

**Charter Manufacturing International Limited**

Directors' report and financial statements

For the Year Ended 31 December 2015

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## **Charter Manufacturing International Limited**

### **Company Information**

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|                             |   |
|-----------------------------|---|
| <b>Directors</b>            | T Endres<br>T J Glaister<br>S Boeding<br>J W Mellowes<br>C Mellowes                             |
| <b>Company secretary</b>    | T Endres  |
| <b>Registered number</b>    | 06005478  |
| <b>Registered office</b>    | Unit 9 Attwood Road<br>Zone 1, Burntwood Business Park<br>Burntwood<br>Staffordshire<br>WS7 3GJ |
| <b>Independent auditors</b> | Dains LLP<br>15 Colmore Row<br>Birmingham<br>B3 2BH   |

# **Charter Manufacturing International Limited**

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## **Charter Manufacturing International Limited**

### **Group strategic report**

**For the Year Ended 31 December 2015**

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#### **Introduction**

The company is the initial UK holding company for the group of companies headed up by its ultimate parent company, Charter Automotive LLC., a company registered in the USA. This strategic report covers the group activities within the UK, the company and performance of its subsidiary undertakings.

#### **Business review**

The UK trading entity and this company's subsidiary undertakings continued the improvements from 2014 sustaining high levels of delivery performance and quality at the same time as increasing output volumes from the Cold forming product line.

A re-layout of the plant mid-year enabled the business to further improve the efficiencies and product flow.

During the final quarter of the year, the Company received its first order on its initiative of product line development and expansion.

#### **Principal risks and uncertainties**

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

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

#### **Financial key performance indicators**

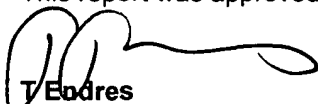
As part of our ongoing business review, we review and monitor several KPI's / metrics, including revenue streams and profit margins, levels of inventory, cost indicators and capacity and efficiency measures. As a result of the improvements made within the UK facility in the latter part of the year, the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

#### **Future developments**

The Executive team expect the UK trading entity to be cash generative from 2016 onwards with the continued growth and sustained performance.

Expectation is to optimise further the current manufacturing capabilities and develop additional product lines, working with the strong OEM Customer partnerships currently in place but also with new 1st and 2nd tier suppliers within the Automotive Supply Chain.

This report was approved by the board on 28 July 2016 and signed on its behalf.

  
**T Endres**  
Director

## **Charter Manufacturing International Limited**

### **Directors' report For the Year Ended 31 December 2015**

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The directors present their report and the financial statements for the year ended 31 December 2015.

#### **Principal activity**

The principal activity of the company in the year continued to be that of a holding company.

The principal activity of the group 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 £1,131,978 (2014 - loss £1,713,497).

During the year a return of capital has been distributed to the company's immediate parent, Charter Automotive LLC., of £374,675 (2014 : £nil) as shown in the statement of changes in equity within these financial statements.

#### **Directors**

The directors who served during the year were:

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

#### **Disclosure of information to auditors**

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

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

#### **Post balance sheet events**

There have been no significant events affecting the Group since the year end.

#### **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 28 July 2016 and signed on its behalf.



**T Endres**  
Director

**Directors' responsibilities statement  
For the Year Ended 31 December 2015**

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The directors are responsible for preparing the Group 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Charter Manufacturing International Limited**

### **Independent auditors' report to the shareholders of Charter Manufacturing International Limited**

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We have audited the financial statements of Charter Manufacturing International Limited for the year ended 31 December 2015, set out on pages 6 to 29. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

#### **Respective responsibilities of Directors and Auditors**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Group 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 directors' report has been prepared in accordance with applicable legal requirements.

**Charter Manufacturing International Limited**

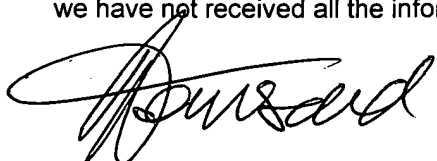
**Independent auditors' report to the shareholders of Charter Manufacturing International Limited**

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

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

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



Julian Townsend ACA FCCA (Senior statutory auditor)

for and on behalf of

**Dains LLP**

Statutory Auditor  
Chartered Accountants

15 Colmore Row  
Birmingham  
B3 2BH

28 July 2016



**Charter Manufacturing International Limited****Consolidated statement of comprehensive income  
For the Year Ended 31 December 2015**

|   | Note | 2015<br>£          | 2014<br>£          |
|---|------|--------------------|--------------------|
| Turnover  | 4    | 5,987,936          | 5,663,128          |
| Cost of sales   |      | (4,838,729)        | (4,725,255)        |
| <b>Gross profit</b>                                       |      | <b>1,149,207</b>   | 937,873            |
| Administrative expenses                                   |      | (2,963,950)        | (3,004,525)        |
| Exceptional administrative expenses                       |      | 737,418            | 550,715            |
| <b>Operating loss</b>                                     | 5    | <b>(1,077,325)</b> | (1,515,937)        |
| Interest receivable and similar income                    | 8    | 64,455             | 9,418              |
| Interest payable and expenses                             | 9    | (119,108)          | (206,978)          |
| <b>Loss before taxation</b>                               |      | <b>(1,131,978)</b> | (1,713,497)        |
| Taxation  | 10   | -                  | -                  |
| <b>Loss for the year</b>                                  |      | <b>(1,131,978)</b> | (1,713,497)        |
| <b>Summary of total comprehensive income for the year</b> |      |                    |                    |
| Non-controlling interests                                 |      | -                  | -                  |
| Owners of the parent Company                              |      | (1,131,978)        | (1,713,497)        |
|   |      | <b>(1,131,978)</b> | <b>(1,713,497)</b> |

there was no recognised gains and losses nor other comprehensive income for 2015 (2014:£NIL).

The notes on pages 12 to 29 form part of these financial statements.

**Charter Manufacturing International Limited**  
**Registered number: 06005478**

**Consolidated balance sheet**  
**As at 31 December 2015**

|  | Note | 2015<br>£               | 2014<br>£               |
|--|------|-------------------------|-------------------------|
| <b>Fixed assets</b>  |      |                         |                         |
| Tangible assets  | 13   | 6,679,164               | 7,767,897               |
|  |      | <u>6,679,164</u>        | <u>7,767,897</u>        |
| <b>Current assets</b>                                      |      |                         |                         |
| Stocks   | 15   | 1,256,696               | 1,753,524               |
| Debtors: amounts falling due within one year               | 16   | 2,159,166               | 2,426,674               |
| Cash at bank and in hand                                   | 17   | 1,207,154               | 2,187,440               |
|  |      | <u>4,623,016</u>        | <u>6,367,638</u>        |
| Creditors: amounts falling due within one year             | 18   | (2,968,964)             | (2,474,524)             |
| <b>Net current assets</b>                                  |      | <u>1,654,052</u>        | <u>3,893,114</u>        |
| <b>Total assets less current liabilities</b>               |      | <u>8,333,216</u>        | <u>11,661,011</u>       |
| Creditors: amounts falling due after more than one year    | 19   | (3,952,587)             | (5,045,626)             |
| <b>Provisions for liabilities</b>                          |      |                         |                         |
| Other provisions   | 21   | -                       | (1,477,453)             |
|  |      | <u>-</u>                | <u>(1,477,453)</u>      |
| <b>Net assets</b>  |      | <u><u>4,380,629</u></u> | <u><u>5,137,932</u></u> |
| <b>Capital and reserves</b>                                |      |                         |                         |
| Called up share capital                                    | 22   | 1                       | 1                       |
| Share premium account                                      | 24   | 1,699,999               | 1,699,999               |
| Capital redemption reserve                                 | 24   | 15,980,655              | 15,605,980              |
| Profit and loss account                                    | 24   | (13,300,026)            | (12,168,048)            |
| <b>Equity attributable to owners of the parent Company</b> |      | <u><u>4,380,629</u></u> | <u><u>5,137,932</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 July 2016.

  
**T Endres**  
 Director

The notes on pages 12 to 29 form part of these financial statements.

**Charter Manufacturing International Limited**  
**Registered number: 06005478**

**Company balance sheet**  
**As at 31 December 2015**

|   | Note | 2015<br>£               | 2014<br>£               |
|---|------|-------------------------|-------------------------|
| <b>Fixed assets</b>                                     |      |                         |                         |
| Investments   | 14   | 6,904,440               | 7,602,075               |
|   |      | <u>6,904,440</u>        | <u>7,602,075</u>        |
| <b>Current assets</b>                                   |      |                         |                         |
| Debtors: amounts falling due after more than one year   | 16   | -                       | 1,128,991               |
|   |      | <u>-</u>                | <u>1,128,991</u>        |
| Creditors: amounts falling due within one year          | 18   | (19,113)                | -                       |
|   |      | <u>(19,113)</u>         | <u>-</u>                |
| <b>Net current (liabilities)/assets</b>                 |      | <u>(19,113)</u>         | <u>1,128,991</u>        |
| <b>Total assets less current liabilities</b>            |      | <u>6,885,327</u>        | <u>8,731,066</u>        |
| Creditors: amounts falling due after more than one year | 19   | (3,409,698)             | (3,774,860)             |
|   |      | <u>(3,409,698)</u>      | <u>(3,774,860)</u>      |
| <b>Net assets</b>                                       |      | <u><u>3,475,629</u></u> | <u><u>4,956,206</u></u> |
| <b>Capital and reserves</b>                             |      |                         |                         |
| Called up share capital                                 | 22   | 1                       | 1                       |
| Share premium account                                   | 24   | 1,699,999               | 1,699,999               |
| Capital redemption reserve                              | 24   | 15,980,655              | 15,605,980              |
| Profit and loss account                                 | 24   | (14,205,026)            | (12,349,774)            |
|   |      | <u><u>3,475,629</u></u> | <u><u>4,956,206</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 July 2016.

  
**T. Endres**  
 Director

**Charter Manufacturing International Limited**

**Consolidated statement of changes in equity  
For the Year Ended 31 December 2015**

|  | Share<br>capital<br>£ | Share<br>premium<br>£ | Capital<br>redemption<br>reserve<br>£ | Retained<br>earnings<br>£ | Total equity<br>£ |
|--|-----------------------|-----------------------|---------------------------------------|---------------------------|-------------------|
| At 1 January 2015                                    | 1                     | 1,699,999             | 15,605,980                            | (12,168,048)              | 5,137,932         |
| Loss for the year                                    | -                     | -                     | -                                     | (1,131,978)               | (1,131,978)       |
| Additional capital contributions<br>made in the year | -                     | -                     | 374,675                               | -                         | 374,675           |
| <b>At 31 December 2015</b>                           | <b>1</b>              | <b>1,699,999</b>      | <b>15,980,655</b>                     | <b>(13,300,026)</b>       | <b>4,380,629</b>  |

**Consolidated statement of changes in equity  
For the Year Ended 31 December 2014**

|  | Share<br>capital<br>£ | Share<br>premium<br>£ | Capital<br>redemption<br>reserve<br>£ | Retained<br>earnings<br>£ | Total equity<br>£ |
|--|-----------------------|-----------------------|---------------------------------------|---------------------------|-------------------|
| At 1 January 2014                                    | 1                     | 1,699,999             | 5,275,605                             | (10,454,551)              | (3,478,946)       |
| Loss for the year                                    | -                     | -                     | -                                     | (1,713,497)               | (1,713,497)       |
| Additional capital contributions<br>made in the year | -                     | -                     | 10,330,375                            | -                         | 10,330,375        |
| <b>At 31 December 2014</b>                           | <b>1</b>              | <b>1,699,999</b>      | <b>15,605,980</b>                     | <b>(12,168,048)</b>       | <b>5,137,932</b>  |

The notes on pages 12 to 29 form part of these financial statements.

**Charter Manufacturing International Limited**

**Company statement of changes in equity  
For the Year Ended 31 December 2015**

|  | Share<br>capital | Share<br>premium | Capital<br>redemption<br>reserve | Retained<br>earnings | Total equity     |
|--|------------------|------------------|----------------------------------|----------------------|------------------|
|  | £                | £                | £                                | £                    | £                |
| At 1 January 2015                                | 1                | 1,699,999        | 15,605,980                       | (12,349,774)         | 4,956,206        |
| Loss for the year                                | -                | -                | -                                | (1,855,252)          | (1,855,252)      |
| Additional capital contributions<br>made in year | -                | -                | 374,675                          | -                    | 374,675          |
| <b>At 31 December 2015</b>                       | <b>1</b>         | <b>1,699,999</b> | <b>15,980,655</b>                | <b>(14,205,026)</b>  | <b>3,475,629</b> |

**Company statement of changes in equity  
For the Year Ended 31 December 2014**

|  | Share<br>capital | Share<br>premium | Capital<br>redemption<br>reserve | Retained<br>earnings | Total equity     |
|--|------------------|------------------|----------------------------------|----------------------|------------------|
|  | £                | £                | £                                | £                    | £                |
| At 1 January 2014                                | 1                | 1,699,999        | 5,275,605                        | (9,021,233)          | (2,045,628)      |
| Loss for the year                                | -                | -                | -                                | (3,328,541)          | (3,328,541)      |
| Additional capital contributions<br>made in year | -                | -                | 10,330,375                       | -                    | 10,330,375       |
| <b>At 31 December 2014</b>                       | <b>1</b>         | <b>1,699,999</b> | <b>15,605,980</b>                | <b>(12,349,774)</b>  | <b>4,956,206</b> |

The notes on pages 12 to 29 form part of these financial statements.

**Charter Manufacturing International Limited**

**Consolidated statement of cash flows  
For the Year Ended 31 December 2015**

|   | 2015<br>£          | 2014<br>£          |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                   |                    |                    |
| Profit for the financial year                                 | (1,131,978)        | (1,713,497)        |
| <b>Adjustments for:</b>                                       |                    |                    |
| Depreciation of tangible assets                               | 878,502            | 853,952            |
| Increase in stocks  | 496,828            | (833,730)          |
| Interest paid   | 119,109            | 206,978            |
| Interest received   | (64,455)           | (9,418)            |
| Decrease in debtors   | 700,446            | 2,852,856          |
| (Increase)/Decrease in amounts owed by groups                 | (432,939)          | 261,543            |
| Increase/(Decrease) in creditors                              | 14,134             | (211,445)          |
| (Decrease)/Increase in amounts owed to groups                 | (612,325)          | 977,328            |
| Decrease in provisions  | (1,477,453)        | (4,249,429)        |
| <b>Net cash generated from operating activities</b>           | <b>(1,510,131)</b> | <b>(1,864,862)</b> |
| <b>Cash flows from investing activities</b>                   |                    |                    |
| Purchase of tangible fixed assets                             | (205,913)          | (679,785)          |
| Sale of tangible fixed assets                                 | 415,737            | 10,231             |
| Interest received   | 64,455             | 9,418              |
| <b>Net cash from investing activities</b>                     | <b>274,279</b>     | <b>(660,136)</b>   |
| <b>Cash flows from financing activities</b>                   |                    |                    |
| Additional capital contributions made in the year             | 374,675            | 10,330,375         |
| Repayment of loans  | -                  | (6,942,856)        |
| Interest paid   | (119,109)          | (206,978)          |
| <b>Net cash used in financing activities</b>                  | <b>255,566</b>     | <b>3,180,541</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>(980,286)</b>   | <b>655,543</b>     |
| Cash and cash equivalents at beginning of year                | 2,187,440          | 1,531,897          |
| <b>Cash and cash equivalents at the end of year</b>           | <b>1,207,154</b>   | <b>2,187,440</b>   |
| <b>Cash and cash equivalents at the end of year comprise:</b> |                    |                    |
| Cash at bank and in hand                                      | 1,207,154          | 2,187,440          |
|   | <b>1,207,154</b>   | <b>2,187,440</b>   |

The notes on pages 12 to 29 form part of these financial statements.

## **Charter Manufacturing International Limited**

### **Notes to the financial statements**

**For the Year Ended 31 December 2015**

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#### **1. General information**

The company is a limited company by shares and incorporated in England. The registered office is detailed on the company information pages of these financial statements.

The group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the group for the year ended 31 December 2015. In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position is detailed in the notes to the financial statements.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

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

The following principal accounting policies have been applied:

##### **2.2 Basis of consolidation**

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**2. Accounting policies (continued)**

**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group 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 Group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.



**2. Accounting policies (continued)**

**2.4 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties are subsequently measured at fair value through the profit and loss account where the fair value can be measured reliably without undue cost or effort. The surplus or deficit on revaluation is recognised in the profit and loss account for the year. The directors have considered that the fair value of the investment properties cannot be measured without undue cost or effort and as such, in accordance with Financial Reporting Standard 102, has classified investment properties as property, plant and equipment.

Depreciation:

Land is not depreciated. Depreciation on other assets 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:

|                        |                                |
|------------------------|--------------------------------|
| Freehold property      | - 2% straight line             |
| Leasehold improvements | - over the lease term          |
| Plant and machinery    | - 10% and 33.33% straight line |

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 within 'other operating income' in the profit and loss account.

**2.5 Operating leases: Lessee**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

**2. Accounting policies (continued)**

**2.6 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**2.10 Financial instruments**

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, 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 payables or receivables, 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

**2. Accounting policies (continued)**

**2.10 Financial instruments (continued)**

normal business terms or financed at a rate of interest that is not a market rate or in case of an outright 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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

**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 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'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**2.13 Finance costs**

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.14 Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments 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 Group in independently administered funds.

**2.15 Interest income**

Interest income is recognised in the Profit and loss account using the effective interest method.

**2. Accounting policies (continued)**

**2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group 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 Group 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.

**2.17 Taxation**

Tax is recognised in the Profit and loss account, except that a change 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 and the Group operate and generate 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.

**2.18 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

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

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

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.

#### *Impairment of non-financial assets*

Where there are indicators of impairment of individual assets, the company performs impairment tests based on value in use calculation. The calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next few years and assume similar structure and activity except where a known change is evident. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

### 4. Analysis of turnover

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

|                    | 2015<br>£        | 2014<br>£        |
|--------------------|------------------|------------------|
| Principal activity | 5,987,936        | 5,663,128        |
|                    | <u>5,987,936</u> | <u>5,663,128</u> |

Analysis of turnover by country of destination:

|                   | 2015<br>£        | 2014<br>£        |
|-------------------|------------------|------------------|
| United Kingdom    | 865,290          | 470,040          |
| Rest of the world | 5,122,646        | 5,193,088        |
|                   | <u>5,987,936</u> | <u>5,663,128</u> |

**Charter Manufacturing International Limited****Notes to the financial statements****For the Year Ended 31 December 2015****5. Operating loss**

The operating loss is stated after charging:

|   | 2015<br>£ | 2014<br>£ |
|---|-----------|-----------|
| Depreciation of tangible fixed assets   | 870,354   | 853,950   |
| Fees payable to the Group's auditor and its associates for the audit of the company's annual financial statements | 12,750    | 12,500    |
| Exchange differences  | 284,312   | 74,158    |
| Defined contribution pension cost   | 80,042    | 81,160    |

During the year, no director received any emoluments (2014 - £NIL).

**6. Auditors' remuneration**

|   | 2015<br>£     | 2014<br>£     |
|---|---------------|---------------|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts | 12,750        | 12,500        |
|   | <u>12,750</u> | <u>12,500</u> |
| <b>Fees payable to the Group's auditor and its associates in respect of:</b>                        |               |               |
| Other services relating to taxation   | 2,750         | 2,500         |
|   | <u>2,750</u>  | <u>2,500</u>  |

**7. Employees**

Staff costs were as follows:

|                                     | 2015<br>£        | 2014<br>£        |
|-------------------------------------|------------------|------------------|
| Wages and salaries                  | 2,074,212        | 2,195,804        |
| Social security costs               | 221,857          | 232,897          |
| Cost of defined contribution scheme | 80,042           | 81,160           |
|                                     | <u>2,376,111</u> | <u>2,509,861</u> |

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

|                | 2015<br>No. | 2014<br>No. |
|----------------|-------------|-------------|
| Direct         | 31          | 36          |
| Indirect       | 11          | 11          |
| Administrative | 18          | 16          |
|                | <u>60</u>   | <u>63</u>   |

**Charter Manufacturing International Limited****Notes to the financial statements****For the Year Ended 31 December 2015****8. Interest receivable**

|  | 2015<br>£     | 2014<br>£    |
|--|---------------|--------------|
| Interest receivable from group companies | 64,455        | 9,418        |
|  | <u>64,455</u> | <u>9,418</u> |

**9. Interest payable and similar charges**

|   | 2015<br>£      | 2014<br>£      |
|---|----------------|----------------|
| Bank interest payable                             | 66,979         | 174,915        |
| Interest payable on loans from group undertakings | 52,129         | 32,063         |
|   | <u>119,108</u> | <u>206,978</u> |

**10. Taxation**

|                   | 2015<br>£ | 2014<br>£ |
|-------------------|-----------|-----------|
| Total current tax | -         | -         |

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

|  | 2015<br>£   | 2014<br>£   |
|--|-------------|-------------|
| Profit on ordinary activities before tax   | (1,131,979) | (1,713,497) |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%) | (229,226)   | (368,231)   |
| <b>Effects of:</b>   |             |             |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment                        | 102         | 8,723       |
| Capital allowances for year in excess of depreciation  | 10,898      | 69,662      |
| Utilisation of tax losses  | -           | (31,898)    |
| Other timing differences leading to an increase (decrease) in taxation   | -           | 2,843       |
| Non-taxable income   | (2,007)     | -           |
| Unrelieved tax losses carried forward and changes in tax rates   | 220,233     | 318,901     |
| <b>Total tax charge for the year</b>   | <u>-</u>    | <u>-</u>    |



**Charter Manufacturing International Limited****Notes to the financial statements  
For the Year Ended 31 December 2015****10. Taxation (continued)****Factors that may affect future tax charges**

At the balance sheet date there are tax losses available to be carried forward of £8.6m (2014 : £7.9m). The deferred tax asset amounting to approximately £1.5m (2014 : £1.6m) 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.

**11. Exceptional items**

|  | 2015<br>£             | 2014<br>£             |
|--|-----------------------|-----------------------|
| Movement in settlement provisions - see additional notes within these financial statements | <u>737,418</u>        | 550,715               |
|  | <u><u>737,418</u></u> | <u><u>550,715</u></u> |

**12. Intangible assets****Group**

|                            | Goodwill<br>£           |
|----------------------------|-------------------------|
| <b>Cost</b>                |                         |
| At 1 January 2015          | <u>2,086,813</u>        |
| <b>At 31 December 2015</b> | <u><u>2,086,813</u></u> |
| <b>Amortisation</b>        |                         |
| At 1 January 2015          | <u>2,086,813</u>        |
| At 31 December 2015        | <u><u>2,086,813</u></u> |
| <b>Net book value</b>      |                         |
| At 31 December 2015        | <u><u>-</u></u>         |
| At 31 December 2014        | <u><u>-</u></u>         |

The consolidated goodwill arose on the acquisition of the UK group during 2007. The cost of investment of £3.9 million was used to acquire the fair value of assets and liabilities of its subsidiaries of £1.8 million resulting in goodwill of £2.1 million. The goodwill has been fully written off as at 31 December 2015.

**Charter Manufacturing International Limited**

**Notes to the financial statements**

**For the Year Ended 31 December 2015**

**13. Tangible fixed assets**

**Group**

|                             | Freehold<br>property<br>£ | Leasehold<br>property<br>improvements<br>£ | Plant and<br>machinery<br>£ | Assets in<br>course of<br>construction<br>£ | Total<br>£       |
|-----------------------------|---------------------------|--|-----------------------------|---|------------------|
| <b>Cost or valuation</b>    |                           |  |                             |   |                  |
| At 1 January 2015           | 1,826,335                 | 1,381,103                                  | 6,986,004                   | 24,927                                      | 10,218,369       |
| Additions                   | -                         | -  | 3,541                       | 202,372                                     | 205,913          |
| Disposals                   | -                         | -  | (505,618)                   | -   | (505,618)        |
| Transfers between classes   | -                         | -  | 150,205                     | (150,205)                                   | -                |
| At 31 December 2015         | <u>1,826,335</u>          | <u>1,381,103</u>                           | <u>6,634,132</u>            | <u>77,094</u>                               | <u>9,918,664</u> |
| <b>Depreciation</b>         |                           |  |                             |   |                  |
| At 1 January 2015           | 81,729                    | 203,346                                    | 2,165,396                   | -   | 2,450,471        |
| Charge owned for the period | 40,585                    | 106,094                                    | 723,675                     | -   | 870,354          |
| Disposals                   | -                         | -  | (81,324)                    | -   | (81,324)         |
| At 31 December 2015         | <u>122,314</u>            | <u>309,440</u>                             | <u>2,807,747</u>            | <u>-</u>                                    | <u>3,239,501</u> |
| <b>Net book value</b>       |                           |  |                             |   |                  |
| At 31 December 2015         | <u>1,704,021</u>          | <u>1,071,663</u>                           | <u>3,826,385</u>            | <u>77,094</u>                               | <u>6,679,163</u> |
| At 31 December 2014         | <u>1,744,605</u>          | <u>1,177,757</u>                           | <u>4,820,608</u>            | <u>24,927</u>                               | <u>7,767,897</u> |

# Charter Manufacturing International Limited

## Notes to the financial statements For the Year Ended 31 December 2015

### 14. Fixed asset investments

#### Company

|                          | Investments<br>in<br>subsidiary<br>companies<br>£ |
|--------------------------|---|
| <b>Cost or valuation</b> |   |
| At 1 January 2015        | 19,524,413  |
| Additions                | 1,568,121   |
| At 31 December 2015      | <u>21,092,534</u>                                 |
| <b>Impairment</b>        |   |
| At 1 January 2015        | 11,922,338  |
| Charge for the period    | 2,265,756   |
| At 31 December 2015      | <u>14,188,094</u>                                 |
| <b>Net book value</b>    |   |
| At 31 December 2015      | <u>6,904,440</u>                                  |
| At 31 December 2014      | <u>7,602,075</u>                                  |

### 15. Stocks

|                                     | Group<br>2015<br>£ | Group<br>2014<br>£ | Company<br>2015<br>£ | Company<br>2014<br>£ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Raw materials and consumables       | 378,063            | 680,451            | -                    | -                    |
| Work in progress (goods to be sold) | 368,003            | 457,847            | -                    | -                    |
| Finished goods and goods for resale | 510,630            | 615,226            | -                    | -                    |
|                                     | <u>1,256,696</u>   | <u>1,753,524</u>   | <u>-</u>             | <u>-</u>             |

**Charter Manufacturing International Limited**

**Notes to the financial statements**

**For the Year Ended 31 December 2015**

**16. Debtors**

|                                    | <b>Group<br/>2015<br/>£</b> | <b>Group<br/>2014<br/>£</b> | <b>Company<br/>2015<br/>£</b> | <b>Company<br/>2014<br/>£</b> |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors                      | 894,853                     | 721,311                     | -                             | -                             |
| Amounts owed by group undertakings | 1,062,522                   | 629,583                     | -                             | -                             |
| Other debtors                      | 89,731                      | 980,488                     | -                             | -                             |
| Prepayments and accrued income     | 112,060                     | 95,292                      | -                             | -                             |
|                                    | <b>2,159,166</b>            | <b>2,426,674</b>            | <b>-</b>                      | <b>-</b>                      |

**17. Cash and cash equivalents**

|                          | <b>Group<br/>2015<br/>£</b> | <b>Group<br/>2014<br/>£</b> | <b>Company<br/>2015<br/>£</b> | <b>Company<br/>2014<br/>£</b> |
|--------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Cash at bank and in hand | 1,207,154                   | 2,187,440                   | -                             | -                             |
|                          | <b>1,207,154</b>            | <b>2,187,440</b>            | <b>-</b>                      | <b>-</b>                      |

**18. Creditors: Amounts falling due within one year**

|                                    | <b>Group<br/>2015<br/>£</b> | <b>Group<br/>2014<br/>£</b> | <b>Company<br/>2015<br/>£</b> | <b>Company<br/>2014<br/>£</b> |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade creditors                    | 287,297                     | 331,167                     | -                             | -                             |
| Amounts owed to group undertakings | 2,349,687                   | 1,868,974                   | 19,113                        | -                             |
| Taxation and social security       | 97,027                      | 62,602                      | -                             | -                             |
| Other creditors                    | 29,899                      | 28,009                      | -                             | -                             |
| Accruals and deferred income       | 205,054                     | 183,772                     | -                             | -                             |
|                                    | <b>2,968,964</b>            | <b>2,474,524</b>            | <b>19,113</b>                 | <b>-</b>                      |

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

|                                    | <b>Group<br/>2015<br/>£</b> | <b>Group<br/>2014<br/>£</b> | <b>Company<br/>2015<br/>£</b> | <b>Company<br/>2014<br/>£</b> |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Amounts owed to group undertakings | 3,952,587                   | 5,045,626                   | 3,409,698                     | 3,774,860                     |
|                                    | <b>3,952,587</b>            | <b>5,045,626</b>            | <b>3,409,698</b>              | <b>3,774,860</b>              |

# Charter Manufacturing International Limited

## Notes to the financial statements For the Year Ended 31 December 2015

### 20. Financial instruments

|   | Group<br>2015<br>£ | Group<br>2014<br>£ | Company<br>2015<br>£ | Company<br>2014<br>£ |
|---|--------------------|--------------------|----------------------|----------------------|
| <b>Financial assets</b>   |                    |                    |                      |                      |
| Financial assets measured at fair value through profit or loss        | 1,207,154          | 2,187,440          | -                    | -                    |
| Financial assets that are debt instruments measured at amortised cost | 2,047,107          | 2,331,382          | -                    | 1,128,991            |
|   | <u>3,254,261</u>   | <u>4,518,822</u>   | <u>-</u>             | <u>1,128,991</u>     |
| <b>Financial liabilities</b>  |                    |                    |                      |                      |
| Financial liabilities measured at amortised cost                      | (6,589,571)        | (7,245,767)        | (3,428,812)          | (3,774,860)          |
|   | <u>(6,589,571)</u> | <u>(7,245,767)</u> | <u>(3,428,812)</u>   | <u>(3,774,860)</u>   |

Financial assets measured at fair value through profit and loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors and amounts owed by parent company.

Financial Liabilities measured at amortised cost comprise trade and other creditors and amounts owed to parent undertakings.

### 21. Provisions

#### Group

|                            | Other<br>provisions<br>£ | Settlement<br>provisions<br>£ | Total<br>£  |
|----------------------------|--------------------------|-------------------------------|-------------|
| At 1 January 2015          | 5,000                    | 1,472,453                     | 1,477,453   |
| Utilised in year           | (5,000)                  | (1,472,453)                   | (1,477,453) |
| <b>At 31 December 2015</b> | <u>-</u>                 | <u>-</u>                      | <u>-</u>    |

#### Settlement provisions

The group has been made aware of claims from certain customers due to issues with parts supplied previously. This resulted in a provision being made in the accounts by the directors, at their best estimate of the claim against the group. The claims have been substantially covered by an insurance policy, with the group being responsible for the uninsured element. The period for the claim under the group's warranty has come to an end and as such the directors have released any remaining provision for liabilities previously expected of £1.4 million and any insurance monies that would have been recouped if those costs were incurred by the group of £0.7 million with the resulting credit to the profit and loss account in the year of £0.7 million.

## Charter Manufacturing International Limited

### Notes to the financial statements

For the Year Ended 31 December 2015

#### 22. Share capital

|   | 2015<br>£ | 2014<br>£ |
|---|-----------|-----------|
| <b>Allotted, called up and fully paid</b> |           |           |
| 1 Ordinary share of £1                    | 1         | 1         |

#### 23. Parent Company result for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £1,855,253 (2014 - loss £3,328,540).

#### 24. Reserves

##### Share premium

This reserve records the amount above nominal value received for shares sold, less transaction costs.

##### Other reserves

The capital reserve relates to cash capital contributions, debt conversions and subsequent returns of capital by way of distribution that 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.

#### 25. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £80,042 (2014 - £81,160).

#### 26. Commitments under operating leases

At 31 December 2015 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

|                    | Group<br>2015<br>£ | Group<br>2014<br>£ |
|--------------------|--------------------|--------------------|
| Later than 5 years | 1,140,000          | 1,140,000          |
| <b>Total</b>       | <b>1,140,000</b>   | <b>1,140,000</b>   |

## **Charter Manufacturing International Limited**

### **Notes to the financial statements**

**For the Year Ended 31 December 2015**

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#### **27. Related party transactions**

Charter Manufacturing International Limited is a wholly owned subsidiary of the ultimate parent undertaking, Charter Automotive LLC., a company registered in the USA. In addition Charter Manufacturing International Limited is also related to other fellow subsidiaries around the world including Charter Automotive IC-DISC Inc., registered in the USA, Charter Automotive (Changzhou) Company Limited, trading as Charter Automotive China, registered in China and was previously connected to Charter Automotive (Wuhu) Company Limited, now dissolved.

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

Trading and capital item purchases of £253,599 (2014 - £510,826) were acquired from Charter Manufacturing Company Inc. Amounts owed at the year end to the ultimate parent company were £1,796,978 (2014 - £1,449,489). Other amounts due to Charter Manufacturing Company Inc. at the balance sheet date were £814,332 (2014 - £1,406,567). During the year capital contributions and debt conversions took place and these have been disclosed elsewhere in these financial statements. As divisions of the ultimate parent undertaking, purchases of £215,330 (2014 - £262,722) were made from Charter Steel. Amounts outstanding at the year end, owing to this division were £223,250 (2014 - £273,906). Recharges were charged by Charter Wire to Charter Automotive of £Nil (2014 - £10,226). The balance outstanding at the year end and owing to this division were £Nil (2014 - £9,776).

Aggregate of sales and purchases of £1,025,783 (2014 - £1,193,028) were made to Charter Automotive (Changzhou) Company Limited, during the year. Amounts outstanding at the year end, owed by them were £1,025,783 (2014 - £629,578).

In accordance with Financial Reporting Standard number 102, transactions with other UK group undertakings of Charter Manufacturing International Limited, a company incorporated in England and Wales, have not been disclosed in these financial statements as the company is a wholly owned subsidiary of a parent entity publishing group financial statements.

#### **28. Controlling party**

The ultimate parent company is Charter Automotive LLC., a company registered in the USA.

## Charter Manufacturing International Limited

### Notes to the financial statements

For the Year Ended 31 December 2015

#### 29. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name  | Country of incorporation | Class of shares                           | Holding | Principal activity  |
|---|--------------------------|---|---------|---|
| VTC Lichfield Limited                                   | England                  | Ordinary                                  | 100 %   | Holding company   |
| VTC Holdings Limited *                                  | England                  | Ordinary and Redeemable Preference Shares | 100 %   | Holding company   |
| Valve Train Components Limited t/a Charter Automotive * | England                  | Ordinary                                  | 100 %   | Manufacture and supply of precision metal pressings for the automotive industry |

Those subsidiaries above marked with an asterisk (\*) are indirectly owned.

The aggregate of the share capital and reserves as at 31 December 2015 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

|   | Aggregate of share capital and reserves<br>£ | Profit/(loss)<br>£ |
|---|--|--------------------|
| VTC Lichfield Limited                                 | 6,904,440                                    | (3,151,857)        |
| VTC Holdings Limited                                  | 5,240,234                                    | (1,293,076)        |
| Valve Train Components Limited t/a Charter Automotive | 6,145,234                                    | (1,293,076)        |

#### 30. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

#### 31. Transition to FRS 102

Transitional relief

On transition to FRS 102 from previous UK GAAP, the company have taken advantage of transitional relief as follows:

##### *Business combinations*

The group has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

##### *Investments in subsidiaries*

The group has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.