Benteler Automotive UK Limited

Annual report and financial statements

Registered number 3228477

For the year ended 31 December 2016

Contents

Strategic report

Business review and principal activities

The Company is a wholly owned subsidiary of Benteler AG and operates as part of its automotive division.

The Company's principal activity during the year continues to be the manufacture and sale of welded automotive components to the automotive manufacturing industry in the UK. The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year.

The automotive division, of which the Company is a part, invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company, as part of the division, in the medium to long-term future. This research and development activity has resulted in a number of updates to existing products.

As shown in the Company's statement of comprehensive income on page 7, the Company's turnover has increased by 85.3% over the prior year and results have improved from a loss before tax of £191,470 in 2015 to a profit before tax of £819,691 in 2016. The main factor contributing to the increase in profit before tax is the stabilisation of new projects and increased volume.

The outlook for the business in 2017 is positive, it is anticipated that sales will increase due to improving trading conditions and a full year's sales with the new projects from Jaguar and Land Rover. Profit levels will increase due to increased equipment utilisation and overhead absorption. The main area of improvement is expected in the supply of parts to Jaguar and Land Rover.

The balance sheet on page 9 of the financial statements shows that the Company's financial position at the year end has improved due to the trading profit and to the fair value movement in interest rate swaps.

There have been no significant events since the balance sheet date which have impacted the understanding of these financial statements.

Key performance indicators

Benteler Automotive UK Limited manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Automotive Division of Benteler AG, which includes the company, is discussed in Benteler AG's Annual Report which does not form part of this Report.

Principal risks and uncertainties

The company meets its day to day working capital requirements through an overdraft facility from Group. In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The Company occupies a strategic location in the UK in relation to all the car manufacturing sites.

Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

The Company sells products into the UK market in Euros and it is therefore exposed to currency movements on such sales. Where appropriate, the Company manages this risk in line with Benteler AG's treasury policies.

The Company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The Group risks to which Benteler AG is exposed are discussed in Benteler AG's Annual Report which does not form part of this Report.

Strategic report *(continued)*

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

By order of the board

S Abraham
Secretary

31 March 2017

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2016.

Directors

The directors who held office during the year and subsequently are as follows:

A Simpson (resigned 4 May 2016)
U Henny

Proposed dividend

No dividends were paid in the year *(2015:£Nil)*. The directors do not propose the payment of a final ordinary dividend.

Political and charitable contributions

The Company made no political contributions during the year *(2015: £Nil)*. No donations were made to UK charities during the year *(2015: £1,800)*.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board

S.G. Abraham

S Abraham
Secretary

Baird Road
Willowbrook North Industrial Estate
Corby
Northamptonshire
NN17 5BB

31 March 2017

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Benteler Automotive UK Limited

We have audited the financial statements of Benteler Automotive UK Limited for the year ended 31 December 2016 set out on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial reporting Standards (IFRSs) as adopted by the EU.

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

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016, and of its profit for the year then ended;
- have been properly prepared in accordance with the IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Benteler Automotive UK Limited
(continued)

Matters on which we are required to report by exception

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

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

Stuart Wood (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

31 March 2017

Statement of comprehensive income
for the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue	2	65,008,219	35,091,824
Cost of sales		(44,379,955)	(19,007,527)
Gross profit		20,628,264	16,084,297
Other operating expenses	3	(20,096,359)	(16,159,877)
Operating profit/(loss)		531,905	(75,580)
Financial income	6	287,786	-
Financial expenses	6	-	(115,890)
Net financing income/(expense)		287,786	(115,890)
Profit/(loss) before tax		819,691	(191,470)
Taxation	7	(131,722)	55,630
Profit/(loss) for the financial year		687,969	(135,840)
Items that are or may be reclassified to profit or loss:			
Effective portion of changes in value of cash flow hedges		263,757	236,357
Income tax on items that are or may be reclassified to profit or loss		(52,751)	(49,144)
Other comprehensive income for the year		211,006	187,213
Total comprehensive income for the year		898,975	51,373

All operations of the company relate to continuing activities.

Statement of changes in equity
for the year ended 31 December 2016

	Share capital £	Share premium £	Capital reserves £	Cash flow hedging reserve £	Retained earnings £	Total equity £
Balance at 1 January 2015	100,000	3,163,050	3,000,000	9,921	(3,803,530)	2,469,441
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(135,840)	(135,840)
Other comprehensive income	-	-	-	187,213	-	187,213
Balance at 31 December 2015	100,000	3,163,050	3,000,000	197,134	(3,939,370)	2,520,814
Balance at 1 January 2016	100,000	3,163,050	3,000,000	197,134	(3,939,370)	2,520,814
Total comprehensive income for the year						
Profit for the year	-	-	-	-	687,969	687,969
Other comprehensive income	-	-	-	211,006	-	211,006
Balance at 31 December 2016	**100,000**	**3,163,050**	**3,000,000**	**408,140**	**(3,251,401)**	**3,419,789**

Balance sheet
at 31 December 2016

	Note	2016 £	2015 £
Assets			
Non-current assets			
Intangible assets	8	**3,650**	6,445
Property, plant and equipment	9	**14,701,649**	9,694,431
		14,705,299	9,700,876
Current assets			
Inventories	11	**6,543,288**	9,973,100
Trade and other receivables	12	**9,207,502**	7,030,775
Cash and cash equivalents	13	**1,821,423**	758,953
		17,572,213	17,762,828
Total assets		**32,277,512**	27,463,704
Liabilities			
Current liabilities			
Trade and other payables	15	**(11,929,938)**	(11,358,573)
		(11,929,938)	(11,358,573)
Non-current liabilities			
Deferred tax liability		**(505,588)**	(334,768)
Other interest-bearing loans and borrowings	14	**(16,422,197)**	(13,249,549)
		(16,927,785)	(13,584,317)
Total liabilities		**(28,857,723)**	(24,942,890)
Net assets		**3,419,789**	2,520,814
Share capital and reserves			
Share capital	17	**100,000**	100,000
Share premium		**3,163,050**	3,163,050
Reserves		**3,000,000**	3,000,000
Cash flow hedging reserve		**408,140**	197,134
Retained earnings		**(3,251,401)**	(3,939,370)
Total equity		**3,419,789**	2,520,814

These financial statements were approved by the board of directors on 31 March 2017 and were signed on its behalf by:

D Jackson
Director

Company register number: 3228477

Statement of cash flows
for year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit/(loss) for the year		687,969	(135,840)
Adjustments for:			
Depreciation, amortisation and impairment	*8,9*	1,351,975	773,798
Financial income	*6*	(287,786)	-
Financial expense	*6*	-	115,890
Taxation	*7*	131,722	(55,630)
Operating cash flows before changes in working capital and provisions		1,883,880	698,218
(Increase)/decrease in trade and other receivables	*12*	(1,682,798)	557,969
Decrease/(increase) in inventories	*11*	3,429,812	(5,329,702)
Increase in trade and other payables	*15*	327,540	5,119,709
Foreign exchange differences		495,983	68,830
Cash generated from operations		4,454,417	1,115,024
Interest paid		(327,950)	(205,832)
Net cash inflow from operating activities		4,126,467	909,192
Cash flows from investing activities			
Acquisition of property, plant and equipment	*8,9*	(6,356,398)	(5,724,611)
Net cash from investing activities		(6,356,398)	(5,724,611)
Cash flow from financing activities			
Loan from parent		3,172,648	5,191,746
Net cash from financing activities		3,172,648	5,191,746
Net increase in cash and cash equivalents		942,717	376,327
Effects of exchange rate fluctuations on cash held		119,753	(21,507)
Cash and cash equivalents at beginning of year		758,953	404,133
Cash and cash equivalents at end of year		1,821,423	758,953

Notes
(forming part of the financial statements)

1 Accounting policies

Benteler Automotive UK Limited (the "Company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Company's business activities, together with other factors likely to affect its future performance and position, are set out in the strategic report. The directors consider the Company to have sufficient resources which will allow it to continue as a going concern for the foreseeable future and continue to adopt the going concern basis of accounting.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. Non-current asset and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Foreign currency

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

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument. Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	-	25 years
Plant and equipment	-	5-18 years
Fixtures and fittings	-	2-5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

The Company only has one class of intangible assets. Amortisation is charged to the income statement on a straight line basis over its estimate useful life.

The estimated useful life for software is 5 years.

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are recycled into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments and hedging (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Impairment

The carrying amounts of the Company's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Employee benefits

Defined contribution plans

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

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, that is, normally in connection with delivery.

Revenue represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of Value Added Tax.

Revenue and pre-tax loss, all of which arises in the United Kingdom, is attributable to one activity, the manufacture of components for the automotive industry.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance income and expenses

Net financing costs comprise interest payable, interest receivable on funds invested, foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2 Revenue

Revenue analysed by geographical location

	2016	2015
	£	£
UK	62,804,855	33,721,440
Europe	2,203,364	1,370,384
Total revenues	65,008,219	35,091,824

Notes *(continued)*

3 Expenses and auditors' remuneration

Included in other operating expenses are the following:

	2016	2015
	£	£
Depreciation of property, plant and equipment (note 9)	1,349,180	771,517
Amortisation of intangible asset (note 8)	2,795	2,281
Operating lease rentals:		
Motor vehicles	58,264	55,638
Other	160,000	150,000

Auditor's remuneration:

	2016	2015
Audit of these financial statements	22,500	21,414
Services relating to taxation	6,216	8,706
	28,716	30,120

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	2015
Sales and logistics		
Administration	10	7
Production	70	59
	282	226
	362	292

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	7,109,401	5,610,131
Social security costs	729,178	589,747
Contributions to defined contribution plans	162,282	125,166
	8,000,861	6,325,044

5 Directors' remuneration

The directors' remuneration were borne by another group company in 2015 and 2016, except for one of the directors employed in the period.

	2016	2015
	£	£
Director's emoluments	87,793	150,503
Compensation for loss of office	20,528	-

Notes *(continued)*

6 Finance income and expense

	2016 £	2015 £
Interest payable to group undertakings	327,950	201,484
Foreign exchange gain	(615,736)	(89,942)
Interest payable on bank loans and overdrafts	-	4,348
Total financial (income)/expense	(287,786)	115,890

7 Taxation

Recognised in the income statement

	2016 £	2015 £
Current tax expense/(credit)		
Current year	13,653	(268,857)
Deferred tax expense		
Origination and reversal of temporary differences	151,340	229,460
Adjustments for prior years	(16,452)	(7,877)
Effect of tax rate change	(16,819)	(8,356)
Deferred tax expense (note 11)	118,069	213,227
Tax (credit)/charge in income statement	131,722	(55,630)
Income tax recognised in other comprehensive income		
Net change in fair value of cash flow hedges reclassified to profit or loss	(52,751)	(49,144)
	(52,751)	(49,144)

Reconciliation of effective tax rate

	2016 £	2015 £
Profit/(loss) before tax	819,691	(191,470)
Tax using the UK corporation tax rate of 20% *(2015: 20.25%)*	163,938	(38,766)
Non-deductible expenses	744	3,401
Adjustment in respect of prior years	(16,452)	(10,673)
Fixed asset differences	24,823	25,262
Tax rate change	(41,331)	(34,854)
Total tax in income statement	131,722	(55,630)

Notes *(continued)*

7 Taxation *(continued)*

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

8 Intangible assets

	Software £
Cost	
Balance at 1 January 2015	26,867
Additions	7,365
Balance at 31 December 2015	34,232
Balance at 1 January 2016 and 31 December 2016	34,232
Amortisation	
Balance at 1 January 2015	25,506
Amortisation charge for year	2,281
Balance at 31 December 2015	27,787
Balance at 1 January 2016	27,787
Amortisation charge for year	2,795
Balance at 31 December 2016	30,582
Net book value	
At 31 December 2015	6,445
At 31 December 2016	**3,650**

The amortisation charge is recognised within Other Operating Expenses.

Notes *(continued)*

9 Property, plant and equipment

	Land and buildings £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
Balance at 1 January 2015	3,167,596	8,508,642	1,495,269	13,171,507
Additions	67,322	5,531,779	118,145	5,717,246
Balance at 31 December 2015	3,234,918	14,040,421	1,613,414	18,888,753
Balance at 1 January 2016	3,234,918	14,040,421	1,613,414	18,888,753
Additions	2,544,427	3,544,461	267,510	6,356,398
Reclassifications	369,166	(369,166)	-	-
Balance at 31 December 2016	6,148,511	17,215,716	1,880,924	25,245,151
Depreciation* and *impairment				
Balance at 1 January 2015	1,895,651	5,213,922	1,313,232	8,422,805
Depreciation charge for the year	124,774	554,476	92,267	771,517
Balance at 31 December 2015	2,020,425	5,768,398	1,405,499	9,194,322
Balance at 1 January 2016	2,020,425	5,768,398	1,405,499	9,194,322
Depreciation charge for the year	173,533	1,089,413	86,234	1,349,180
Balance at 31 December 2016	2,193,958	6,857,811	1,491,733	10,543,502
At 31 December 2015	1,214,493	8,272,023	207,915	9,694,431
At 31 December 2016	**3,954,553**	**10,357,905**	**389,191**	**14,701,649**

Included above is freehold land amounting to £362,464 *(2015: £362,464)* on which no depreciation is provided.

Security

Land and buildings are pledged as security.

Contractual Commitments

At 31 December 2016 there were contractual commitments for the acquisition of plant and equipment for £213,179 *(2015: £5,461,326)*.

Notes *(continued)*

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	£	£	**£**	£	**£**	£
Property, plant and equipment	**-**	-	**404,155**	303,180	**404,155**	303,180
Other timing differences	**(462)**	(427)	**-**	-	**(462)**	(427)
Tax loss carry-forwards utilised	**-**	(17,129)	**-**	-		(17,129)
Financial instruments	**-**	-	**101,895**	49,144	**101,895**	49,144
Tax (assets)/liabilities	**(462)**	(17,556)	**506,050**	352,324	**505,588**	334,768

Movement in deferred tax during the year

	1 January 2016 £	Recognised in income £	Recognised in equity £	**31 December 2016 £**
Property, plant and equipment	303,180	100,975	-	**404,155**
Other timing differences	(427)	(35)	-	**(462)**
Tax loss carry forwards generated	(17,129)	17,129	-	**-**
Financial instruments	49,144	-	52,751	**101,895**
Net tax (assets)/liabilities	334,768	118,069	52,751	**505,588**

Movement in deferred tax during the prior year

	1 January 2015 £	Recognised in income £	Recognised in equity £	31 December 2015 £
Property, plant and equipment	84,026	219,154	-	303,180
Other timing differences	(474)	47	-	(427)
Tax loss carry-forwards utilised	(11,155)	(5,974)	-	(17,129)
Financial instruments	-	-	49,144	49,144
Net tax (assets)/liabilities	72,397	213,227	49,144	334,768

Deferred tax is calculated on timing differences using a tax rate of 17% *(2015: 20%)*.

Notes *(continued)*

11 Inventories

	2016 £	2015 £
Raw materials and consumables	**1,989,922**	1,575,972
Work in progress	**188,472**	131,176
Finished goods	**610,889**	764,951
Tooling	**3,754,005**	7,501,001
	6,543,288	9,973,100

Inventories to the value of £25,496,526 were recognised as cost of sales in the year *(2015: £21,872,962)*. The write-down of inventories to net realisable value amounted to £137,565 *(2015: £3,174)*. The write down is included in cost of sales.

12 Trade and other receivables

	2016 £	2015 £
Trade receivables	**8,131,872**	6,352,341
Trade receivables due from group undertakings	**115,416**	273,389
Prepayments and accrued income	**205,566**	144,326
Financial instruments	**754,648**	260,719
	9,207,502	7,030,775

Included within trade receivables is £Nil *(2015: £Nil)* expected to be recovered in more than 12 months.

13 Cash and cash equivalents

	2016 £	2015 £
Cash and cash equivalents	**1,821,423**	758,953

Notes *(continued)*

14 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 19.

	2016 £	2015 £
Non-current liabilities		
Loans from group undertakings	**16,422,197**	13,249,549
	16,422,197	13,249,549

The loan and interest are secured on business land and property

The Company is party to group cash pooling arrangements. Balances due or outstanding on this cash pool are interest bearing (see note 19).

At 31 December 2016, amounts payable to group undertakings includes £16,422,167 *(2015: £13,249,549)* in respect of the group cash pool.

15 Trade and other payables

	2016 £	2015 £
Trade payables	**6,764,468**	7,805,843
Payables due to group undertakings	**3,168,885**	2,138,672
Other taxation and social security	**590,193**	577,140
Accruals and deferred income	**1,238,674**	836,918
Financial instruments	**167,718**	-
	11,929,938	11,358,573

Included within trade payables to group undertaking is £Nil *(2015: £Nil)* expected to be settled in more than 12 months.

16 Employee benefits

The Company participates in a number of defined contribution pension plans. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund which amounted to £162,282 *(2015: £125,166)*. There were no pension contributions outstanding or prepaid at the balance sheet date *(2015: £Nil)*.

17 Share capital

	2016 £	2015 £
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	**100,000**	100,000

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net charge in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes *(continued)*

18 Financial instruments

Capital Reserves

Represents a capital contribution from Parent.

Share Premium

Represents the amount paid by shareholders to acquire ordinary share capital in excess of nominal value Overview.

The Company has exposure to currency, interest rate, credit and liquidity risk that arises in the normal course of the Company's business. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Fair value of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

The following table shows the carrying value of financial instruments on the balance sheet. The carrying value of financial instruments closely approximates their fair value. All instruments, fair values have been determined as level 1.

	2016	2015
	£	£
Financial assets		
Trade receivables	**8,131,872**	6,352,341
Receivables due from group undertakings	**115,416**	273,389
Prepayments and accrued income	**205,566**	144,326
Financial instruments	**754,648**	260,719
Total financial assets	**9,207,502**	7,030,775

Notes *(continued)*

18 Financial instruments *(continued)*

	2016 £	2015 £
Financial liabilities		
Loans from group undertakings	**16,422,197**	13,249,549
Payables due to group undertakings	**3,168,885**	2,138,672
Trade payables	**6,764,468**	7,805,843
Other payables	**590,193**	577,140
Accruals and deferred income	**1,238,673**	836,918
Financial instruments	**167,718**	-
Total financial liabilities	**28,352,134**	24,608,122

Foreign currency risk

The Company is exposed to foreign currency risk for transactions that are denominated in a currency other than the Great British Pound (GBP). The Company's exposure to foreign currency risk, based on notional amounts is summarised as follows:

2016

	Foreign currency amount	GBP equivalent
Assets		
Trade receivables – EUR	**1,410,787**	**1,207,084**
Total financial assets		**1,207,084**
Liabilities		
Trade payables		
- EUR	**2,844,235**	**2,431,446**
- CZK	**85,639**	**2,683**
- USD	**1,179,896**	**957,630**
		3,391,759

2015

	Foreign currency amount	GBP Equivalent
Assets		
Trade receivables – EUR	1,555,868	1,143,643
Total financial assets		1,143,643
Liabilities		
Trade payables		
- EUR	3,958,289	2,891,679
- CZK	27,725	725
- USD	574,004	387,369
- SEK	183,442	13,893
		3,293,666

Notes *(continued)*

18 Financial instruments *(continued)*

Sensitivity analysis

A 10% strengthening of the pound sterling against the foreign currencies at year end would have decreased the Company's equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	GBP	
	2016	2015
	£	£
Assets in foreign currency		
Trade receivables	**(109,735)**	(103,968)
Liability in foreign currency		
Trade payables	**308,342**	299,424
Net effect	**198,607**	195,456

A 10% weakening of the pound sterling against the currencies above the year end would have had the equal but opposite effect on the reported profit and equity to the amounts shown above, on the basis that all other variables remain constant.

Interest risk

Financial instruments subject to interest rate risk consist of the loan due to group undertakings to finance short term capital requirements. Interest rates applicable to these balances are floating rates of interest linked to LIBOR. The Company's variable interest rate instruments are analysed as follows:

		2016			2015	
	Effective interest rate	**Total**	**0 > 1 years**	Effective interest rate	Total	0 - <1 years
		£			£	£
Loans from Group undertakings	**1.50%**	**(16,422,197)**	**(16,422,197)**	1.78%	(13,249,549)	(13,249,549)
		(16,422,197)	**(16,422,197)**		(13,249,549)	(13,249,549)

Sensitivity analysis

A change of 1% in interest at the balance sheet date would have changed profit and loss by £164,222 *(2015: £132,495)*. This calculation assumes that the change occurred at the balance sheet date and has been applied to risk exposures existing at that date.

Notes *(continued)*

18 Financial instruments *(continued)*

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables. Management has a credit risk policy and exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £8,131,872 *(2015: £6,352,341)* being the total of the carrying amount of the financial asset shown in the table.

Trade receivable balances at year end are aged as follows (excluding balances due from group companies):

	2016 Gross £	Impairment £	2015 Gross £	Impairment £
Current	8,123,568	-	6,338,634	-
30-90 days	8,150	-	2,481	-
90-365 days	154	-	11,226	-
>365 days	-	-	-	-
	8,131,872	-	6,352,341	-

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing its liquidity is to ensure, as far as possible, that it has sufficient liquidity available to meet its liabilities when due, both under normal and adverse economic conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company ensures that it has sufficient cash on demand to meet its expected operational expenses for a period of 60 days, including the servicing of any financial obligations. This excludes the potential impact of extreme circumstances which cannot be reasonably predicted, for example, natural disasters.

Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and are expected to affect the profit and loss account:

	Carrying amount £	Expected cash flows £	1 year or less £	1 to <2years £	2 to <5years £
Forward exchange contracts:					
Assets	754,648	754,648	754,648	-	-

Notes *(continued)*

18 Financial instruments *(continued)*

Liquidity risk

The Company's financial liabilities based on contractual cash flow is summarised as follows:

	Contractual cash flow £	Carrying amount £
2016		
Payables to group undertakings	**3,168,654**	**3,168,654**
Other trade payables	**6,764,468**	**6,764,468**
Other payables	**590,193**	**590,193**
Loans from group undertaking	**16,422,197**	**16,422,197**
	26,945,512	**26,945,512**
2015		
Payables to group undertakings	2,138,672	2,138,672
Other trade payables	7,805,843	7,805,843
Other payables	577,140	577,140
Loans from group undertaking	13,249,549	13,249,549
	23,771,204	23,771,204

Financial liabilities noted above are payable within one year.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £	2015 £
Less than one year	196,196	192,202
Between one and five years	1,307,654	42,729
	1,503,850	234,931

During the year £218,264 was recognised as an expense in the income statement in respect of operating leases *(2015: £205,638)*.

The company leases various vehicles, equipment and buildings under these operating leases.

Notes *(continued)*

20 Related parties

Identity of related parties

The Company has a related party relationship with its holding company and key management personnel.

Transactions with key management personnel

The Company's key management personnel are the directors. Details of directors' remuneration are given in note 6. There were no other transactions with key management personnel in either the current or preceding year.

Other related party transactions

During the year the company had the following transactions with its related parties:

	Sales to related party		Purchases from related party		Interest receivable from related party	
	2016	2015	**2016**	2015	**2016**	2015
	£	£	**£**	£	**£**	£
Other group undertakings	**423,549**	207,220	**30,584,462**	14,258,164	**-**	-
Holding company	**-**	-	**-**	-	**327,950**	201,484
	423,549	207,220	**30,584,462**	14,258,164	**327,950**	201,484

	Balance due from related party		Balance due to related party	
	2016	2015	**2016**	2015
	£	£	**£**	£
Other group undertakings	**115,416**	273,389	**3,168,885**	2,138,672
Holding company	**-**	211	**16,422,197**	13,249,549
	115,416	273,600	**19,591,082**	15,388,221

During the year, the company paid personal expenses of Mr Benteler, ultimate owner, amounting to £176,348 *(2015: £306,868)*. At the year end, a balance of £5,914 was receivable *(2015: £19,168)*.

The company has entered into a cross guarantee with the following UK group companies; Benteler (UK) Limited, Benteler Distribution Limited, Benteler Holdings Limited, in respect of security for liabilities.

21 Management of Capital

The Company is financed through a combination of its ordinary share capital, shareholder loans and third party loans.

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Benteler Automotive International GmbH which is the immediate parent company incorporated in Germany.

The largest group in which the results of the Company are consolidated is that headed by Benteler International AG, incorporated and registered in Austria. The consolidated financial statements of these groups financial statements of these groups are available to the public and may be obtained from Benteler International Ag, Schillerstrasse 25 – 27, 5070 Salzburg, Austria.