

Concentric Birmingham Limited
Annual report and financial statements
for the year ended 31 December 2018

Registered number: 00671254



Concentric Birmingham Limited

Annual report and financial statements for the year ended 31 December 2018

Contents

	Page
Directors and advisors	1
Strategic report for the year ended 31 December 2018	2
Directors' report for the year ended 31 December 2018	3
Statement of directors' responsibilities for the year ended 31 December 2018	5
Independent auditor's report to the members of Concentric Birmingham Limited	6
Profit and loss account for the year ended 31 December 2018	9
Statement of comprehensive income for the year ended 31 December 2018	10
Balance Sheet as at 31 December 2018	11
Statement of changes in equity as at 31 December 2018	12
Notes to the financial statements for the year ended 31 December 2018	13

Concentric Birmingham Limited

Directors and advisors

Directors

D Bessant
D Woolley
J Beadsworth
M Whitehouse

Registered office

Unit 10
Gravelly Industrial Park
Tyburn Road
Birmingham
B24 8HW

Independent auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers

Nordea Bank AB (publ)
Smalandsgatan 17
105 71
Stockholm
Sweden

SEB
New York Branch
245 Park Avenue
42nd Floor
New York
NY10167-0061
USA

Concentric Birmingham Limited

Strategic report for the year ended 31 December 2018

Principal activities and business review

The principal activity of the company continues to be the manufacturing of pumps for the diesel engine market. We expect the prime mover of commercial vehicles to be diesel engines for the next 20 years.

Activity levels were well above expected levels and were a 4.1% increase on the previous year as a result of a strengthening in end-customer demand in all served markets.

The outlook for 2019 is flat year-on-year reflecting the level of maturity in our end-markets and despite the phasing out of the current DAF engine platform.

Brexit wise the largest exposure to our company would be for imports and exports of goods. In response to which the company has prepared and conducted various meetings with import/export agents to help react to the changes post Brexit and mitigate any risks.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk and exchange risk.

- **Price risk**

The Company is exposed to commodity price risk, particularly for raw materials. The Company monitors these costs and takes corrective action when required.

- **Credit risk**

The Company has implemented policies that require appropriate credit checks on potential customers and ongoing review of credit levels for existing customers. These credit limits are amended when appropriate.

- **Exchange risk**

The Company's operations give rise to extensive cash flows in foreign currency, the most significant of which are in US Dollars, Euros and Indian Rupees. The company monitors the net exposure of these cash flows on a rolling 12 month basis and uses forward contracts to hedge the associated risk.


Key performance indicators ("KPIs")

The company measures the following KPI's to monitor the performance of the business:

	2018	2017
Operating Margin	24.5%	25.8%
Working Capital as a % of Revenue	23.5%	28.5%
Return on Net Assets	17.8%	20.0%

- o Operating Margin is defined as Operating profit divided by Turnover
- o Working Capital is defined as Net Current Assets less Cash at bank and in hand
- o Return on Net Assets is defined as Profit for the financial year divided by Net assets

On behalf of the Board,


Marcus Whitehouse
Director

Company registered number: 00671254

Date: 30 September 2019

Concentric Birmingham Limited

Directors' report for the year ended 31 December 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2018

Results and dividends

The profit before taxation for the year amounted to £10,136,000 (2017: £9,938,000).

There were no dividends paid during the year (2017: £nil) and the directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: £nil).

Directors

The directors serving during the year and subsequent to the year-end were as follows:

D Bessant
D Woolley
J Beadsworth
M Whitehouse

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Research and Development

Research and development activities continue to be aligned with our customer requirements to reduce parasitic losses within engine components to improve fuel economy. The variable flow range of products is attracting significant interest to include evaluation testing on various customer vehicles. The separation of advanced R&D from the main engineering function is driving a dedicated focus on new product development.

The research and development costs charged to the profit and loss account during the year ended 31 December 2018 amounted to £1,044,000 (2017: £870,000).

Employees

The importance of good communications and relations with all employees is recognised. The company attempts to achieve this by a policy of keeping employees informed on matters affecting their interests at meetings with employees or through employee elected representatives.

In dealing with applications for employment from disabled persons or where individuals become disabled whilst in the employment of the company, every reasonable effort is made to provide opportunities within the potential aptitude and ability of the individuals concerned and to provide training and other facilities as may contribute appropriately to their career development or promotion.

Post balance sheet events

There are no post balance sheet events that require adjustment or disclosure in these financial statements.

Statement of disclosure of information to auditor

So far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Concentric Birmingham Limited

Directors' report (continued) for the year ended 31 December 2018

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG LLP, will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

On behalf of the Board



Marcus Whitehouse
Director

Unit 10
Gravelly Industrial Park
Tyburn Road
Birmingham
B24 8HW

Company registered number: 00671254

Date: 30 September 2019

Concentric Birmingham Limited

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Concentric Birmingham Limited

Independent auditor's report to the members of Concentric Birmingham Limited

Opinion

We have audited the financial statements of Concentric Birmingham Limited ("the company") for the period ended 31 December 2018, which comprise the Profit and Loss account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in notes 1 to 4.

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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment of the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standard firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the

Concentric Birmingham Limited

absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic Report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Concentric Birmingham Limited

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.



Nicola Davies (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Date: 30-9-19

Concentric Birmingham Limited

Profit and loss account for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	5	44,353	42,614
Cost of sales		(30,371)	(30,974)
Gross profit		13,982	11,640
Distribution costs		(287)	(431)
Administrative expenses		(3,604)	(1,203)
Other operating income	6	755	987
Operating profit	7	10,846	10,993
Other finance income	18	2,663	2,757
Other finance expense	18	(3,373)	(3,812)
Profit before taxation		10,136	9,938
Tax on profit	10	(1,738)	(1,827)
Profit for the financial year		8,398	8,111

The notes form an integral part of these financial statements.

The results for both the current and previous financial year relate to continuing operations.

Concentric Birmingham Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		8,398	8,111
Other comprehensive income:			
Re-measurement of net defined benefit obligations	18	(2,246)	5,277
Movement on deferred tax relating to pension deficit	10	381	(887)
Other movements			165
Other comprehensive income/(losses) for the year, net of tax		(1,865)	4,555
Total comprehensive income for the financial year		6,533	12,666

The notes form an integral part of these financial statements.

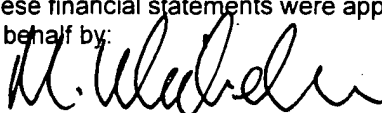
Concentric Birmingham Limited

Balance Sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	11	3,723	4,132
Investments	12	727	727
		4,450	4,859
Current assets			
Stocks	13	1,941	2,790
Debtors	14	25,871	24,437
Cash at bank and in hand		49,774	38,211
		77,586	65,438
Creditors: amounts falling due within one year	15	(17,378)	(15,064)
Net current assets		60,208	50,374
Total assets less current liabilities		64,658	55,233
Provisions for liabilities	16	(483)	(169)
Post-employment benefits	18	(17,090)	(14,512)
Net assets		47,085	40,552
Capital and reserves			
Called up share capital	17	-	-
Share premium		718	718
Retained earnings		46,367	39,834
Total equity		47,085	40,552

The notes form an integral part of these financial statements.

These financial statements were approved by the board of directors on 30/9/19 and were signed on its behalf by:


M Whitehouse
Director

Company registered number: 00671254

Concentric Birmingham Limited

Statement of changes in equity as at 31 December 2018

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2017	-	718	27,168	27,886
Profit for the year	-	-	8,111	8,111
Other comprehensive income for the year	-	-	4,555	4,555
Total comprehensive income for the year	-	-	12,666	12,666
Balance as at 31 December 2017	-	718	39,834	40,552
Balance as at 1 January 2018	-	718	39,834	40,552
Profit for the year	-	-	8,398	8,398
Other comprehensive income for the year	-	-	(1,865)	(1,865)
Total comprehensive income for the year	-	-	6,533	6,533
Balance as at 31 December 2018	-	718	46,367	47,085

Concentric Birmingham Limited

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

1 General Information

Concentric Birmingham Limited is a subsidiary company of the Concentric group of companies. The company is incorporated and domiciled in the United Kingdom. The address of its registered office is Unit 10, Gravelly Industrial Park, Tyburn Road, Birmingham, B24 9HW.

2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements:

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Exemptions for qualifying entities under FRS 102.

FRS 102 allows a qualifying entity to take certain disclosure exemptions. The company has taken advantage of the available exemption under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Concentric AB, includes the company's cash flows in its own consolidated financial statements. The company has also taken advantage of exemptions available under FRS102 section 11 Basic Financial Instruments and FRS102 section 12 Other Financial Instruments in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1. Under FRS 102 paragraph 33.7 the company has taken advantage of the exemption not to disclose the total compensation for key management personnel.

Consolidated financial statements

During the year, the company was a wholly owned subsidiary of Concentric AB and, in accordance with section 400 of the Companies Act 2006, the company has not prepared consolidated financial statements. The results of the company and its subsidiaries are consolidated in the financial statements of Concentric AB, a company registered in Sweden (see note 20).

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries, are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The company has a cash pooling facility from its parent company Concentric AB and are able to draw down cash when needed.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Related party transactions

In accordance with Paragraph 33.1A of FRS 102, the company does not disclose transactions with members of the same group that are wholly owned.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods to customers. Turnover is recognised when goods are delivered to customers by the Company, or when goods are collected by the customer.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

Taxation

The taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Deferred tax

The charge for taxation is based on the pre-tax result for the financial year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse and is provided in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as follows:

- Tax payable on the future remittance of the past earnings of subsidiaries is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute all past earnings exists.
- Deferred tax is not recognised on the difference between book values and fair values of non-monetary assets arising on acquisitions unless there is a binding agreement to sell the asset and the gain or loss expected to arise.
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	shorter of life of lease or 25 years
Plant and machinery	-	5 to 12 years
Fixtures and fittings	-	3 to 10 years

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Investments in subsidiary companies are held at historic cost less accumulated impairment losses. At each balance sheet date the investments are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying value of the asset.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant 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' methodology is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Consumable tools are expensed as purchased.

Forward Contracts

The company undertakes forward contracts to hedge the net exposure it has to future cash flows in foreign currency. These contracts are marked at their fair value using the prevailing rate of exchange at the balance sheet date. All differences are taken to profit and loss account.

4 Critical accounting judgements and estimation uncertainty

Critical judgements in applying the company's accounting policies

No critical judgements have been taken when applying the accounting policies of the company. The policies have been applied as they are stated in Note 3.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 18 for the disclosures relating to the defined benefit pension scheme.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Turnover

All turnover is attributable to the company's principal activity of manufacturing pumps for diesel engines for agricultural and commercial vehicles. The analysis of turnover by geographical market is given below:

	2018 £'000	2017 £'000
United Kingdom	12,378	6,639
Rest of Europe	22,669	21,741
USA	8,397	8,324
Far East	909	5,910
	44,353	42,614

6 Other Operating Income

	2018 £'000	2017 £'000
Product Development and Tooling Income	49	388
Royalty Income	706	599
	755	987

7 Expenses and Auditor's remuneration

	2018 £'000	2017 £'000
Operating profit is stated after charging:		
Employee Costs (note 8)	6,936	6,146
Depreciation of Tangible Fixed Assets – owned (note 11)	1,029	911
Impairment (Gain) / Loss on Tangible Fixed Assets (note 11)	-	(750)
Hire of Other - Operating Leases	151	87
Rental – Operating Leases	389	379
Research and Development Expenditure	1,044	870
Services provided by the Company's Auditor:		
Audit Fees payable to the Company's Auditor	43	35

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Employee information

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

By activity:	Number of employees	
	2018	2017
Production	170	164
Administration	16	15
	186	179

The aggregate payroll costs of these individuals were as follows:	2018	
	£'000	2017 £'000
Wages and salaries	6,132	5,410
Social security costs	597	537
Pension costs ERs contribution	207	199
	6,936	6,146

9 Directors' emoluments

Remuneration in respect of directors was as follows:

	2018 £'000	2017 £'000
Directors' emoluments	186	168
Company contributions to defined contribution schemes	15	15
	201	183

Members of:	Number of directors	
	2018	2017
Company defined contribution schemes	1	1

During the year ended 31 December 2018 none of the directors were accruing benefits under a defined benefit pension scheme (2017: none).

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Taxation

(a) Total tax recognised in the profit and loss account

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the year	2,022	1,425
Overseas tax	20	22
Adjustment in respect of prior periods	(150)	(47)
Total current tax	1,892	1,400
Deferred taxation		
Origination and reversal of timing differences	(153)	476
Adjustment in respect of prior periods	(17)	7
Changes in tax rates or laws	16	(56)
Total deferred taxation	(154)	427
Total tax recognised in the profit and loss account	1,738	1,827

(b) Total tax recognised in other comprehensive income

	2018 £000	2017 £000
Current tax		
Origination and reversal of timing differences	-	-
Total current tax	-	-
Deferred taxation		
Origination and reversal of timing differences	(423)	1,004
Impact of change in tax rates	42	(117)
Total deferred taxation	(381)	887
Total tax recognised in other comprehensive income	(381)	887

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Taxation (continued)

(c) Summary of total tax within the financial statements

	2018			2017		
	£'000	£'000	£'000	£'000	£'000	£'000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in the profit and loss account	1,892	(154)	1,738	1,400	427	1,827
Recognised in other comprehensive income	-	(381)	(381)	-	887	887
Total tax	1,892	(535)	1,357	1,400	1,314	2,714

(d) Reconciliation of effective tax rate

The tax assessed for the year is lower (2017: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	10,136	9,938
Total tax recognised in the profit and loss account	1,738	1,827
Profit on ordinary activities multiplied by the standard rate of tax in the UK 19.00% (2017: 19.25%)	1,926	1,913
Effects of:		
Tax exempt income	(129)	(46)
Overseas Tax	20	22
RDEC relief	(125)	(114)
Transfer Pricing Adjustment	172	103
Non-deductible expenses	25	45
Adjustment in respect of prior periods	(167)	(40)
Change in tax rates	16	(56)
Current tax charge for the year	1,738	1,827

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Taxation (continued)

(e) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 31 December 2017 has been calculated based on these rates. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset accordingly.

(f) Deferred taxation

Deferred tax recognised in the financial statements in the current and previous year is as follows:

	2018		2017	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	(58)	-	(92)	-
Short term timing differences	7	-	7	-
Included in Creditors (see note 15)	(51)	-	(85)	-
Included in net pension liability (see note 18)	3,481	-	2,980	-
Total deferred tax	3,430	-	2,895	-

The movements in total deferred tax assets during the year are as follows:

	2018 £'000	2017 £'000
At 1 January	2,895	4,209
Profit and loss account	153	(476)
Adjustment in respect of prior periods	17	(7)
Changes in tax rates or laws	(16)	56
Statement of Comprehensive Income	381	(887)
At 31 December	3,430	2,895

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2018	901	25,288	4,321	30,510
Additions	18	500	102	620
At 31 December 2018	919	25,788	4,423	31,130
Accumulated depreciation				
At 1 January 2018	660	21,524	4,194	26,378
Charge for the year	118	844	67	1,029
Reversal of Impairment	-	-	-	-
At 31 December 2018	778	22,368	4,261	27,407
Net book value				
At 31 December 2017	241	3,764	127	4,132
At 31 December 2018	141	3,420	162	3,723

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Fixed Asset Investments

Shares in subsidiary undertakings
£'000

Cost and net book value	
At 1 January and 31 December 2018	727

The directors consider the value of the investments to be supported by their underlying assets. Subsidiary undertakings' details are as follows:

Name	Country of incorporation	Registered address	% of ordinary shares held	Nature of business
Complete Parts Limited	England and Wales	3 The Archway, Radford Road, Alvechurch, BIRMINGHAM B48 7LD	100%	Dormant
Concentric Engineering Limited	England and Wales	3 The Archway, Radford Road, Alvechurch, BIRMINGHAM B48 7LD	100%	Dormant
Concentric Pumps Pune (Pte) Limited	India	Gate No. 26/1, 27 & 28 (Part), off Pune Nagar Road, Lonikand, Pune: 412216, INDIA	98%	Vehicle component manufacturing

13 Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	1,561	2,305
Work in progress	258	348
Finished goods	122	137
	1,941	2,790

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £830k (2017: £14k). The write-down of stocks to net realisable value amounted to £19k (2017: £52k). The reversal of write-downs amounted to £nil (2017: £nil) as discussed. The write-down and reversal are included in cost of sales.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Debtors

	2018 £'000	2017 £'000
Trade debtors	4,343	3,401
Amounts owed by group undertakings	20,739	20,510
Other debtors	444	291
Prepayments and accrued income	345	320
Deferred tax (note 10)	-	(85)
	25,871	24,437

Amounts owed by group undertakings are unsecured, interest free and represent trading balances. These balances are repayable on demand.

15 Creditors: amounts due within one year

	2018 £'000	2017 £'000
Trade creditors	4,381	4,365
Amounts owed to group undertakings	7,918	7,775
Other creditors	37	37
Deferred tax (note 10)	51	-
Other taxes and social security costs	2,950	1,911
Accruals and deferred income	2,041	976
	17,378	15,064

Amounts owed to group undertakings are unsecured, interest free and represent trading balances. These balances are repayable on demand.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Provisions for liabilities

	Dilapidations £'000	Warranty £'000	Total £'000
At 1 January 2018	141	28	169
Charged to profit and loss account	134	180	314
At 31 December 2018	275	208	483

Dilapidations provision

A dilapidations provision has been recognised to cover contractual dilapidation costs under the lease agreement for the building. The dilapidation provision has not been discounted as the effect (or impact) has been considered to be immaterial.

Warranty provision

A warranty provision has been recognised to cover expected warranty obligations to customers. The provision is expected to unwind over the course of the next two years.

17 Called up share capital

	2018 Number	2017 Number	2018 £	2017 £
Authorised, allotted and fully paid:				
Ordinary shares of £1 each	100	100	100	100

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Post-employment benefits

Defined benefit schemes

The company participated in two defined benefit pension schemes (the "Main" scheme and the "Directors" scheme) in the United Kingdom, providing benefits based on final pensionable pay. The schemes are funded by the payment of contributions to separately administered trust funds that hold the pension scheme assets to meet the long term pension liabilities. Both of these schemes have been closed to new entrants and replaced by defined contribution schemes.

	2018 £'000	2017 £'000
Defined benefit obligation	(119,739)	(126,063)
Plan assets	99,168	108,571
Deficit in the schemes	(20,571)	(17,492)
Related deferred tax asset (see note 10)	3,481	2,980
Net pension liability	(17,090)	(14,512)

Movements in present value of defined benefit obligation

	2018 £'000
At 1 January 2018	(126,063)
Benefits paid	5,844
Interest expense	(3,091)
Actuarial gains	5,854
Loss due to benefit changes	(2,001)
Expenses	(282)
At 31 December 2018	(119,739)

Movements in fair value of plan assets

	2018 £'000
At 1 January 2018	108,444
Benefits paid	(5,844)
Interest income	2,663
Actuarial gains	(8,100)
Employer contributions	2,005
At 31 December 2018	99,168

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Post-employment benefits (continued)

Defined benefit costs recognised in the profit and loss:

	2018 £'000	2017 £'000
Expenses	(282)	(403)
Interest income	2,663	2,757
Interest expense	(3,091)	(3,409)
Defined benefit costs recognised in profit and loss account	(710)	(1,055)

Defined benefit Income/(losses) recognised in other comprehensive income:

	2018 £'000	2017 £'000
Return on plan assets	(8,100)	8,659
Re-measurement gains/(losses)	5,854	(3,382)
Defined benefit Income/(losses) recognised in other comprehensive income	(2,246)	5,277

The best estimate of contributions to be paid by the employer to the scheme for the year beginning after 1 January 2019 is £2,016,000.

Scheme assets

The fair value of the scheme's assets and the return on those assets were as follows:

	2018 £'000	2017 £'000
Equities	54,652	65,838
Bonds	20,200	16,067
Other	24,316	26,666
Fair value of plan assets	99,168	108,571

The actual return on scheme assets over the year ended 31 December 2018 was a loss of £5,437,000 (2017: profit of £11,416,000).

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Post-employment benefits (continued)

Principal actuarial assumptions at the year end were as follows:

	2018	2017
Rate of increase in salaries	n/a	n/a
Discount rate	2.80%	2.50%
Rate of inflation - Retail Price Index ("RPI")	3.20%	3.20%
- Consumer Price Index ("CPI")	2.20%	2.20%
Allowance for revaluation of deferred pensions of CPI or 5% if less	2.20%	2.20%
Allowance for commutation of pension for cash at retirement	100% of Post A day	100% of Post A day
Rate of increase in pension payment	3.00%	3.00%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. No allowance for increase in salaries has been made as it is not expected that future accruals will be required.

The last actuarial valuation for both the Main scheme and the Directors' scheme was updated to 31 December 2018 by a qualified actuary, using the projected unit basis, independent of the scheme's sponsoring employers. The contributions for the year were £2,005,000 (2017: £2,505,000).

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2018 Years
Longevity at age 65 for current pensioners:	
Men	21.2
Women	23.1
Longevity at age 65 for future pensioners:	
Men	22.6
Women	24.7

Defined contribution scheme

The company operates a defined contribution pension scheme. The pension cost for the period represents contributions payable by the company to the scheme and amounted to £193,000 per month (2017: £199,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Concentric Birmingham Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Financial commitments

At 31 December 2018, the company had annual commitments under non-cancellable operating leases as set out below:

	Other 2018 £'000	2017 £'000	Land and buildings 2018 £'000	2017 £'000
Operating leases which expire:				
Within one year	74	79	387	379
- In second to fifth years inclusive	90	64	194	569
After more than five years	-	-	-	-
	164	143	581	948

20 Immediate and ultimate parent undertaking and controlling party

The directors consider Concentric Pumps Ltd to be the immediate parent undertaking.

Throughout the year, the ultimate parent undertaking and controlling party was Concentric AB, which was the parent company of the smallest and largest group to consolidate these financial statements in full. Copies of Concentric AB consolidated financial statements can be obtained from the group's website at www.concentricab.com.