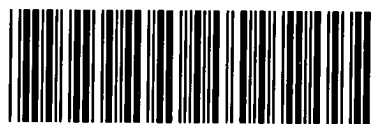


Valve Train Components Limited

Directors' report and financial statements

For the year ended 31 December 2018

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ACCOUNTANTS

Valve Train Components Limited

Company Information

Directors	J W Mellowes T Endres S Boeding (resigned 23 November 2018)
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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**Strategic report
For the year ended 31 December 2018**

Business review

Through 2018, the UK continued to optimise its Cold-forming manufacturing capabilities by further increasing the product range and volumes.

The UK embraces 'Continuous Improvement' delivering further improvements in operating efficiencies and maintained delivery performance.

During the second half of the year, the Company implemented a fully integrated Oracle ERP System.

The UK entity generated a positive operating cash flow in the year.

Principal risks and uncertainties

The directors have reviewed the potential impact of the UK's future exit from the European Union and have concluded that the impact is manageable for the foreseeable future. In addition, advances in automotive engine technologies may present a risk to long term product volumes but at the same time open up opportunities to explore portfolio's within fuel-systems, injection systems and hybrid technology.

Financial key performance indicators

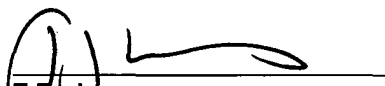
As part of our ongoing business review, we review and monitor several KPI's / metrics, including revenue streams and profit margins, levels of inventory, cost indicators and capacity and efficiency measures. As a result of the improvements made within the UK facility in the latter part of the year, the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

Future developments and post balance sheet events

Sustaining current performance levels and further initiatives driven from the Companies continuous improvement culture in its core products should enable the UK to become profitable in 2019.

Charter Automotive, LLC has undertaken a strategic growth development project which includes leveraging strong OEM Customer partnerships and developing relations with new 1st & 2nd tier suppliers within the Automotive Supply Chain to enable the Company to grow its product line portfolio which should only continue to enhance the UK's position.

This report was approved by the board on 30 August 2019 and signed on its behalf.


T Endres
Director

Valve Train Components Limited

Directors' report For the year ended 31 December 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

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

Results and dividends

The loss for the year, after taxation, amounted to £1,221,869 (2017 - profit £15,350).

Directors

The Directors who served during the year were:

J W Mellowes
T Endres
S Boeding (resigned 23 November 2018)

Future developments and events after the balance sheet date

The future developments of the company and events after the balance sheet date have been disclosed within the strategic report.

Disclosure of information to auditors

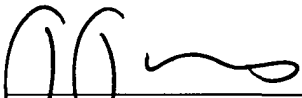
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

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

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 30 August 2019 and signed on its behalf.



T Endres
Director

**Directors' responsibilities statement
For the year ended 31 December 2018**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

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

Opinion

We have audited the financial statements of Valve Train Components Limited (the 'Company') for the year ended 31 December 2018, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

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.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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 the 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 on page 3, 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.

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

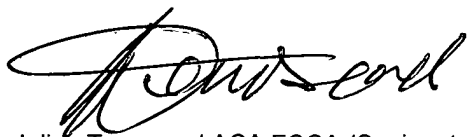
Auditors' responsibilities for the audit of the financial statements

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

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

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 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.



Julian Townsend ACA FCCA (Senior statutory auditor)

for and on behalf of
Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham

30 August 2019

Valve Train Components Limited

Profit and loss account For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	7,845,801	8,554,009
Cost of sales		(6,051,779)	(5,922,299)
Gross profit		1,794,022	2,631,710
Administrative expenses		(2,976,099)	(2,609,726)
Operating (loss)/profit	5	(1,182,077)	21,984
Interest payable and similar expenses	8	(39,792)	(6,634)
(Loss)/profit before tax		(1,221,869)	15,350
Tax on (loss)/profit	9	-	-
(Loss)/profit for the financial year		(1,221,869)	15,350

The notes on pages 11 to 25 form part of these financial statements.

Valve Train Components Limited

**Statement of comprehensive income
For the year ended 31 December 2018**

	2018 £	2017 £
(Loss)/profit for the financial year	(1,221,869)	15,350
Total comprehensive income for the year	(1,221,869)	15,350

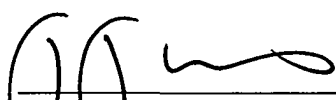
The notes on pages 11 to 25 form part of these financial statements.

Valve Train Components Limited
Registered number:02908669

Balance sheet
As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	2,962,852	3,581,964
Current assets			
Stocks	11	1,295,127	1,653,551
Debtors: amounts falling due within one year	12	6,366,634	3,330,867
Cash at bank and in hand	13	257,696	335,986
		<u>7,919,457</u>	<u>5,320,404</u>
Creditors: amounts falling due within one year	14	(1,836,638)	(3,847,905)
Net current assets		<u>6,082,819</u>	<u>1,472,499</u>
Total assets less current liabilities		<u>9,045,671</u>	<u>5,054,463</u>
Creditors: amounts falling due after more than one year	15	(5,213,077)	-
Net assets		<u><u>3,832,594</u></u>	<u><u>5,054,463</u></u>
Capital and reserves			
Called up share capital	17	3,723,117	3,723,117
Other reserve	18	11,728,647	11,728,647
Profit and loss account	18	(11,619,170)	(10,397,301)
		<u><u>3,832,594</u></u>	<u><u>5,054,463</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 August 2019.


 T Endres
 Director

The notes on pages 11 to 25 form part of these financial statements.

Valve Train Components Limited

**Statement of changes in equity
For the year ended 31 December 2018**

	Called up share capital	Other reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	3,723,117	11,728,647	(10,397,301)	5,054,463
Loss for the year	-	-	(1,221,869)	(1,221,869)
At 31 December 2018	3,723,117	11,728,647	(11,619,170)	3,832,594

**Statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital	Other reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	3,723,117	11,728,647	(10,412,651)	5,039,113
Comprehensive income for the year				
Profit for the year	-	-	15,350	15,350
At 31 December 2017	3,723,117	11,728,647	(10,397,301)	5,054,463

The notes on pages 11 to 25 form part of these financial statements.

**Notes to the financial statements
For the year ended 31 December 2018**

1. General information

Valve Train Components Limited trading as Charter Automotive is a private company limited by shares and incorporated in England and Wales under the Companies Act. The registered office is given in the company information page of these financial statements. The principal activity is given in the Director's report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Charter Manufacturing International Limited as at 31 December 2018 and these financial statements may be obtained from the company's registered address.

2.3 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.

The parent and ultimate parent company have made substantial capital contributions, during and in previous years, which has led to the strengthening of the UK balance sheet. The ongoing viability of the UK operation is directly as a result of the ultimate parent giving its financial support. The company has received this letter of support which indicates that the intention of the group is to provide sufficient financial funds to ensure that the company can meet its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements. Using this information the directors continue to adopt the going concern basis of preparation of these financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 2.22% - 10% straight line
Plant, machinery and equipment	- 10% - 33.33% straight line
Other fixed assets	- nil depreciation

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and loss account.

2.6 Operating leases: the Company as lessee

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

2. Accounting policies (continued)

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.15 Taxation

Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Valve Train Components Limited

Notes to the financial statements For the year ended 31 December 2018

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Turnover derived from the principal activities	<u>7,845,801</u>	<u>8,554,009</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	1,433,886	1,568,250
Rest of Europe	4,862,702	4,793,000
Rest of the world	1,549,213	2,192,759
	<u>7,845,801</u>	<u>8,554,009</u>

5. Operating (loss)/profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	651,403	755,163
Loss on sale of tangible assets	1,083	152,667
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	13,950	13,250
Exchange differences	252,242	(128,648)
Other operating lease rentals	209,240	253,357
Defined contribution pension cost	92,406	90,661
Intercompany loan write on	-	(291,959)

During the year, no Director received any emoluments (2017 - £Nil)

Valve Train Components Limited

**Notes to the financial statements
For the year ended 31 December 2018**

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13,950	13,250
	<u>13,950</u>	<u>13,250</u>
Fees payable to the Company's auditor in respect of:		
Other services relating to taxation	5,330	2,850
All other services	2,577	12,387
	<u>21,857</u>	<u>28,487</u>

7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	2,331,805	2,239,207
Social security costs	272,467	251,438
Cost of defined contribution scheme	92,406	90,661
	<u>2,696,678</u>	<u>2,581,306</u>

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

	2018 No.	2017 No.
Direct	27	32
Indirect	13	10
Administrative	17	12
	<u>57</u>	<u>54</u>

Valve Train Components Limited

**Notes to the financial statements
For the year ended 31 December 2018**

8. Interest payable and similar expenses

	2018	2017
	£	£
Group interest payable	39,792	6,634

9. Taxation

	2018	2017
	£	£
Current tax on profits for the year	-	-
	-	-
	-	-
Total current tax	-	-
Deferred tax		

Valve Train Components Limited

Notes to the financial statements For the year ended 31 December 2018

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	(1,221,869)	15,350
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(232,155)	2,954
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	352	6,962
Capital allowances for year in excess of depreciation	19,209	6,213
Deferred tax not recognised	190,509	26,885
Non-taxable income	-	(60,888)
Other differences including in changes in tax rates leading to an increase (decrease) in the tax charge	22,085	3,553
Group relief	-	14,321
Total tax charge for the year	-	-

Factors that may affect future tax charges

At the balance sheet date there are tax losses available to be carried forward of £10.2 million (2017 - £8.8 million). The deferred tax asset amounting to approximately £1.9 million (2017 - £1.5 million) 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.

Notes to the financial statements
For the year ended 31 December 2018

10. Tangible fixed assets

	Leasehold improvement £	Plant, machinery and equipment £	Office equipment £	Other fixed assets £	Total £
Cost or valuation					
At 1 January 2018	1,381,103	6,281,577	381,402	4,873	8,048,955
Additions	3,793	-	13,652	14,846	32,291
Disposals	-	(72,689)	-	-	(72,689)
Transfers between classes	-	14,846	-	(14,846)	-
At 31 December 2018	1,384,896	6,223,734	395,054	4,873	8,008,557
Depreciation					
At 1 January 2018	521,629	3,580,736	364,626	-	4,466,991
Charge for the year on owned assets	106,152	539,683	5,568	-	651,403
Disposals	-	(72,689)	-	-	(72,689)
At 31 December 2018	627,781	4,047,730	370,194	-	5,045,705
Net book value					
At 31 December 2018	757,115	2,176,004	24,860	4,873	2,962,852
At 31 December 2017	859,474	2,700,841	16,776	4,873	3,581,964

11. Stocks

	2018 £	2017 £
Raw materials and consumables	342,634	511,094
Work in progress	620,445	520,108
Finished goods and goods for resale	332,048	622,349
	1,295,127	1,653,551

Stock recognised in cost of sales during the year as an expense was £1,876,772 (2017 - £1,849,697) .

Stocks are stated after provisions for impairment of £22,768 (2017 - £11,737)

Valve Train Components Limited

**Notes to the financial statements
For the year ended 31 December 2018**

12. Debtors

	2018 £	2017 £
Trade debtors	1,428,183	1,744,089
Amounts owed by group undertakings	4,812,273	1,452,205
Other debtors	47,147	42,946
Prepayments and accrued income	79,031	91,627
	<u>6,366,634</u>	<u>3,330,867</u>

Trade debtors are stated after provisions for impairment of £11,451 (2017 - £41,510)

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>257,696</u>	<u>335,986</u>

14. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	365,076	468,568
Amounts owed to group undertakings	1,099,793	3,021,278
Other taxation and social security	72,794	62,454
Other creditors	31,911	37,476
Accruals and deferred income	267,064	258,129
	<u>1,836,638</u>	<u>3,847,905</u>

Notes to the financial statements
For the year ended 31 December 2018

15. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	<u>5,213,077</u>	<u>-</u>

The amounts owed to group undertakings are unsecured. The amount disclosed as over one year relates to a promissory note dated 22 August 2018 and is funds provided by the ultimate parent company with a maturity date of 10 years from the date of the agreement. Interest is charged on the principal amount balance from time to time, at a rate of LIBOR plus 125 basis points per annum. There is no scheduled installment repayments during the term of the agreement.

16. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at undiscounted amounts receivable	<u>6,498,152</u>	<u>3,532,280</u>
Financial liabilities		
Financial liabilities measured at undiscounted amounts payable	<u>(6,976,921)</u>	<u>(3,785,450)</u>

Financial assets measured at undiscounted amounts receivable comprise trade, amounts owed by group undertakings and cash held at bank.

Financial liabilities measured at undiscounted amounts payable comprise trade, other creditors, amounts owed to group undertakings and accruals and deferred income.

Notes to the financial statements
For the year ended 31 December 2018

17. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
3,723,117 (2017 - 3,723,117) Ordinary shares of £1.00 each	<u>3,723,117</u>	<u>3,723,117</u>

18. Reserves

Other reserves

This reserve relates to capital contributions through cash or debt conversion, which have been transacted throughout the UK group following the ultimate parent company's decision to strengthen the UK financial position.

Profit and loss account

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

19. 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 £92,406 (2017 - £90,661). At the year end the amount owed in respect of pensions was £12,344 (2017 - £11,632).

Notes to the financial statements
For the year ended 31 December 2018

20. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land and buildings		
Not later than 1 year	190,000	190,000
Later than 1 year and not later than 5 years	380,000	570,000
	<u>570,000</u>	<u>760,000</u>
	2018 £	2017 £
Other		
Not later than 1 year	8,288	4,793
Later than 1 year and not later than 5 years	20,605	7,040
	<u>28,893</u>	<u>11,833</u>

21. Related party transactions

Valve Train Components Limited, trading as Charter Automotive, is part of a UK group headed up by Charter Manufacturing International Limited. The UK parent company is a wholly owned subsidiary of Charter Automotive LLC and the ultimate parent undertaking is Charter Manufacturing Company Inc. both of which are companies 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, and Charter Automotive (Changzhou) Company Limited, trading as Charter Automotive China, registered in China.

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

Trade purchases of £608,396 (2017 - £545,868) were made from Charter Automotive LLC. Net amounts owed at the year end by Charter Automotive LLC were £385,470 (2017 - creditor of £2,333,328).

During the year the company signed a promissory note to repay a \$7million unsecured loan to Charter Manufacturing Company Inc. At the balance sheet date, the amount outstanding was £5,213,077. Maturity dates and other terms are disclosed in the notes to the accounts. Other amounts due to Charter Manufacturing Company Inc. at the balance sheet date were £Nil (2017 - £298,485).

As divisions of the ultimate parent undertaking, purchases of £79,513 (2017 - £255,815) were made from Charter Steel. Amounts outstanding at the year end, owing to this division were £66,311 trade creditor (2017 - £264,802) and £29,216 (2017 - £nil) goods recieved not invoiced. As divisions of the ultimate parent undertaking, purchases of £Nil (2017 - £24,129) were made from Charter Wire. Amounts outstanding at the year end, owing to this division were £nil (2017 - £24,650).

Trading and capital item sales of £246,268 and £Nil respectively (2017 - £983,564 and £240,183) were made to Charter Automotive (Changzhou) Company Limited, during the year. Purchases of £49,359 (2017 - £nil) were made from Charter Automotive (Changzhou) Company Limited. Net amounts outstanding at the year end, owed by them were £853,937 (2017 - £1,328,570).

In accordance with Financial Reporting Standard (FRS) 102, transactions with group undertakings have not been disclosed in these financial statements as the company is a wholly owned subsidiary of a parent entity publishing group financial statements.

22. Controlling party

The company's immediate parent is Charter Manufacturing International Limited, a company registered in England and Wales. Consolidated accounts are available to the public and can be obtained from Unit 9, Attwood Road, Zone 1, Burntwood Business Park, Burntwood, Staffordshire, WS7 3GJ.

The ultimate parent company is Charter Manufacturing Company Inc., a company incorporated in the USA. Consolidated accounts are available to the public and can be obtained from 12121 Corporate Parkway, Mequon, WI 53092-3332.