

**GNUTTI CARLO UK LTD**  
**STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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**GNUTTI CARLO UK LTD**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**DIRECTORS:**

M Gnutti  
P C Gnutti  
P Groff  
S R Sgarbi

**REGISTERED OFFICE:**

Office 30  
Fairfield Enterprise Centre, Lincoln Way  
Fairfield Industrial Estate  
Louth  
Lincolnshire  
LN11 0LS

**REGISTERED NUMBER:**

03047921 (England and Wales)

**SENIOR STATUTORY AUDITOR:**

Tara Bellamy FCA

**AUDITORS:**

Duncan & Toplis Limited, Statutory Auditor  
4 Henley Way  
Doddington Road  
Lincoln  
Lincolnshire  
LN6 3QR

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their strategic report for the year ended 31 December 2020.

**REVIEW OF BUSINESS**

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

				<b>2020</b>	<b>2019</b>	<b>Change</b>
	<b>£</b>	<b>£</b>	<b>%</b>			
Turnover				894,190	1,976,302	(55)
Operating Profit				66,982	278,016	(76)
Profit after tax				30,654	191,948	(84)

During 2018 the business transitioned from buying, assembling and selling to the end customer, to that of providing a logistics services to the Gnutti Group. The 2019 year was the first full year of this business structure and turnover has since dropped in 2020.

The budgeted revenue for 2020 was £704,880 which has been exceeded this year, due to an increase in trading across the group, resulting in an increased demand for logistic services.

Profit after tax is lower than the prior year due to a period of closure as a result of the COVID-19 pandemic, but the business is still profitable.

Headcount has also reduced to 3 in the year due to the new organisation structure in place.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

**Price risk**

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

**Credit risk**

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

**Liquidity risk**

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

**Interest rate cash flow risk**

The company does not have interest bearing assets or liabilities.

**Pension risk**

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

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

**ON BEHALF OF THE BOARD:**

S R Sgarbi - Director

4 August 2021

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of logistic services.

**DIVIDENDS**

The profit for the year after taxation amounted to £30,654 (2019: £191,948). Dividends of £3,280,850 were paid during the year (2019: £3,500,000).

**RESEARCH AND DEVELOPMENT**

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

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

M Gnutti  
P C Gnutti  
P Groff

Other changes in directors holding office are as follows:

S R Sgarbi was appointed as a director after 31 December 2020 but prior to the date of this report.

S P Shaw ceased to be a director after 31 December 2020 but prior to the date of this report.

**FINANCIAL INSTRUMENTS**

Details of financial instruments are provided in the strategic report.

**GOING CONCERN**

Following the impact of COVID- 19, the financial statements have been prepared on a going concern basis, on the understanding that the directors and shareholders will continue to financially support the company during this uncertain period.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Duncan & Toplis Limited, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

S R Sgarbi - Director

4 August 2021

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GNUTTI CARLO UK LTD**

### **Opinion**

We have audited the financial statements of Gnutti Carlo UK Ltd (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
GNUTTI CARLO UK LTD**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

**Responsibilities of directors**

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

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

**Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We have identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial experience, knowledge of the sector, a review of regulatory and legal correspondence and through discussions with Directors and other management obtained as part of the work required by auditing standards. We have also discussed with the Directors and other management the policies and procedures relating to compliance with laws and regulations. We communicated laws and regulations throughout the team and remained alert to any indications of non-compliance throughout the audit.

The potential impact of different laws and regulations varies considerably. Firstly, the company is subject to laws and regulations that directly impact the financial statements (for example financial reporting legislation) and we have assessed the extent of compliance with such laws as part of our financial statements audit.

Secondly, the company is subject to other laws and regulations where the consequence for non-compliance could have a material effect on the amounts or disclosures in the financial statements. We identified the following areas as those most likely to have such an effect: Health and Safety regulations and Employment laws.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection. This inspection included an assessment of the company's employment and health and safety controls. Through these procedures, if we became aware of any non-compliance, we considered the impact on the procedures performed on the related financial statement items.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. As with any audit, there is a greater risk of non-detection of irregularities as these may involve collusion, intentional omissions of the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
GNUTTI CARLO UK LTD**

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

Tara Bellamy FCA (Senior Statutory Auditor)  
for and on behalf of Duncan & Toplis Limited, Statutory Auditor  
4 Henley Way  
Doddington Road  
Lincoln  
Lincolnshire  
LN6 3QR

1 September 2021

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
<b>TURNOVER</b>	3		894,190		1,976,302
Cost of sales			429,239		1,226,754
<b>GROSS PROFIT</b>			464,951		749,548
Distribution costs		762		2,444	
Administrative expenses		443,870		470,546	
			444,632		472,990
			20,319		276,558
Other operating income			46,663		1,458
<b>OPERATING PROFIT</b>			66,982		278,016
Interest receivable and similar income			1,212		8,218
			68,194		286,234
Amounts written off investments	5		-		1,000
			68,194		285,234
Interest payable and similar expenses	6		1,240		4,957
<b>PROFIT BEFORE TAXATION</b>	7		66,954		280,277
Tax on profit	8		36,300		88,329
<b>PROFIT FOR THE FINANCIAL YEAR</b>			30,654		191,948

The notes form part of these financial statements

**OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
<b>PROFIT FOR THE YEAR</b>		30,654	191,948
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial (loss)/gain on pension scheme		(777,000)	1,617,000
Movement on deferred tax - pension		147,630	(327,830)
Cancellation of share premium		-	3,280,850
IFRS 16 transition adjustment		-	(1,160)
Income tax relating to items that will not be reclassified to profit or loss		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u>(629,370)</u>	<u>4,568,860</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(598,716)</u>	<u>4,760,808</u>

STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>FIXED ASSETS</b>					
Tangible assets	10		19,894		115,421
<b>CURRENT ASSETS</b>					
Stocks	11	-		17,300	
Debtors	12	492,239		2,735,997	
Cash at bank and in hand		<u>171,305</u>		<u>1,656,385</u>	
		663,544		4,409,682	
<b>CREDITORS</b>					
Amounts falling due within one year	13	<u>468,558</u>		<u>1,064,169</u>	
<b>NET CURRENT ASSETS</b>			<u>194,986</u>		<u>3,345,513</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>214,880</u>		<u>3,460,934</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	14		(2,078)		(3,131)
<b>PROVISIONS FOR LIABILITIES</b>	17		(334,449)		(476,884)
<b>PENSION ASSET</b>	20		<u>1,899,000</u>		<u>2,676,000</u>
<b>NET ASSETS</b>			<u><u>1,777,353</u></u>		<u><u>5,656,919</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		619,150		619,150
Other reserves	19		-		1,500,000
Retained earnings	19		<u>1,158,203</u>		<u>3,537,769</u>
<b>SHAREHOLDERS' FUNDS</b>			<u><u>1,777,353</u></u>		<u><u>5,656,919</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 August 2021 and were signed on its behalf by:

S R Sgarbi - Director

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
<b>Balance at 1 January 2019</b>	619,150	2,276,961	3,280,850	1,500,000	7,676,961
<b>Changes in equity</b>					
Issue of share capital	-	-	(3,280,850)	-	(3,280,850)
Dividends	-	(3,500,000)	-	-	(3,500,000)
Total comprehensive income	-	4,760,808	-	-	4,760,808
<b>Balance at 31 December 2019</b>	<u>619,150</u>	<u>3,537,769</u>	<u>-</u>	<u>1,500,000</u>	<u>5,656,919</u>
<b>Changes in equity</b>					
Increase in share capital	-	1,500,000	-	(1,500,000)	-
Dividends	-	(3,280,850)	-	-	(3,280,850)
Total comprehensive income	-	(598,716)	-	-	(598,716)
<b>Balance at 31 December 2020</b>	<u>619,150</u>	<u>1,158,203</u>	<u>-</u>	<u>-</u>	<u>1,777,353</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. STATUTORY INFORMATION**

Gnutti Carlo UK Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraph 24(6) of IFRS 6 Exploration for and Evaluation of Mineral Resources;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
  - the requirements of paragraph 58 of IFRS 16;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

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

**Critical accounting judgements and key sources of estimation uncertainty**

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

**Revenue recognition**

Revenue from the sale of goods is recognised, exclusive of value added tax, when the risks and rewards of ownership of the goods have passed to the buyer, generally on delivery to the customer. During 2019 the company has implemented IFRS 15 "Revenue from Contracts with Customers", this implementation has not resulted in any adjustment to the revenue recognition policy and no restatements were required.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- 3 - 6 years straight line
Plant and machinery	- 4% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 25% on cost

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

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

**Stocks**

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. ACCOUNTING POLICIES - continued**

**Taxation**

Current taxes and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the statement of financial position date.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

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

**Research and development**

Research and development costs are expenses as incurred.

**Foreign currencies**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. ACCOUNTING POLICIES - continued**

**Employee benefit costs**

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

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

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

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

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

**Trade and other debtors**

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

**Cash at bank and in hand**

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. ACCOUNTING POLICIES - continued**

**Interest bearing loans and borrowings**

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

**Leases**

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed below.

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

The Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to nil.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. ACCOUNTING POLICIES - continued**

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	47,110	376,302
Europe	547,965	610,000
Rest of the world	299,115	990,000
	<u>894,190</u>	<u>1,976,302</u>

**Revenue from contracts with customers**

There has been no revenue from contracts with customers.

**4. EMPLOYEES AND DIRECTORS**

	2020	2019
	£	£
Wages and salaries	218,270	266,684
Social security costs	16,371	22,366
Other pension costs	11,695	13,061
	<u>246,336</u>	<u>302,111</u>

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

	2020	2019
Management and administration	3	4
Production and distribution	4	5
	<u>7</u>	<u>9</u>

  

	£	£	2020	2019
Directors' remuneration			69,189	65,540
Directors' pension contributions to money purchase schemes			<u>4,190</u>	<u>4,591</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**5. AMOUNTS WRITTEN OFF INVESTMENTS**

	2020	2019
	£	£
Amounts written off investment	<u>-</u>	<u>1,000</u>

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£	£
Corporation tax interest	-	2,500
Lease interest	<u>1,240</u>	<u>2,457</u>
	<u>1,240</u>	<u>4,957</u>

**7. PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging/(crediting):

	2020	2019
	£	£
Cost of inventories recognised as expense	429,239	966,435
Depreciation - owned assets	79,557	86,510
Profit on disposal of fixed assets	(19,090)	(35,005)
Auditors' remuneration	7,560	6,975
Foreign exchange differences	(5,146)	3,636
Short-term operating lease payments	<u>-</u>	<u>463</u>

**8. TAXATION**

**Analysis of tax expense**

	2020	2019
	£	£
Current tax:		
Tax	31,105	49,201
Deferred tax	<u>5,195</u>	<u>39,128</u>
Total tax expense in income statement	<u>36,300</u>	<u>88,329</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. TAXATION - continued**

**Factors affecting the tax expense**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit before income tax	<u>66,954</u>	<u>280,277</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	12,721	53,253
Effects of:		
Expenses not deductible for tax purposes	12,620	27,179
Capital allowances in excess of depreciation	5,764	7,897
Deferred tax	<u>5,195</u>	<u>-</u>
Tax expense	<u>36,300</u>	<u>88,329</u>

**Tax effects relating to effects of other comprehensive income**

	2020 Gross £	Tax £	Net £
Actuarial (loss)/gain on pension scheme	(777,000)	-	(777,000)
Movement on deferred tax - pension	147,630	-	147,630
Cancellation of share premium			
IFRS 16 transition adjustment	<u>(629,370)</u>	<u>-</u>	<u>(629,370)</u>
	2019 Gross £	Tax £	Net £
Actuarial gain on pension scheme	1,617,000	-	1,617,000
Movement on deferred tax - pension	(327,830)	-	(327,830)
Cancellation of share premium	3,280,850	-	3,280,850
IFRS 16 transition adjustment	<u>(1,160)</u>	<u>-</u>	<u>(1,160)</u>
	<u>4,568,860</u>	<u>-</u>	<u>4,568,860</u>

**9. DIVIDENDS**

	2020 £	2019 £
Ordinary shares shares of 1 each		
Interim	<u>3,280,850</u>	<u>3,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 10. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £
<b>COST</b>			
At 1 January 2020	115,355	115,400	8,144
Disposals	-	(110,230)	(8,144)
At 31 December 2020	<u>115,355</u>	<u>5,170</u>	<u>-</u>
<b>DEPRECIATION</b>			
At 1 January 2020	57,678	84,037	8,144
Charge for year	57,677	12,306	-
Eliminated on disposal	-	(94,260)	(8,144)
At 31 December 2020	<u>115,355</u>	<u>2,083</u>	<u>-</u>
<b>NET BOOK VALUE</b>			
At 31 December 2020	<u>-</u>	<u>3,087</u>	<u>-</u>
At 31 December 2019	<u>57,677</u>	<u>31,363</u>	<u>-</u>
	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
At 1 January 2020	46,225	16,695	301,819
Disposals	(245)	(7,692)	(126,311)
At 31 December 2020	<u>45,980</u>	<u>9,003</u>	<u>175,508</u>
<b>DEPRECIATION</b>			
At 1 January 2020	25,233	11,306	186,398
Charge for year	6,998	2,576	79,557
Eliminated on disposal	(245)	(7,692)	(110,341)
At 31 December 2020	<u>31,986</u>	<u>6,190</u>	<u>155,614</u>
<b>NET BOOK VALUE</b>			
At 31 December 2020	<u>13,994</u>	<u>2,813</u>	<u>19,894</u>
At 31 December 2019	<u>20,992</u>	<u>5,389</u>	<u>115,421</u>



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**10. TANGIBLE FIXED ASSETS - continued**

Included in the above line items are the following right of use assets:

	£	£	£	£	Short Leasehold	Plant and Machinery	Motor Vehicles	Total
<b>COST</b>								
At 1 January 2020					115,355	5,170	245	120,770
At 31 December 2020					115,355	5,170	245	120,770
<b>DEPRECIATION</b>								
At 1 January 2020					57,678	1,052	245	58,975
Charge for year					57,677	1,051	-	58,729
At 31 December 2020					115,355	2,103	245	117,704
<b>NET BOOK VALUE</b>								
At 31 December 2020					-	3,067	-	3,067
At 31 December 2019					57,677	4,118	-	61,795

**11. STOCKS**

	2020 £	2019 £
Stocks	-	17,300

**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020 £	2019 £
Trade debtors	55,582	28,400
Amounts owed by group undertakings	388,478	2,515,328
Other debtors	21,085	108,695
VAT	15,983	60,860
Prepayments and accrued income	11,111	22,714
	<u>492,239</u>	<u>2,735,997</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Leases (see note 15)	1,053	59,866
Trade creditors	17,566	340,595
Amounts owed to group undertakings	-	176
Taxation	20,766	28,368
Other taxes and social security	8,513	9,200
Other creditors	342,321	574,317
Accruals and deferred income	78,339	51,647
	<u>468,558</u>	<u>1,064,169</u>

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020	2019
	£	£
Leases (see note 15)	<u>2,078</u>	<u>3,131</u>

**15. FINANCIAL LIABILITIES - BORROWINGS**

	2020	2019
	£	£
Current:		
Leases (see note 16)	<u>1,053</u>	<u>59,866</u>
Non-current:		
Leases (see note 16)	<u>2,078</u>	<u>3,131</u>

Terms and debt repayment schedule

	1 year or less	1-2 years	Totals
	£	£	£
Leases	<u>1,053</u>	<u>2,078</u>	<u>3,131</u>

**16. LEASING**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**16. LEASING - continued**

**Lease liabilities**

Minimum lease payments fall due as follows:

	2020 £	2019 £
Gross obligations repayable:		
Within one year	1,106	60,579
Between one and five years	2,120	3,226
	<u>3,226</u>	<u>63,805</u>
Finance charges repayable:		
Within one year	53	713
Between one and five years	<u>42</u>	<u>95</u>
	<u>95</u>	<u>808</u>
Net obligations repayable:		
Within one year	1,053	59,866
Between one and five years	<u>2,078</u>	<u>3,131</u>
	<u>3,131</u>	<u>62,997</u>

**17. PROVISIONS FOR LIABILITIES**

	2020 £	2019 £
Deferred tax		
Accelerated capital allowances	(26,361)	(31,556)
Pension scheme	<u>360,810</u>	<u>508,440</u>
	<u>334,449</u>	<u>476,884</u>
		Deferred tax
		£
Balance at 1 January 2020		476,884
Accelerated capital allowances		5,195
Pension scheme		<u>(147,630)</u>
Balance at 31 December 2020		<u>334,449</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2019 £
619,150	Ordinary shares	1	<u>619,150</u>	<u>619,150</u>

**19. RESERVES**

	Retained earnings £	Other reserves £	Totals £
At 1 January 2020	3,537,769	1,500,000	5,037,769
Profit for the year	30,654		30,654
Dividends	(3,280,850)		(3,280,850)
Actuarial loss on pension	(629,370)	-	(629,370)
Distributable earnings	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>-</u>
At 31 December 2020	<u>1,158,203</u>	<u>-</u>	<u>1,158,203</u>

The retained earnings account represents cumulative profits and losses net of dividends and other adjustments.

Other reserves consisted of a capital contribution received from Gnutti Powertrain Components AB, the company's immediate parent undertaking. These were moved to distributable reserves within the year in order to pay a dividend.

**20. EMPLOYEE BENEFIT OBLIGATIONS**

The Company sponsors the Finneveden Powertrain Pension & Life Assurance Scheme, a funded defined benefit scheme in the UK. The Scheme is administered within a trust which is legally separate from the Company. Trustees are appointed by both the Company and the Scheme's membership and act in the interest of the Scheme and the relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Scheme's assets.

The Scheme closed to new entrants on 31 October 2005. During their period of Scheme membership, members accrued an annual pension of 1/80th of final salary for each year of pensionable service, which increases in line with inflation both before and after retirement. The Scheme also provides a spouse's pension on the death of a member after retirement.

The Scheme poses a number of risks to the Company, for example longevity risk, interest rate risk and inflation risk. The Trustees are aware of these risks and use various techniques to control them. The Trustees have a number of internal control policies, including a risk register, which are in place to manage and monitor the various risks they face. Responsibility for making good any deficit within the Scheme lies with the Company.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 8 January 2021. The preliminary results of that valuation have been used to value 31 December 2020 by a qualified actuary independent of the Company. The figures in the following disclosure were measured using the Projected Unit Method.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**20. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Current service cost	-	-
Net interest from net defined benefit asset/liability	(53,000)	(29,000)
Past service cost	106,000	-
	<u>53,000</u>	<u>(29,000)</u>
Actual return on plan assets	<u>336,000</u>	<u>432,000</u>

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

	Defined benefit pension plans	
	2020	2019
	£	£
Opening defined benefit obligation	14,433,000	14,710,000
Past service cost	53,000	-
Interest cost	283,000	403,000
Benefits paid	(580,000)	(648,000)
Remeasurements:		
Actuarial (gains)/losses from changes in demographic assumptions	(143,000)	(1,072,000)
Actuarial (gains)/losses from changes in financial assumptions	2,413,000	1,564,000
Obligation other remeasurement	-	(524,000)
	<u>16,459,000</u>	<u>14,433,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Opening fair value of scheme assets	17,109,000	15,740,000
Expected return	336,000	432,000
Benefits paid	(580,000)	(648,000)
Return on plan assets (excluding interest income)	1,493,000	1,585,000
	<u>18,358,000</u>	<u>17,109,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**20. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Actuarial (gains)/losses from changes in demographic assumptions	143,000	1,072,000
Actuarial (gains)/losses from changes in financial assumptions	(2,413,000)	(1,564,000)
Obligation other remeasurement	-	524,000
Return on plan assets (excluding interest income)	1,493,000	1,585,000
	<u>(777,000)</u>	<u>1,617,000</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Equities	10,199,000	10,470,000
Bonds	7,945,000	6,426,000
Other	214,000	213,000
	<u>18,358,000</u>	<u>17,109,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**20. EMPLOYEE BENEFIT OBLIGATIONS - continued**

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

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

The Company has made no contributions to the Scheme during the year ending 31 December 2020.

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

		2020	2019
£	£		
Fair value of scheme assets		18,358,000	17,109,000
Present value of scheme liabilities		(16,459,000)	(14,433,000)
Net pension asset		<u>1,899,000</u>	<u>2,676,000</u>

**Sensitivity of the liability value to changes in the principal assumptions**

If the discount rate was 0.1% higher (lower), the Scheme liabilities would decrease by approximately £323,000 (increase by approximately £323,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the Scheme liabilities would increase by approximately £279,000 (decrease by approximately £279,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is deferred pension and pension in payment increases. The other assumptions remain unchanged.

If life expectancies were to increase by 1 year the Scheme liabilities would increase by approximately £654,000 if all the other assumptions remained unchanged.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2020	2019
Discount rate	1.40%	2.00%
Rate of increase in pension payment	2.40%	2.05%
Retail price inflation assumption	2.85%	2.95%
Consumer price inflation assumption	2.40%	2.05%

**21. RELATED PARTY DISCLOSURES**

Under FRS 101 the company is exempt from the requirement to disclose details of transactions with its ultimate parent and group undertakings.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

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

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

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



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