncertainties which are common place within the industry and primarily relate to the general economic climate in a global environment, technological change and product offerings along with the general pressures of volatility in price and quality demands.

The above are regularly monitored by the Executive Management team and as the UK entity are part of a global group; many of the risks are naturally mitigated. The group also regularly reviews the product range offered and are actively seeking to improve and expand so as to ensure it meets with industry and customer demands.

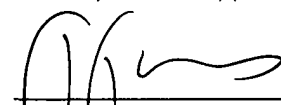
Key performance indicators

As part of our on going business review, we review and monitor several KPI's / metrics, including revenue streams and profit margins, levels of inventory, cost indicators and capacity and efficiency measures. As a result of the improvements made within the UK facility in the latter part of the year, the Executive Management team are pleased when comparing results against these indicators.

Future developments

The Executive Management team aims to continue with the implementation of the planned changes to the UK operation and expect to optimise the current manufacturing capabilities, develop product lines and build upon the strong customer relations already experienced with a view of growing the revenues generated from continuing operations.

This report was approved by the board on 29 June 2015 and signed on its behalf.



T Endres
Director

We have audited the financial statements of Valve Train Components Limited for the year ended 31 December 2014, set out on pages 6 to 15. 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).

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

Respective responsibilities of Directors and auditors

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 Strategic report and the Directors' 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 2014 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

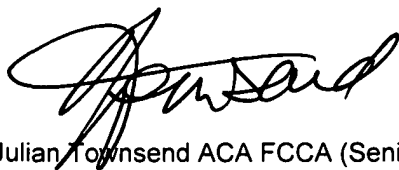
Valve Train Components Limited

Independent auditors' report to the members of Valve Train Components Limited

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.



Julian Townsend ACA FCCA (Senior statutory auditor)

for and on behalf of
Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham

29 June 2015

Valve Train Components Limited

Profit and loss account

For the year ended 31 December 2014

	Note	2014 £	2013 £
Turnover	1	5,663,128	4,569,978
Cost of sales		(4,725,255)	(4,571,897)
Gross profit/(loss)		937,873	(1,919)
Administrative expenses		(3,156,724)	(2,940,026)
Exceptional administrative expenses		550,715	(323,639)
Total administrative expenses		(2,606,009)	(3,263,665)
Operating loss	3	(1,668,136)	(3,265,584)
Interest receivable and similar income		-	7,512
Interest payable and similar charges	5	(130,976)	(171,085)
Loss on ordinary activities before taxation		(1,799,112)	(3,429,157)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	14	(1,799,112)	(3,429,157)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

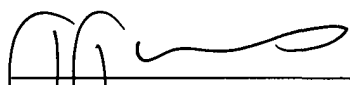
The notes on pages 8 to 15 form part of these financial statements.

Valve Train Components Limited
Registered number: 02908669

Balance sheet
As at 31 December 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	7		6,023,292		6,167,103
Current assets					
Stocks	8	1,753,524		919,793	
Debtors	9	3,111,359		5,950,328	
Cash at bank		2,096,235		1,487,544	
		<u>6,961,118</u>		<u>8,357,665</u>	
Creditors: amounts falling due within one year	10	(2,471,763)		(7,234,151)	
Net current assets			<u>4,489,355</u>		<u>1,123,514</u>
Total assets less current liabilities			<u>10,512,647</u>		<u>7,290,617</u>
Creditors: amounts falling due after more than one year	11		(2,895,688)		(2,228,766)
Provisions for liabilities					
Other provisions	12		(1,477,449)		(5,726,876)
Net assets/(liabilities)			<u>6,139,510</u>		<u>(665,025)</u>
Capital and reserves					
Called up share capital	13		3,723,117		2,441,066
Capital reserve	14		10,447,232		3,125,636
Profit and loss account	14		(8,030,839)		(6,231,727)
Shareholders' funds/(deficit)	15		<u>6,139,510</u>		<u>(665,025)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2015.


T Endres
 Director

The notes on pages 8 to 15 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report to these financial statements.

On the basis of the investments made in the UK and the strong infrastructure in place, the company is expected to generate increased results over the coming years based on forecasts and projections, taking account of reasonably possible changes in trading performance and anticipated development of product offering.

During the year, the company has received a capital contribution of £7,321,596 from its ultimate parent undertaking via its immediate and intermediate UK parents and in addition converted debt to equity share capital of £1,282,051 with its immediate parent undertaking. As a result of this significant investment from Group the balance sheet position has returned positive to a figure of £6,194,985 and now has surplus cash reserves at the balance sheet date of £2,096,235. The ultimate parent maintains its intention to support the UK company in the immediate short term and in addition have written to confirm financial support for the foreseeable future. On this basis, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	over the lease term
Plant, machinery and equipment	-	10% and 33.33% straight line
Other fixed assets	-	nil depreciation

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1. Accounting policies (continued)

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.11 Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. These provisions are not discounted.

2. Turnover

91.7% of the company's turnover (2013 - 91.7%) is attributable to geographical markets outside the United Kingdom.

Valve Train Components Limited**Notes to the financial statements****For the year ended 31 December 2014****3. Operating loss**

The operating loss is stated after charging/(crediting):

Depreciation of tangible fixed assets:

- owned by the company	813,365	507,203
Auditors' remuneration	12,500	12,500
Operating lease rentals:		
- other operating leases	193,253	230,139
Difference on foreign exchange	74,158	(31,493)

During the year, no Director received any emoluments (2013 - £NIL).

Exceptional item

Included in administrative expenses within operating activities of the company is an amount of credit £550,715 (2013: charge of £323,639) which relates to movements in the settlement provision as detailed in note 12 to these financial statements.

4. Staff costs

Staff costs were as follows:

	2014	2013
	£	£
Wages and salaries	2,195,804	1,789,091
Social security costs	232,897	221,123
Other pension costs	81,160	73,164
	2,509,861	2,083,378

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

	2014	2013
	No.	No.
Direct	36	25
Indirect	11	13
Administrative	16	16
	63	54

5. Interest payable

	2014	2013
	£	£
On bank loans and overdrafts	130,976	171,085

Valve Train Components Limited**Notes to the financial statements****For the year ended 31 December 2014**

6. Taxation**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Loss on ordinary activities before tax	<u>(1,799,112)</u>	<u>(3,429,157)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	(386,629)	(797,279)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	342	11,225
Capital allowances for year in excess of depreciation	69,662	52,166
Unrelieved tax losses carried forward	318,846	735,037
Other differences leading to an increase (decrease) in the tax charge	<u>(2,221)</u>	<u>(1,149)</u>
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

At the balance sheet date there are tax losses available to be carried forward of £7.9m (2013 - £6.5m). The deferred tax asset amounting to approximately £1.6m (2013 - £1.3m) has not been recognised in the current year because in the opinion of the directors there will not be sufficient profits made in the immediate future.

Valve Train Components Limited

Notes to the financial statements

For the year ended 31 December 2014

7. Tangible fixed assets

	Leasehold improvement £	Plant, machinery and equipment £	Other fixed assets £	Total £
Cost				
At 1 January 2014	1,391,334	5,400,985	930,161	7,722,480
Additions	-	-	679,785	679,785
Disposals	(10,231)	-	-	(10,231)
Transfer between classes	-	1,585,019	(1,585,019)	-
At 31 December 2014	1,381,103	6,986,004	24,927	8,392,034
Depreciation				
At 1 January 2014	97,253	1,458,124	-	1,555,377
Charge for the year	106,093	707,272	-	813,365
At 31 December 2014	203,346	2,165,396	-	2,368,742
Net book value				
At 31 December 2014	1,177,757	4,820,608	24,927	6,023,292
At 31 December 2013	1,294,081	3,942,861	930,161	6,167,103

8. Stocks

	2014 £	2013 £
Raw materials	680,451	306,225
Work in progress	457,847	295,340
Finished goods and goods for resale	615,226	318,228
	<u>1,753,524</u>	<u>919,793</u>

9. Debtors

	2014 £	2013 £
Due after more than one year		
Amounts owed by group undertakings	684,685	704,686
Due within one year		
Trade debtors	721,311	762,767
Amounts owed by group undertakings	629,583	595,698
Other debtors	980,488	3,767,405
Prepayments and accrued income	95,292	119,772
	<u>3,111,359</u>	<u>5,950,328</u>

Valve Train Components Limited**Notes to the financial statements****For the year ended 31 December 2014****10. Creditors:
Amounts falling due within one year**

	2014 £	2013 £
Bank loan and overdraft	-	5,145,338
Trade creditors	331,167	623,179
Amounts owed to group undertakings	1,868,974	1,283,811
Other taxation and social security	62,602	56,491
Other creditors	28,006	36,180
Accruals and deferred income	181,014	89,152
	<u>2,471,763</u>	<u>7,234,151</u>

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

	2014 £	2013 £
Amounts owed to group undertakings	<u>2,895,688</u>	<u>2,228,766</u>

12. Provisions

	Dilapidation provision £	Settlement provisions £	Other Provisions £	Total £
At 1 January 2014	400,000	5,326,876	-	5,726,876
Additions	-	-	5,000	5,000
Amounts used	(400,000)	(3,303,711)	-	(3,703,711)
Amounts reversed	-	(550,716)	-	(550,716)
At 31 December 2014	<u>-</u>	<u>1,472,449</u>	<u>5,000</u>	<u>1,477,449</u>

Dilapidation provision

Under the terms of the lease the company is required to make good on all alterations made and return the premises to their original state on vacation of the premises. During the year an agreement was reached on a full and final settlement of £400,000.

Settlement provisions

The company has been made aware of claims from certain customers due to issues with parts supplied previously. These issues have resulted in various negotiations with customers and whilst these remain ongoing, the provision made in the accounts, is the directors best estimate of the claim against the company.

The claims are expected to be substantially covered by an insurance policy, with the company being responsible for the uninsured element should the claims be upheld. The directors estimate that the insurance policy in place will cover approximately £0.9 million of the remaining liability at the balance sheet date and that the net exposure to the company of the uninsured amount will be approximately £0.5 million.

Valve Train Components Limited**Notes to the financial statements****For the year ended 31 December 2014****13. Share capital**

	2014 £	2013 £
Allotted, called up and fully paid		
3,723,117 (2013 - 2,441,066) Ordinary shares of £1 each	<u>3,723,117</u>	<u>2,441,066</u>

During the year 1,282,051 new shares were allotted at a nominal value of £1 per share, in settlement for a conversion from debt on a £1 for £1 basis.

14. Reserves

	Capital reserve £	Profit and loss account £
At 1 January 2014	3,125,636	(6,231,727)
Loss for the financial year		(1,799,112)
Capital contributions in year	7,321,596	-
At 31 December 2014	<u>10,447,232</u>	<u>(8,030,839)</u>

15. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' deficit	(665,025)	(2,302,570)
Loss for the financial year	(1,799,112)	(3,429,157)
Shares issued during the year	1,282,051	1,941,066
Capital contributions in year	7,321,596	3,125,636
Closing shareholders' funds/(deficit)	<u>6,139,510</u>	<u>(665,025)</u>

16. Capital commitments

At 31 December 2014 the company had capital commitments as follows:

	2014 £	2013 £
Contracted for but not provided in these financial statements	<u>-</u>	<u>489,470</u>

17. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £81,160 (2013 - £73,164).

Valve Train Components Limited

Notes to the financial statements

For the year ended 31 December 2014

18. Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2014	2013	2014	2013
	£	£	£	£
Expiry date:				
Within 1 year	-	-	4,868	-
Between 2 and 5 years	-	-	-	15,543
After more than 5 years	190,000	-	-	-

19. Ultimate parent undertaking and controlling party

The immediate parent company is VTC Holdings Limited. The intermediate parent company is VTC Lichfield Limited. The ultimate parent company of the UK group is Charter Manufacturing International Limited. All companies are registered in England and Wales. The ultimate parent company of the UK group is Charter Automotive LLC., which is registered in the USA.

20. Related party transactions

Valve Train Components Limited, trading as Charter Automotive, is part of a UK group headed up by Charter Manufacturing International Limited. Fellow subsidiaries of this group include, VTC Holdings Limited and VTC Lichfield Limited. The UK parent company is a wholly owned subsidiary of the ultimate parent undertaking, Charter Manufacturing Company Inc., a company registered in the USA. In addition Charter Automotive is also related to other fellow subsidiaries around the world including Charter Automotive IC-DISC Inc., registered in the USA, Charter Automotive (Wuhu) Company Limited and Charter Automotive (Changzhou) Company Limited, both registered in China.

During the year, the following transactions took place with non-UK group related companies.

Trading and capital item purchases of £510,826 (2013 - £775,760) were acquired from Charter Manufacturing Company Inc. Amounts owed at the year end to the ultimate parent company were £1,449,489 (2013 - £1,575,590). Loans due to Charter Manufacturing Company Inc. at the balance sheet date were £1,406,567 (2013 - £1,225,540). During the year capital contributions and debt conversions took place and these have been disclosed elsewhere in these financial statements. As divisions of the ultimate parent undertaking, purchases of £262,722 (2013 - £180,519) were made from Charter Steel. Amounts outstanding at the year end, owing to this division were £273,906 (2013 - £171,422). Recharges were charged by Charter Wire to Charter Automotive of £10,226 (2013 - £84,480). The balance outstanding at the year end and owing to this division were £9,776 (2013 - £799,798).

Sales of £2,534 (2013 - £310,263) were made to Charter Automotive (Wuhu) Company Limited during the year. Amounts outstanding at the year end, owed by this entity were £nil (2013 - £96,062). Sales of £1,193,028 (2013 - £497,905) were made to Charter Automotive (Changzhou) Company Limited, during the year. Amounts outstanding at the year end, owed by them were £629,578 (2013 - £628,678).

In accordance with Financial Reporting Standard number 8 'Related Party Disclosures', transactions with other UK group undertakings of Charter Manufacturing International Limited, a company incorporated in England and Wales, have not been disclosed in these financial statements as the company is a wholly owned subsidiary of a parent entity publishing group financial statements.