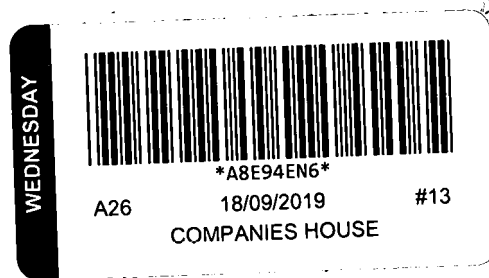


Registered number: 01994997

**Unipart Group of Companies Limited**

**Annual Report**

**For the Year Ended 31 December 2018**



## Unipart Group of Companies Limited

### Company Information

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<b>Directors</b>	F W Burns J Chitty B S Jackson CBE H G Mughal OBE J M Neill CBE N J Travers UGC GP Scotland Limited
<b>Company secretary</b>	R P D O'Brien
<b>Registered number</b>	01994997
<b>Registered office</b>	Unipart House Cowley Oxford OX4 2PG
<b>Registrar</b>	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6ZX
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Herald Way East Midlands DE74 2UZ

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This publication comprises the full Annual Report and Financial Statements of Unipart Group of Companies Limited for 2018, prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and includes the Chairman's Statement, the Strategic, Operating and Financial Review, the Directors' Report, the Independent Auditors' Report and the Financial Statements for the year ended 31 December 2018.

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## Chairman's Statement

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2018 was a tough year for the UK economy in general with slowing growth rates, and particularly difficult trading conditions in the Retail and Automotive sector as consumer confidence levels declined against the backdrop of Brexit uncertainty. Brexit continues to be a serious short, medium and long term concern for our UK businesses. The risk to complex, sophisticated and carefully choreographed supply chains developed over decades cannot be understated in the event of any failure to not only maintain but improve the free flow of products, services and people across our borders. Group sales declined in the year to £715.3m primarily as a result of certain Retail and Technology customers making strategic decisions to restructure their supply chain operations, in particular reverse logistics. However our internal revenue expectations for the year were achieved and we secured several large new contracts during the year and continued to invest in digital technologies to keep pace with the leading enterprises in the Fourth Industrial Revolution. Despite the reduction in turnover, Group profit before interest and taxation and other exceptional items was ahead of 2017 at £24.3m (2017: £22.8m).

Along with all UK businesses which have a defined benefit pension liability, the Group has been considering the impact of the 2018 legal case that has clarified how Guaranteed Minimum Pensions (or GMPs) should be equalised between male and female members of our schemes. It is estimated that the total impact across all UK pension schemes could be £20 billion over the lifetime of the schemes. In accordance with UK accounting standards the estimated impact needs to be charged to the profit and loss account now, even though the increased members' benefits will be paid out over the life of the scheme, which in the case of our largest scheme is expected to be around 2080. We have therefore included an exceptional item in this year's financial statements; further background on this and a more detailed review of the financial performance of the Group is provided in the Financial Review on page 12.

The new technologies that are available, and those rapidly emerging as part of the Fourth Industrial Revolution, will provide challenges from new competitors but at the same time, create significant opportunities for us to live by our philosophy which is 'to meet the real and perceived needs of our customers better than anyone else and serve them better than anyone else' by bringing the appropriate technologies to bear to enable our customers to achieve competitive advantage.

We find ourselves in a time of great change in terms of both the political landscape and the rapid advancements generated by the Fourth Industrial Revolution. Changing times bring significant opportunities. We have set a strategic goal to be digital leaders in our sector through continued investment in our digital capabilities. This desire to be at the forefront of progress has been driven by our philosophy.

Innovation has been central to our operations ever since the formation of the Group, underpinned throughout by the investment in The Unipart Way. 2018 has been no different.

Our collaboration with Coventry University, the Advanced Manufacturing and Engineering Institute ("AME"), is now in its fifth year of undergraduate training. We are very proud of the industry-ready, world-class engineers that have graduated from the AME, many of which have gone on to start their post graduate careers with Unipart. We have received National Student Survey scores of 100% in 2018 with two full cohorts of students recruited into the engineering industry, some of whom joined the graduate scheme within Unipart. The AME is also delivering government-funded collaborative projects to support the research and development of our fuel systems technology roadmaps.

Building on the growing success of the AME, Unipart will be working closely with Coventry University as an industrial partner in the new government-funded Institute of Coding. The Institute is designed to create the next generation of coding specialists with Coventry University heading up the drive to digitalise industry. I am particularly excited by this as the Group took the decision to invest in our own digital capability, including the provision of in-house training in coding available to all our people. Developing digital capability across our Group enables us to turn the ideas and insight of thousands of our people into new products and services for our customers.

## Chairman's Statement

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We have established Hyperbat as a joint venture with Williams Advanced Engineering to combine our world-leading expertise in manufacturing, logistics and safe, innovative, high performance vehicle battery technology. Forming partnerships to combine world-leading expertise in production and manufacturing with high performance advanced fuel technology enables us to be at the forefront of reducing carbon emissions and powering electric vehicles.

Our strategy for growth in the UK and internationally has resulted in several large new contracts.

For instance, Unipart has been awarded a significant and exciting new contract to run NHS Supply Chain logistics across seven UK sites which commenced in February 2019. In July 2018, Unipart also went live on a new contract with Volkswagen Group to run their UK Aftermarket supply chain. Unipart is now also running a new operation from Cowley accommodating new MINI electric vehicle production for BMW.

Our overseas operations also continued to grow. In 2018, we began a supply chain contract with the world's largest tram network, the Melbourne-based Yarra Trams and a distribution agreement was signed with Gear Rail to serve both South Africa and the wider African continent.

I am pleased to report that the Group has once again been granted a number of awards in 2018, including:-

- The Best in Industry for Mobile Service and Repair at the Mobile News Awards, recognising our commitment to and innovation in customer experience, reducing return costs, and enabling the highest quality repairs.
- The Aftermarket Award at the 2018 Automotive Global Awards for a remarkable third time. This was in tandem with McLaren Automotive in acknowledgment of their collaboration to deliver significant improvements to customer service through the opening of a regional distribution centre in the US.
- The British Safety Council's International Safety Award for setting world class approaches to health and safety in the transport and logistics sector. Unipart were one of an elite group of companies globally to receive safety distinctions. The Council commended our commitment to keeping our employees and workplaces free of injury and ill health.

The Group received four Swords of Honour and one Globe of Honour from the British Safety Council, including a Sword for our MetLase start-up joint venture with Rolls Royce which is a notable achievement given its launch less than three years ago. The awards emphasise the utmost importance we place on health, safety and environmental management in our operations.

The contributions of employees continue to be recognised in our regular Mark in Action award ceremonies. Over 3,000 colleagues have been recognised since the awards began in 1987. The awards acknowledge those employees who have gone above and beyond to provide excellent service to our customers and deliver true value.

The Unipart Way is fundamental to our success, and our colleagues' enduring commitment to these core principles has enabled us to continuously evolve and innovate as a business. I would like to take this opportunity to personally thank each of our colleagues for his or her dedication, effort and appetite for learning which is so vital to driving our success. The stories I hear at our Mark in Action award ceremonies and watch on our Grapevine videos are inspirational and are testament to the tremendous endeavours of colleagues throughout the Group to continuously improve and flourish.

In the face of UK's exit from the European Union and the Fourth Industrial Revolution there is an ever-increasing demand for skills. In 1993, Unipart recognised that to be competitive we need to renew our skills every three years. That is even more relevant today. It is not just digital skills from new recruits; it is the continuous re-skilling of every one of our colleagues that will provide us with the capability for digital innovations to bring new benefits to our customers. The convergence of digital technologies is creating a revolution in our markets and our industry sectors. Some will deploy digital technologies as a blunt tool to reduce headcount costs. We have chosen a different view. Unipart believes that we can develop the skills within our people to enable them to create innovative digital products and services that will provide business growth while enhancing the quality and value in their jobs. Our fundamental challenge is to accelerate this development programme at a pace that is truly revolutionary and enables us to compete based on the culture, commitment and creativity of our people.

## Chairman's Statement

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I would like to put on record my appreciation to a number of Board colleagues who retired in 2018. Tony Mourgue has been the Group Finance Director since 1986 having joined the Group in 1983. Tony has effectively ensured a culture of no surprises and helped the Group to live up to its mission. Part of that mission requires us to take well-judged entrepreneurial risks and that has enabled us to become the widely diversified Group that we are today. During the 30 years he was with us, Tony built strong trusting relationships with our key stakeholders and I wish him every happiness in his retirement.

John Clayton also retired during 2018 as part of a very well designed succession process. He joined Unipart in 1983 holding a variety of senior financial and general management positions in the Group. He was appointed as Managing Director of the Group's interests in the Rail sector from its inception and has successfully improved it from an underperforming business delivering poor customer service to a real leader while at the same time expanding our footprint from the UK into a number of global markets. I wish John a happy and healthy retirement.

I am also pleased to announce three new additions to the Board of Directors.

Dr Hamid Mughal OBE has been appointed to the Board in the capacity of non-executive director. Hamid currently holds the position of Director of Global Manufacturing for Rolls-Royce plc and brings a wealth of expertise, with over 30 years of experience in the automotive and aerospace sectors.

Jonathan Chitty is appointed to the Board as Group Finance Director. Jonathan joined Unipart in 2002 and brings a deep understanding of the company's finances, along with strong knowledge of the wider operations of the Group.

Noel Travers joins the Board as Managing Director of the Group's Rail interests. Noel joined Unipart in 2016 and has successfully broadened our customer footprint, completed a number of successful acquisitions and grown our global customer base.

On behalf of the Unipart Group, I warmly welcome all three new directors to the Unipart Group Board and look forward to working together with them as we continue on our journey to be digital leaders in industry.

## Strategic, Operating and Financial Review

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### Strategy

"To understand the real and perceived needs of our customers better than anyone else, and to serve them better than anyone else."

That has been the cornerstone of our philosophy for over 30 years. Our success is made possible through us having longstanding, enduring relationships with some of the world's most prestigious and enterprising blue chip companies. We support these customers in expanding their opportunities across the globe, which in turn has contributed to the success of our own strategy.

Several years ago, our leadership team committed to a strategy for growth. We set ambitious goals and plans that would enable our Group to navigate its way through uncertainty and an unprecedented rate of change.

Unipart also recognised the need to be at the forefront of The Fourth Industrial Revolution, the term used to describe the convergence of digital technologies and the significant changes they bring to the industrial landscape.

Our company has a strong track record in challenging our employees to identify and implement appropriate technologies across our businesses through a digital lens, keeping us ahead of the curve. As a result, we are well placed to proactively approach customers with proposals on how they can improve their activities and add extra value for their customers.

However, we will not become complacent. Our in-house digital team continues to develop through further investment. We also have a great team of digital champions embedded within the organisation tasked with initiating discussions and generating ideas to be readily turned into digital products and improvements. We continue to challenge our employees to innovate and always seek improvements, with the intention that this becomes second nature and is firmly embedded in our culture.

We believe that for Unipart to deliver outstanding levels of performance to our customers, we need to challenge and inspire our people to progress on their personal learning journeys including increasing their knowledge and expertise in digital technologies.

We call this development programme 'Gate to Great'. It is a concept designed to empower our people to master The Unipart Way, our own philosophy of working that is underpinned by a set of tools and techniques necessary to solve problems every day. This requires us to build and sustain a culture in which we create leaders at every level in the business. Their role is pivotal in driving and sustaining employee engagement and continuous improvement.

As a result of this strategy, in 2018 we welcomed new customers across a wide variety of sectors, we strengthened our relationship with existing partners and we entered into a number of new collaborations.

We strengthened our relationships with university partners, enabling us to become key players in new government initiatives and commence research and development projects. In turn, we are able to capitalise on these opportunities and develop them into market-driven products and services providing benefits to our existing and future customers.

A good example of this is the development of the Hyperbat joint venture which we have launched with Williams Advanced Engineering. Through advanced research and development in energy storage technologies that is firmly grounded in commercial application, we have seen the start of one of our most exciting and promising new ventures. It will use the most advanced digital manufacturing techniques which are being developed and implemented by highly skilled, highly motivated people who are solving problems on a daily basis to continuously improve their operations.

For our strategy to succeed, we will continue to rely on the innovation and insight of our people using The Unipart Way. We have invested over 30 years in building The Unipart Way and we continue to strive to make this philosophy of working second nature, both in our own companies and also for the benefit of our customers, thereby driving productivity and delivering operational excellence.

## Strategic, Operating and Financial Review

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Sustaining The Unipart Way has required us to develop a strong culture of employee engagement within our company. Culture change takes many years of strategic commitment and deliberate practice to develop people to levels of mastery that exceed even their own expectations.

The Unipart Way is based on a profound belief in the importance of engaging people at every level of the business, and we remain committed to helping them unlock their potential through various initiatives that have been implemented globally, including:

- The Unipart U – This is one of the longest established corporate learning institutes in the UK. It was opened in 1993 with the Mission Statement: 'to train and inspire Unipart's people to achieve world-class performance within the company and amongst its stakeholders'.
- Faculties on the Floor – This concept has been developed as a direct extension of the Unipart U, to bring learning directly on to the shop floor. It enables individual employees to develop the key knowledge and skills that are required to improve quality and productivity in their day-to-day jobs. It also enables teams to tackle production issues in real-time using proven problem solving tools and techniques within the faculty and then immediately prove their learning by implementing solutions directly on the production line.
- We implemented the Faculty on the Floor model in our collaboration with Coventry University called the AME. The AME extends our strategy of developing 'great people' by providing undergraduate engineering students with formal education in a 'state of the art' manufacturing facility. The AME has already started to develop industry-ready young engineers for Britain.
- Unipart Way Online is an extensive online knowledge management system. It contains the latest learning and knowledge about the tools and techniques of The Unipart Way, our major business systems and digital developments from across our Group. It also incorporates Spark, an easily accessible app that enables employees from across the Group to share knowledge and best practice in real time.
- eCoaching – Our electronic coaching system is a comprehensive, cost effective system that enables our expert practitioners to train and coach people anywhere in the world. They can provide coaching in the moment by using technology to create a virtual 'go and see' environment to help people apply the right tools in the right sequence at the right time.

Our in-house digital team are currently developing several new products which will prove to be of significant value to our operations globally in the Digital Age.

The Unipart Way is a complete ecosystem that yields many benefits. We have coupled this with a matrix of digital products and services aligned to customers' requirements. Perhaps one of the most important benefits these ecosystems provide is sustained productivity improvement. Productivity has been cited as the route to improving living standards for everyone in the UK.

This continuing strategy for Unipart's development is based on the knowledge and confidence that we can extend The Unipart Way to people working in virtually any sector and in any geography. Unipart's commitment to the continuous development of our people with a focus on enabling everyone in the company to solve problems at their own level, has supported our strategy and fuelled our company's growth and reputation. It is our investment in this philosophy that has led to global brands trusting us with their business.



## Strategic, Operating and Financial Review

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### Operating Review

The Unipart Group of Companies (the "Group") provides supply chain and logistics solutions to its customers across a diverse range of market sectors, which are considered below.

#### Automotive

Unipart has developed and refined its end-to-end logistics capability that goes beyond traditional automotive logistics services, encompassing vendor and dealer management, customer services, inventory forecasting and supply chain management. The physical logistics services are complemented by the Unipart Business System, an innovative and world-class IT system that enables detailed control of inventory, whilst seamlessly integrating with dealers, warehousing, and financial systems. It is this unique ecosystem of logistics, IT and The Unipart Way philosophy of working, coupled with the highest level of employee engagement, which drives productivity improvements and tangible benefits for the Group's automotive customers.

During the year, Unipart has pursued its strategy for growth with considerable success. In July, Unipart commenced an exciting new contract with Volkswagen Group UK. Around 450 new people manage the full Aftermarket operation from a 650,000 sq. ft. logistics hub in Tamworth, servicing more than 900 retailers across the UK, for the Volkswagen, Audi, SEAT, SKODA, Volkswagen Commercial brands and Volkswagen Trade Parts Specialists. Volkswagen Group is the world's largest automotive manufacturer by sales, selling almost 11 million vehicles worldwide in 2017. It has retained the title of the largest European manufacturer for the past two decades. VW Group continues to innovate and grow through a huge investment in electric vehicles.

2018 has seen further significant growth based on continued partnerships with premium Automotive customers, especially in terms of Unipart's international reach. Unipart is setting up a new operation to support the Special Vehicle Operations Classic business. Unipart has also extended its business with Tesla across Asia Pacific, more than doubling the size of its China operation.

The Group's Van Wezel business continued to broaden its footprint into new markets while at the same time adding additional products and services, further cementing its status as the leading provider of aftermarket crash repair products and services across Europe. That position has been the result of a clear market offering with the regular introduction of additional products and services. Van Wezel has clearly demonstrated the commercial benefit of doing the simple things extraordinarily well whilst understanding its customers' needs and serving them better than any other aftermarket alternative. 2018 saw growth in the German market, alongside consolidation of Van Wezel's position in Benelux markets.

Intertruck, the European aftermarket distributor of truck and trailer components faced trying market conditions in 2018. Nonetheless, the strategy of winning business in new sectors such as industrial and fleet owners has contributed to growth, and overseas expansion to Africa has delivered substantial growth during the year.

#### Technology

In recent years, digital innovation has been brought into the heart of Unipart's continuous improvement culture, and is crucial to the long-term success of the Group strategy.

Following the contract extension established with Sky last year, 2018 has seen continued Unipart support for Sky's growth across all of its products, including new product launches in mobile and promotions with TV incentives, for which an additional facility was opened. In keeping with Unipart's continued commitment to improve environmental performance and in collaboration with Sky Ocean Rescue, Unipart have worked closely with Sky to make big steps towards eliminating single-use plastic from Sky's supply chain, with 115 tonnes removed so far.

During the year, Unipart extended its contract with Three to provide logistics, distribution and customer services, further cementing a partnership that has been in place since 2003. Unipart distributes mobile phones, broadband equipment and tablets to all Three retail stores in the UK, as well as providing home delivery to all of Three's customers.

## Strategic, Operating and Financial Review

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Unipart continues to work with Virgin and during the year improved efficiencies in reverse logistics, including the relocation of the repair centre into a purpose-built area and the launch of a new repair system to deliver optimised flow. Unipart also introduced Apple-accredited repair for Virgin during the year, ensuring Virgin swift repairs for customers whilst retaining Apple warranty.

### Retail

Unipart's relationship with Waterstones has gone from strength to strength, with Unipart delivering significant efficiency savings in 2018 through effective use of The Unipart Way. Similarly, digital innovation has been incorporated in partnership with Kimberly-Clark in 2018, successfully delivering a 75% productivity improvement across yard operations.

### Health

Unipart was successful in winning a major new contract with the Department of Health and Social Care to run logistics services for the NHS Supply Chain. The awarding of this contract is the latest step in shaping the future NHS supply chain, through which all NHS organisations can purchase goods and consumables for patient care, and is a key component in the new NHS operating model which intends to generate substantial savings for the NHS over a 5 year period.

The contract encompasses a wide range of services, including the management of seven regional distribution centres and the associated transportation responsibilities, inventory management, customer services, inbound logistics and community delivery services. Responsibility will transfer to Unipart in February 2019, as a result of which Unipart will welcome approximately 2,000 new colleagues.

Unipart is very proud to have been awarded this contract supporting the NHS in achieving savings in its Supply Chain, thus enabling more funds to be diverted to improving patient care.

### Rail

Unipart provides a wide range of products and services as well as a full spectrum of logistics and distribution services to almost all of the rail operators and contractors in the UK rail market, as well as a growing presence internationally. In addition to providing customers with solutions to complex supply chains, the Group also offers a comprehensive product reconditioning and repair service as well as operating manufacturing operations.

Unipart's progress during 2018 is set against a backdrop of difficult trading conditions which have been felt across the UK rail sector. Network Rail's spending has been significantly down year-on-year as they transition between control periods, whilst the replacement of legacy fleets continues to erode a core market for the UK aftermarket supply and services. Additionally, many train operating franchises have been under financial pressure as forecast passenger numbers have failed to materialise.

Against this backdrop Unipart has been successful in retaining and renewing contracts with existing customers as well as winning new business in the UK and in international markets.

In the UK product supply market, key notable wins include the major contract retained with key customer Arriva, one of the UK's leading train operating companies.

Beyond the UK, the international growth strategy continues to display good traction. Unipart's presence in Australia more than doubled in size, winning new business and renewing existing contracts. A new supply chain contract was signed during the year with Yarra Trams in Melbourne, the operator of the world's largest tram network.

In other territories the platform for international growth was further strengthened. In the Middle East, an entity was formed with Unipart's joint venture partner, the Arabian Railway Company, and in South Africa the agreement was finalised with distribution partner Gear Rail to serve both South Africa and the wider African continent. Product and consultancy contracts have been secured in nearly all continents, but of particular note are the three diagnostic contracts won and delivered in Scandinavia, Singapore and the Middle East which have opened the opportunity for major supply chain contracts.

## Strategic, Operating and Financial Review

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Unipart continues to seek growth through acquisition. A minority stake investment was made during 2018 in SatSense, a spin-out business from the University of Leeds which develops technology for precision satellite monitoring of ground deformation applications, such as critical infrastructure including rail and utilities. Recent acquisitions in Key Fasteners, Samuel James Engineering, Instrumentel and Park Signalling are all delivering positive results and supporting the digital and growth strategies.

Innovation and new product development continue to play a crucial role in Unipart's strategy to counter market challenges and support business growth. Unipart's continued involvement with the UK Rail Research and Innovation Network (UKRRIN), a partnership between the rail industry and universities backed by government and private investment, strongly supports this strategy and will enable the business to capitalise on the innovation the initiative will foster.

During 2018, a number of digital initiatives were implemented including vision picking for warehouse operations; tablet production tracking and automated testing for manufacturing operations; and the Transaction Improvement Project to simplify and automate transactional processes.

Unipart's vision for the Condition Based Supply Chain ("CBSC") has also been well received by rail customers, whilst Instrumentel's Remote Condition Monitoring ("RCM") proposition is gaining ground in the global market. By harnessing Instrumentel's know-how in telemetry and RCM in tandem with Unipart's market position and capability in the rail supply chain, the business is well placed to capitalise on CBSC.

### Consulting

Unipart's consulting proposition, based on decades of driving improvements within its own businesses, is centred on helping clients to rapidly increase productivity, improve quality and customer service levels, and create capacity for growth in a way that can be sustained and continuously improved in the longer term. This is achieved through the application of the Unipart Way and, increasingly, the use of digital technologies.

Unipart's expert practitioners continue to be involved in a variety of significant projects that have driven benefits for a wide range of clients across various sectors. Unipart has continued to work with the Student Loans Company in implementing its operational excellence programme across several sites. The programme has successfully released significant capacity in the operation and has established capability within the Student Loans Company to ensure that these benefits are sustained.

Unipart is delighted to have been selected as the chosen partner of The University of Oxford to roll-out a continuous improvement programme across the University.

### Manufacturing

Unipart continues to provide market-leading high quality and groundbreaking products that fulfil the needs of customers in the manufacturing and engineering sectors. Unipart are a leading supplier of advanced technology products to several leading global vehicle manufacturers, delivering engineering innovation whilst developing a skilled workforce to ensure future strategic success.

Unipart continues to work closely with the Institute of Advanced Manufacturing and Engineering ("AME"), a collaboration with Coventry University based at a Unipart manufacturing site, to develop and manufacture a variety of components. These include not only current programs, but also the next generation products to support future electrification for many of the Automotive Original Equipment Manufacturers ("OEMs") in the UK and overseas. During 2018, Unipart was successful in securing significant new contracts, including steel hybrid fuel tanks, lightweight fuel fillers and high pressure fuel rails.

Through the application of The Unipart Way and the use of digital solutions, Unipart has continued to significantly improve its productivity across all of its product groups and has successfully delivered one million components during the year.

Unipart has continued to participate in a government funded research project to create a high performance, flexible battery manufacturing facility in the UK and as a result, Hyperbat, was formed, which is a joint venture with Williams Advanced Engineering. The business is based at an existing Unipart manufacturing site.

## Strategic, Operating and Financial Review

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The AME facility delivers training for undergraduates, Masters and PhD students, along with internal staff participating in technical and CPD training. Now in its fifth year of undergraduate training, the AME has received National Student Survey scores of 100% with two cohorts of students recruited into the engineering industry, as well as the graduate scheme within Unipart. During the year Unipart has continued its development of electric vehicle and digital technologies, underpinning the launch of Hyperbat. The AME is also delivering government funded collaborative research and development projects to support the development of our fuel systems technology roadmaps.

MetLase, a joint venture formed with Rolls-Royce, designs and manufactures highly innovative and robust tooling using the latest laser technology. Located on the Advanced Manufacturing Park in Sheffield, a team of dedicated engineers is now providing tooling solutions in the aerospace, automotive, defence, motorsport, nuclear and construction sectors.

Through the Serck brand, the Group continues to provide a full range of heat exchange and pressure vessel related products and services to a broad customer base across a wide range of sectors. Serck's offering includes new developments in large-scale new-build projects including design, manufacture and installation work for FTSE 100 and global blue chip companies within Power Generation, Marine, Utilities and Rail sectors. Unipart also supplied a range of advanced products and services to the Automotive and Motor Sport sectors. Our overseas markets faced yet another tough year against a backdrop of uncertainty, characterised by the US-China trade war and the challenging economic climate in the Middle East. The business rose to the many and varied challenges, reinforced throughout by the continuous focus on The Unipart Way.

Kautex Unipart Limited ("KUL"), our joint venture manufacturing operation with Kautex Textron Inc., supplies advanced plastic fuel tank systems to the automotive industry. Each of these components are central to our customers' goals of achieving lower weight, reduced emissions and fuel economy at lower cost.

KUL celebrated 20 years of operation in 2018, producing in excess of 10,000,000 fuel tanks in this period. During the year KUL successfully advanced its evolution of the Next Generation Fuel Systems (NGFS®) technology & Industry 4.0, investing in new machines and digital initiatives. These investments will allow the operation to successfully support flawless launches of future customer programmes and improve productivity.

## Strategic, Operating and Financial Review

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### Corporate Responsibility

Unipart was one of the first British companies to publish a mission statement challenging us to inspire all of our stakeholders to want to stay with us for life, moving away from a single short-term focus on shareholders. On our journey, we've been inspired and our values reinforced by fellow members of Business in the Community and we hope that we have been able to inspire others.

Corporate Responsibility is about doing well by doing good. We understand that this is not simply altruism but also makes sound commercial sense. Strong successful communities can buy our products and services. Successful schools provide us with well trained and motivated employees who help us to build our business by engaging more effectively with our stakeholders than our global competitors. It is in our interest to work with our communities, public services and schools for mutual benefit.

Unipart has challenged all our people to become leaders of the Fourth Industrial Revolution in our sector. The challenge is ambitious; although Unipart has a strong track record in deploying appropriate technologies to meet the real and perceived needs of customers, we are not a technology-only company. Our commitment to this goal is not a discrete programme, it is an integral part of every aspect of our operations every day. Activity is facilitated by a team of digital experts who develop, teach and coach, but is driven at every level of the organisation by colleagues who deliver digital innovation in their day-to-day roles.

We are exceptionally proud that our approach has been recognised as exemplary amongst the UK's leading businesses and we were inaugural winners of the Fujitsu Award for Responsible Business in the Digital Age.

We continue to recognise the importance of being inclusive and promoting diversity across our workforce, which in turn drives innovation and creativity and is in the long term interests of our business. It is the responsibility of every employee to conduct themselves in a manner which is consistent with our values and helps us to maintain a diverse workforce with people from different ethnic, national, educational and socio-economic backgrounds and a wide age range. There is zero tolerance of discrimination, harassment or bullying in the workplace and where any cultural or religious assimilation or balanced workforce issues arise they are addressed.

Unipart has reported our gender pay gap over a number of years and welcomes the new transparency that mandatory reporting brings. Our gender pay gap is better than the national average and we continue to focus on programmes to encourage more women to apply for roles in our business, as well as looking to our key talent pipelines to encourage and develop a wide range of applicants for every job – particularly at senior levels. We are particularly pleased that our Group Leadership Team now has four female directors, all of whom have significant commercial and operational responsibilities with three of them holding the role of Managing Director.

We have maintained our focus on employee wellbeing through our group-wide wellbeing strategy – Unipart Workwell. During 2018 the programme addressed making mental health a discussable subject, managing stress and supporting people in developing greater levels of resilience. Each of our sites has a Wellbeing Champion to support the accessibility of the Wellbeing programme and we have also invested in our own 'know your numbers' equipment to provide employees with guidance on the health and lifestyle choices. We also extended our Wellbeing activities to include Financial Wellness with the objective of raising levels of financial awareness across all colleagues.

In addition, through our Employee Assistance Programme, Unipart Cares, we are able to provide professional advice and support to our people when they need it, including support with debt and one-to-one counselling.

Helping others and giving back is proven to positively influence an individual's wellbeing and engagement. Supporting our local communities and being a good neighbour helps maintain our employer brand and attract the best candidates when we are recruiting. We therefore encourage our employees to take the opportunity to participate in community projects. Our community audit process enables us to measure the effectiveness of our community programmes and also helps to spread ideas and best practice; and sites that do this particularly well are recognised through the annual Unipart Way Awards.

## Strategic, Operating and Financial Review

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Unipart has a long history of working to improve the prospects of young people and those with barriers to employment by helping them make the transition from education to successful working lives through our Unipart Inspires activities. We know that this work will become increasingly important as education struggles to keep up with the new skills that the Digital Age requires; and the impact of the current political backdrop becomes apparent. In some of our sites we have been working with partners to provide employment opportunities for individuals with learning difficulties. Initial programmes have been successful and we hope to expand on this work in the future.

In 2018 we continued to champion this important cause through our proud sponsorship of a prestigious Business in the Community award, The Unipart Outstanding Employment Award. Through this we are able to encourage other businesses to describe their programmes and tell their stories to promote the wide ranging benefits to the individuals concerned, to business and to the UK economy.

Our environmental performance as a Group has continued to improve. We continue to reduce our footprint on the environment. Our carbon emissions fell by 2% in absolute terms in the first half of the year despite the cold weather. In addition, our electricity consumption decreased by 10% due to the installation of efficient LED lighting and gas consumption decreased by 9% in the same period due to better heating management systems in our distribution centres. Water consumption went down by 32% compared to 2017. We have reduced overall waste generated and recycled 92% of our waste. In conjunction with our customers' needs, we have also delivered a sizeable reduction in single use plastic usage.

We have made financial investments where appropriate to accelerate our safety performance and in 2018 Unipart was awarded the British Safety Council Globe of Honour. Such awards represent the pinnacle of achievement in the world of environmental management.

Our customers have their own, very challenging, environmental objectives and we work closely with them to seek new ways of reducing costs and turning environmental risk into opportunity. As a result we have developed a suite of sustainable products and services including repair and repair avoidance, reverse logistics and disposition, fleet services and recovery and recycling.

The Group's vision of zero workplace accidents remains strong, resulting in an unrelenting focus on ensuring safety in the workplace, and we were proud to be recognised at all of our major UK sites with number of the highly prestigious Swords of Honour at the British Safety Council Awards 2018.

## Strategic, Operating and Financial Review

### Financial Review

#### Key performance indicators

	2018	2017	Movement
Turnover	715.3	757.6	-5.6%
Profit before interest and tax	24.3	22.8	6.6%
and other exceptional items			
Net debt	(15.4)	(3.0)	£(12.4)m
Net assets	217.9	206.5	+5.5%
excluding net pension deficit			
Net assets	136.6	125.4	+8.9%
excluding net pension deficit and tax balances			
Return on net assets	17.8%	18.2%	-0.4%
using profit before interest and tax and other exceptional items			
and net assets excluding net pension deficit and tax balances			

***In preparing the financial statements for the year ended 31 December 2018, the Company has reviewed the presentation of the Consolidated Profit and Loss Account in order to assess whether it provides a true and fair reflection of the performance of the Group.***

***The pensions liability which is reported on the Consolidated Balance Sheet relates to the Group's defined benefit schemes, the majority of which were closed to future accruals several years ago. Accounting for defined benefit schemes is complex and can drive volatile movements from year to year and can lead to significant charges and credits to the profit and loss account (as seen this year with the exceptional item reported).***

***In order to provide a true and fair view of the performance of the Group, the directors consider that it is important to present the financial performance of the Group both before and after items relating to the defined benefit pension schemes and we have therefore adopted a columnar approach in the profit and loss account to achieve this.***

#### Turnover

Group turnover of £715.3m (2017: £757.6m) (excluding joint ventures and associates) is a reduction of 5.6% year on year, primarily due to certain customers restructuring their reverse logistics supply chain strategies along with the challenging trading conditions caused by Brexit on our customers in the Retail and UK automotive manufacturing sectors. The Group's strong relationships with existing customers, along with significant new business secured across the globe during the year, underpins the Group's international position and as a result we expect increased sales growth in the forthcoming year.

#### Profit before interest and tax and other exceptional items

Profit before interest and tax and other exceptional items was £24.3m (2017: £22.8m). This profit comes after absorbing significant investment in digital technologies that will help to deliver future growth for the Group and drive operational excellence throughout the organisation, and reflects how the diversity in our operations helps us to remain resilient despite the demanding economic backdrop.

## Strategic, Operating and Financial Review

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### Exceptional items

As explained in the Chairman's Statement, along with all UK businesses which have a defined benefit pension liability, the Group is required to charge to the profit and loss account the estimated impact of clarifications made by a legal case during 2018 on how Guaranteed Minimum Pensions (or GMPs) should be equalised between male and female members of our schemes. As the increased members' benefits will be paid out over the life of the scheme we expect the pensions liability to be settled over the next 60 years. As the amount is not known we have based our estimate on a range provided by the actuarial advisors to the schemes. We have reported an exceptional item of £9.4m in this year's financial statements, with a related deferred tax credit, which equates to c1.0% of the total scheme liabilities recognised within the Pension liability included in the Consolidated Balance Sheet.

The prior year exceptional items credit of £4.1m relates to a profit on the disposal of property during 2017. In the prior year, a charge of £5.2m was reported in the Exceptionals column within the share of profit after taxation of joint ventures and associates, which related to the estimated losses expected to be incurred on a long-term engineering contract. Due to the revised format of the Consolidated Profit and Loss Account as explained above, this is now reported within the share of profit after taxation of joint ventures and associates.

### Interest and other financial income and charges

Net interest payable for the year was £1.9m (2017: £1.7m). The net other finance charge of £10.3m (2017: £11.2m) reflects the net interest cost on pension schemes of £10.0m (2017: £11.0m), as prescribed by FRS 102, together with the charge on unwinding of discounting on provisions and accruals of £0.3m (2017: £0.2m).

### Tax

The overall tax charge for the year is £2.4m (2017: £0.1m credit), the increase on 2017 is due to a deferred tax credit relating to adjustments in respect of prior years decreasing the 2017 charge. The current tax charge remains broadly consistent year on year.

### Profit after tax

Before accounting for items relating to the defined benefit pensions the Group reports profit after tax of £17.3m (2017: £24.8m). After the defined benefit pensions items profit after tax is reduced to £0.3m (2017: £13.9m), due to the net £17.0m charge relating to pensions.

### Funding position

The Group reports a net debt position as at 31 December 2018 of £15.4m (2017: net debt of £3.0m). The Group has borrowing facilities available for the mid to long-term and there is sufficient headroom available under these facilities to finance the ongoing activities of the Group.

### Shareholders' funds

The net assets of the Group, excluding the net pension deficit, have increased to £217.9m from £206.5m. The total deficit in shareholders' funds at 31 December 2018, of £169.7m, has improved from £170.8m, reflecting the profits generated during the year.

### Pensions

The reported pensions deficit represents the assets in the Group's defined benefit schemes at the end of the financial year less the discounted liabilities of the total benefits expected to be paid out to its members over the life of the scheme. Due to accepted accounting standards the pensions deficit is required to be recognised on the balance sheet despite the liability being paid over the life of the schemes through to 2080. Future accruals to the Group's two main defined benefit schemes ceased in 2005. Since then, the Group has undertaken significant activity to address its obligations to these schemes. The Group has agreed scheme specific funding plans with the pension scheme trustees as part of the triennial actuarial valuation process. These funding plans are designed to ensure that, along with a prudent assessment of asset returns, they will bring the schemes to being fully funded within an acceptable time period.

As at 31 December 2018, the deficit under FRS 102 on the Group's defined benefit pension schemes had increased to £387.6m (2017: £377.3m). This is due to the GMP equalisation exceptional charge and a deficit of asset returns over the discount rate, outweighing the decrease in liabilities due to an improvement in the discount rate along with the cash pension contributions made by the Group into the schemes in the year.



## Strategic, Operating and Financial Review

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### Going concern

The Group financial statements have been prepared on a going concern basis. Account has been taken for the deficit on shareholders' funds set out above, however the Group remains profitable and has a long-term payment plan for the pension deficit. The Group continues to have significant long-term borrowing facilities available, which the directors have a reasonable expectation will continue to be available on a similar basis, and sufficient headroom is available in respect of these combined facilities to finance the ongoing activities of the Group.

### Dividends

The Board is not proposing a dividend for the year, but further investments are being made to consolidate the Group's position, to enable the Group to develop and grow the business as opportunities arise in the forthcoming year.

### Treasury policies

The Group's financial risks are managed centrally, with policies that are approved by the Board.

#### (a) Interest rate risk

Interest rate risk in respect of debt is reviewed on a regular basis. In order to protect against the volatility of interest charges, interest rate swaps and interest 'Caps' and 'Collars' may be used for appropriate proportions of the debt as required.

#### (b) Foreign currency risk

The Group's net transactional currency exposures, arising principally in U.S. Dollar, Euro, and Australian Dollar, are hedged to 'protect' forecast gross profits and cover short term currency exposure where appropriate. The hedges are enacted through forward and spot currency contracts and options entered into on the basis of trading projections.

The Group enters into foreign exchange and interest rate contracts as part of its normal course of trading when material. The fair value of these derivatives is immaterial and, as a result, has not been disclosed.

#### (c) Liquidity risk

The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group. In the context of the current banking environment the Group is pleased to have secured medium-term banking facilities and continues to maintain strong control over working capital.

#### (d) Counterparty risk

The investment management of liquid funds aims to maximise the return on net funds subject to the security of the principal and the liquidity of the Group. The Group has identified counterparties of suitable creditworthiness.

### Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. A summary of the key business risks affecting the Group is set out below:

#### (a) Competition

Across the various areas of its logistics services, the Group operates in a highly competitive market which applies pressure to the sales and margins that can be achieved. Through the thorough application of The Unipart Way, the Group seeks to differentiate itself from its competitors by offering superior levels of quality, service and availability to its customers. The Group also differentiates itself through the broad spectrum of supply chain solutions it can provide and tailor for its customers and the development of digital capability across the Group.

#### (b) Customer contracts

Over a number of years, the Group has developed a significant number of long-term partnerships with its customers, with both sides investing in the relationship for mutual benefit. As a result, the loss of any major customers would represent a risk to the Group. However, this risk is mitigated through continued diversification with new customers, close client management at various levels and long-term contractual

## Strategic, Operating and Financial Review

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relationships. The Group manages varying degrees of its customers' supply chains, including holding inventory at the Group's worldwide warehouses. Through tight controls and continuous improvement processes, the Group minimises the risk of loss of its own or customers' inventory.

### (c) Pension deficit

The Group's risks in the pension deficits in the defined benefit schemes remain the exposure to external factors such as discount rates, rates of inflation, market returns and mortality rates as these factors can have a significant impact on the Group's pension schemes' financial position. Further details of the position of the pension schemes is set out in note 24.

### (d) Political and economic

Political, regulatory, economic and legal systems in emerging markets may be less predictable than in countries with more stable institutional structures. Since Unipart operates in, and is exposed to, emerging markets, our local operations in these markets may be adversely affected by political, regulatory, economic, tax and legal developments which are beyond our control. Unipart consults with professional advisors in all markets in which the Group operates to ensure compliance with local regulations to minimise this risk, and periodically review the level of investments maintained in overseas territories.

### (e) Brexit

There remains much uncertainty around the consequences of the UK Government's Brexit negotiations with the European Union and the full implications that this process will have on the Group, its customers and the wider UK economy. Unipart will continue to stay alert to both the risks and opportunities that the uncertainty regarding the impact of Brexit brings with it to the UK economic environment.

Various potential challenges face the Group as a result of Brexit, including:-

- There are various uncertainties facing our clients in the automotive sector, with announcements that various high-profile companies plan to relocate their operations away from the UK which could be exacerbated by a no-deal Brexit. These uncertainties, including potential issues in their supply chain, reductions in demand arising from a downturn in the economy or the resultant effects of changes to import and export taxes could cause a fall in the Group's turnover.
- Uncertainties regarding the prices offered by our suppliers as a result of the Brexit negotiations has caused difficulty in planning for the future post-Brexit.
- Unipart employs a high number of EU nationals. It is unclear whether a no-deal Brexit will cause many of these colleagues to consider relocating to mainland Europe, and therefore cause disruption to our workforce. We remain committed to our EU nationals workforce and have provided guidance and support in understanding their rights and options in relation to continuing to live and work in the UK.

### (f) IT vulnerability

The Group recognises that there is a growing global risk, and increasing severity, of complex cyber attacks. The Group Information Security department continues to monitor and focus on such risks as they emerge, but recognises that it is not possible to defend from all attacks all the time, instead focusing on a risk-based approach. The risk of breaches to IT security, which can lead to the loss or corruption of data due to unauthorised access, is mitigated by the deployment of multiple layers of software and processes, including web and mail gateways, filtering, firewalls, intrusion detection and vulnerability assessment. The Group has established multi-modal security awareness campaigns and bases its security and risk regime on a collection of policy documents which define the strategy, rules and procedures for defending the organisation.

The Strategic, Operating and Financial Review was approved by the Board and signed on its behalf.



**J M Neill CBE**  
Chairman & Group Chief Executive  
27 March 2019

## Board of Directors

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### **J M Neill CBE**

#### **Chairman & Group Chief Executive**

John Neill was appointed Chief Executive of the Group in 1987, having led the management buyout from British Leyland. John joined Unipart in 1974, becoming Managing Director in 1977. He is responsible for the day-to-day management and overall performance of the Group. He was appointed Chairman in July 2012.

He holds a number of key positions within the motor industry, including Executive Board Member of the Society of Motor Manufacturers and Traders (SMMT). He is also the non-executive Chairman of SIMEC Atlantis Energy. He is a former director of the Court of the Bank of England and formerly a non-executive director of Rolls Royce Plc, Charter International Plc and The Royal Mail. He has been awarded honorary Doctorates in Business Administration from several universities, including Oxford Brookes, De Montfort and Middlesex. He was also awarded the Honorary Degree of Doctor of the University of Strathclyde in recognition of the success of Unipart, its growth and expansion and, in particular, the implementation of The Unipart Way as a model for creating exceptional levels of performance through employee engagement.

### **J Chitty**

#### **Group Finance Director**

Jonathan Chitty was appointed Group Finance Director and an Executive Director on the Board in July 2018. He joined Unipart in 2002 and has held a number of senior finance positions previously within the Group, most recently having financial responsibility for the Group's Manufacturing interests. Jonathan is a member of the EEF's (the manufacturers' organisation) Economic Policy Committee helping to provide insight and understanding of the latest trends across the manufacturing industry. He is a Chartered Accountant.

### **N J Travers**

#### **Managing Director**

Noel Travers manages the Group's interests in the Rail sector. This includes Board responsibility for the Rail Joint Ventures in Australia and the UK. Recently he has also taken on responsibility for the Group's Manufacturing interests. Noel joined Unipart Rail as Deputy MD in 2016, becoming MD in April 2017. He is a Board Member of the Railway Industry Association (RIA) and also a Fellow of the IMechE.

He joined the Rail Industry as an Engineering Management Trainee in 1988, and holds BEng and MSc degrees. After engineering/commercial posts in various train operators, GATX Capital and RBS he joined Bombardier, eventually becoming Interim Chairman and MD UK, from where he moved to Unipart.

### **F W Burns**

#### **Managing Director**

Frank Burns manages the Group's interests across a range of sectors, including Health, Automotive, Aerospace, Defence, Technology and Retail. Frank also has Board responsibility for the Group's Consultancy Practices.

He started his career at Unipart in 1988, where he held a number of positions including specialising as the Managing Director of the Group's Manufacturing interest. In 1999 he moved into the Logistics arena and was appointed Managing Director during 2006.

## Board of Directors

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### **B S Jackson CBE** **Non-Executive Director**

Bryan Jackson was appointed to the Board in April 2013. He is also Chairman of Sharing in Growth and Chairman of John Smedley Limited. He was the Managing Director of Toyota Motor Manufacturing (UK) Limited until his retirement in 2004. Between 2004 and 2009 he was an advisor to Toyota in Europe. He is a past Chairman of the East Midlands Development Agency and the East Midlands CBI. Bryan retired as Chairman of Wesleyan Assurance Society in December 2017.

Bryan received an OBE in 2000 for services to manufacturing and a CBE for services to economic development and manufacturing in the 2012 New Year Honours.

### **H G Mughal OBE** **Non-Executive Director**

Hamid Mughal was appointed to the Board in January 2018. He is an acclaimed Industrial leader with over 32 years of experience in the Automotive and Aerospace Sectors. In his current role as Director of Global Manufacturing, Rolls-Royce plc, Hamid is responsible for leading the Manufacturing strategy and activities across the company's Civil, Defence and Power Systems Manufacturing bases. He joined Rolls-Royce in 2002 from BMW Group where he was Director of New Product Programmes.

Hamid has a deep professional interest in the latest developments of Advanced Manufacturing, Industrial Digitisation and Global Supply Chain development and contributes widely in his capacity as Pro Chancellor, University of Nottingham and External Professor of Manufacturing at Cranfield, Hertfordshire and Sheffield Universities. He is a Chartered Engineer, winner of International Manufacturing Gold Medal, Fellow of Royal Academy of Engineering, IMechE and IET, Board member of the High Value Manufacturing Catapult and Leader of Defence Growth Partnership's Value Chain Competitiveness strategy. Hamid has been awarded Honorary Doctor of Science degrees from the Universities of Hertfordshire, Birmingham, Sheffield and Strathclyde. He received an OBE in the 2014 New Year's Honours for services to Innovation, Technology and Manufacturing.

## Unipart Group of Companies Limited

### Directors' Report For the Year Ended 31 December 2018

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The directors of Unipart Group of Companies Limited (the "Company") present their report and the audited consolidated financial statements for the year ended 31 December 2018.

#### Results for the year

The Group reports profit before exceptional items, interest and tax of £24.3m (2017: £22.8m) and profit after taxation of £0.3m (2017: £14.1m). The Company has not paid, nor is it proposing to pay, any dividends in respect of the financial year ended 31 December 2018 (2017: £nil).

A more detailed review of the results can be found in the Chairman's Statement and the Strategic, Operating and Financial Review.

#### Business review

Details of the Group's principal activities and an indication of likely future developments are described in the Chairman's Statement and the Strategic, Operating and Financial Review.

#### Directors and directors' interests

The biographical details of the directors who served during the year are listed on pages 16 and 17. The following appointments and resignations took place during the year:

J Chitty	appointed on 18 July 2018
H G Mughal OBE	appointed on 31 January 2018
N J Travers	appointed on 18 July 2018
A J Mourgue	resigned on 31 December 2018
J D Clayton	resigned on 30 June 2018

The beneficial interests of the current directors in the share capital of the Company at the year end are shown below.

Ordinary shares (A, D and E) of 1/2p each	31 December 2018	31 December 2017
	Number	Number
<b>Beneficial Holdings</b>		
J M Neill	7,767,082	7,767,082
F W Burns	112,002	112,002
J Chitty	1,250	1,250
<b>Non-Beneficial holdings</b>		
J M Neill	898,020	898,020
<b>Ordinary 'A' shares under option in the Company</b>		
F W Burns	250,000	325,000
J Chitty	-	7,000

No options were granted or exercised during the year (2017: none). 82,000 options lapsed during the year.

There was no contract subsisting during the year or at the date of approval of the financial statements in which any director of the Company had a material interest; however, during the year and at the date of approval of the financial statements, a qualifying third party indemnity from the Company was available to the directors against liabilities incurred by them in defending proceedings against them in relation to the affairs of the Company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association.

### **Future developments**

A review of the business and an indication of likely future developments are included in the Strategic Report.

### **Financial risk management**

The Group's operations expose it to a variety of financial risks that include the effect of changes in price risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk and cash flow risk. The Group enters into interest rate and foreign exchange contracts to reduce the level of risk that it faces. These policies are approved by the Board and are managed centrally by the Group's treasury department. Further details of the financial risks are disclosed in the Strategic, Operating and Financial Review.

### **Employees**

The Group continues to involve employees in the decision-making process and communicates with all staff on various areas, including the economic and financial factors affecting the Group, via regular briefings, on-site training, employee forums and through our in-house news programme, Grapevine, which is available online and via DVD. Staff involvement in the Group's performance is encouraged through employee bonus and share schemes, and this involvement extends to the board of trustees of the main pension schemes, on which there are employee representatives. The Group's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and provide equality of opportunity regardless of sex, nationality, religion or ethnic origin or any other characteristic. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative. The same principles are applied when an employee is affected by long-term illness, where the Group has a strong track record of supporting and rehabilitating our employees back to work. The Group applies an increased focus on 'prevention' through the introduction of Unipart Workwell, our Employee Health and Wellbeing Programme.

### **Corporate Responsibility**

The Group is fully committed to forming a culture based on responsible business. Details are described in the Strategic, Operating and Financial Review.

### **Group Share Trust**

In order to enable employees to buy shares and have an interest in the Group, a Group Share Trust was set up at the time of the original buyout in January 1987. It has an independent trustee and, during dealing periods, it can offer to buy and sell shares. Periodically, it may also participate in schemes that enable employees to acquire shares and share options. It is not considered appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the trust deeds governing the Group Share Trust, which prevent the Group from having de facto control over the Trust.

### **Overseas branches**

Details are set out in note 34 to the financial statements.

**Going concern**

The Board is of the view that the Group has adequate resources to continue in operational existence for the foreseeable future. Although the deficit on the pension schemes has resulted in a deficit on shareholders' funds, the Group reports profit before exceptional items, interest and taxation £24.3m (2017: £22.8m) and in considering the going concern, the directors have considered the cash flow requirement of the Group. The Group has sufficient long-term borrowing facilities available as disclosed in note 20, and with sufficient borrowing headroom for future investments and to finance the ongoing activities of the Group. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Unipart Group of Companies Limited**

**Directors' Report  
For the Year Ended 31 December 2018**

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**Directors' responsibilities statement (continued)**

In the case of each director in office at the date the Directors' Report is approved:

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

This report was approved by the Board and signed by its order.



**R P D O'Brien**  
Company Secretary  
27 March 2019  
Registered number: 01994997



**Report on the audit of the financial statements**

**Opinion**

In our opinion, Unipart Group of Companies Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2018; the Consolidated Profit and Loss Account and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Responsibilities for the financial statements and the audit (continued)**

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

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

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

*Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

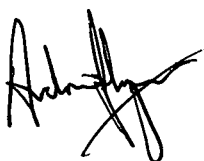
**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



**Andrew Lyon (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

East Midlands  
27 March 2019

Unipart Group of Companies Limited

**Consolidated Profit and Loss Account  
For the Year Ended 31 December 2018**

	Note	Results (before defined benefit pensions) £m	Defined benefit pensions £m	2018 Total £m	Results (before defined benefit pensions) £m	Defined benefit pensions £m	2017 Total £m
<b>Turnover</b>	5	<b>715.3</b>	-	<b>715.3</b>	757.6	-	757.6
Profit before interest and taxation, before share of profit after taxation of joint ventures and associates and before exceptional items		21.7	(1.6)	20.1	24.6	(2.2)	22.4
Share of profit after taxation of joint ventures and associates:-							
- Before exceptional items		4.2	-	4.2	5.6	-	5.6
- Share of exceptional items related to associates	7	-	-	-	(5.2)	-	(5.2)
Share of profit after taxation of joint ventures and associates	15	4.2	-	4.2	0.4	-	0.4
<b>Profit/(loss) before interest and taxation and other exceptional items</b>		<b>25.9</b>	<b>(1.6)</b>	<b>24.3</b>	25.0	(2.2)	22.8
Other exceptional items (not related to joint ventures and associates)	7	-	(9.4)	(9.4)	4.1	-	4.1
<b>Profit/(loss) before interest and taxation</b>	6	<b>25.9</b>	<b>(11.0)</b>	<b>14.9</b>	29.1	(2.2)	26.9
Net interest payable and similar charges	8	(1.9)	-	(1.9)	(1.7)	-	(1.7)
Net other finance charge	9	(0.3)	(10.0)	(10.3)	(0.2)	(11.0)	(11.2)
<b>Profit/(loss) before taxation</b>		<b>23.7</b>	<b>(21.0)</b>	<b>2.7</b>	27.2	(13.2)	14.0
Tax on profit/(loss)	12	(6.4)	4.0	(2.4)	(2.4)	2.5	0.1
<b>Profit/(loss) after taxation</b>		<b>17.3</b>	<b>(17.0)</b>	<b>0.3</b>	24.8	(10.7)	14.1
Non-controlling interests		(0.2)	-	(0.2)	(0.2)	-	(0.2)
<b>Profit/(loss) for the financial year</b>		<b>17.1</b>	<b>(17.0)</b>	<b>0.1</b>	24.6	(10.7)	13.9

The notes on pages 32 to 67 form part of these financial statements.

**Unipart Group of Companies Limited**

**Consolidated Statement of Comprehensive Income  
For the Year Ended 31 December 2018**

	Note	2018 £m	2017 £m
<b>Profit for the financial year</b>		<b>0.1</b>	<b>13.9</b>
Revaluation of freehold and long leasehold land and buildings	14	2.8	2.7
Deferred tax relating to revaluation of freehold and long leasehold land and buildings		-	(0.2)
Actuarial (loss)/gain recognised on Group pension schemes	24	(4.5)	6.9
Deferred tax relating to actuarial (loss)/gain on Group pension schemes		0.8	(1.2)
Effect of change in tax rate on deferred tax relating to Group pension schemes		(0.2)	0.1
Other pension related movements		0.8	-
Unrecognised asset relating to Group pension schemes		-	(0.4)
Deferred tax on unrecognised asset relating to Group pension schemes		-	0.1
Actuarial gain recognised on joint venture's pension schemes		-	0.1
Effect of change in tax rate on deferred tax relating to revaluation		-	0.3
Reversal of unrealised gain on acquisition of associate		-	(0.2)
Foreign exchange adjustments		1.1	(0.3)
<b>Other comprehensive income for the year</b>		<b>0.8</b>	<b>7.9</b>
<b>Total comprehensive income for the year</b>		<b>0.9</b>	<b>21.8</b>
<b>Profit for the financial year attributable to:</b>			
Non-controlling interest		0.2	0.2
Owners of the parent Company		0.1	13.9
		<b>0.3</b>	<b>14.1</b>
<b>Total comprehensive income attributable to:</b>			
Non-controlling interest		0.2	0.2
Owners of the parent Company		0.9	21.8
		<b>1.1</b>	<b>22.0</b>

Unipart Group of Companies Limited

**Consolidated Balance Sheet**  
**As at 31 December 2018**

	Note	2018 £m	2017 £m
<b>Fixed assets</b>			
Intangible assets	13	7.6	8.5
Tangible assets	14	56.1	55.2
Investments	15	24.9	21.9
		<u>88.6</u>	<u>85.6</u>
<b>Current assets</b>			
Stocks	16	94.8	89.4
Debtors: amounts falling due after more than one year	17	88.0	88.1
Debtors: amounts falling due within one year	17	140.3	133.0
Cash at bank and in hand		62.9	62.4
		<u>386.0</u>	<u>372.9</u>
Creditors: amounts falling due within one year	18	<u>(214.1)</u>	<u>(208.2)</u>
<b>Net current assets</b>		171.9	164.7
<b>Total assets less current liabilities</b>		<u>260.5</u>	<u>250.3</u>
Creditors: amounts falling due after more than one year	19	(24.6)	(23.7)
Provisions for liabilities	23	(18.0)	(20.1)
<b>Net assets excluding pension liability</b>		<u>217.9</u>	<u>206.5</u>
Pension liability	24	(387.6)	(377.3)
<b>Net liabilities</b>		<u>(169.7)</u>	<u>(170.8)</u>
<b>Capital and reserves</b>			
Called up share capital	25	0.4	0.4
Share premium account	27	4.4	4.4
Revaluation reserve	27	27.2	25.7
Capital redemption reserve	27	11.5	11.5
Profit and loss account	27	(213.9)	(213.3)
<b>Total shareholders' deficit</b>		<u>(170.4)</u>	<u>(171.3)</u>
Non-controlling interests		0.7	0.5
<b>Total equity</b>		<u>(169.7)</u>	<u>(170.8)</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 March 2019.



**J M Neill CBE**  
Chairman & Group Chief Executive



**J Chitty**  
Group Finance Director

Registered number: 01994997

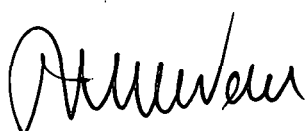
**Unipart Group of Companies Limited**

**Company Balance Sheet  
As at 31 December 2018**

	Note	2018 £m	2017 £m
<b>Fixed assets</b>			
Intangible assets	13	0.1	0.1
Investments	15	41.6	41.6
		<u>41.7</u>	<u>41.7</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	17	20.0	21.6
Debtors: amounts falling due within one year	17	7.7	6.5
Cash at bank and in hand		22.5	19.4
		<u>50.2</u>	<u>47.5</u>
Creditors: amounts falling due within one year	18	<u>(1.4)</u>	<u>(1.4)</u>
<b>Net current assets</b>		<u>48.8</u>	<u>46.1</u>
<b>Total assets less current liabilities</b>		<u>90.5</u>	<u>87.8</u>
Creditors: amounts falling due after more than one year	19	(0.3)	-
<b>Net assets excluding pension liability</b>		<u>90.2</u>	<u>87.8</u>
Pension liability	24	(45.2)	(45.1)
<b>Net assets</b>		<u>45.0</u>	<u>42.7</u>
<b>Capital and reserves</b>			
Called up share capital	25	0.4	0.4
Share premium account	27	4.4	4.4
Capital redemption reserve	27	11.5	11.5
Profit and loss account	27	28.7	26.4
<b>Total shareholders' funds</b>		<u>45.0</u>	<u>42.7</u>

As permitted by Section 408(3) of the Companies Act 2006, the Company has not presented its own Profit and Loss Account or Statement of Comprehensive Income. The Company's profit for the financial year was £4.2m (2017: £11.2m) and the Company's other comprehensive expense for the financial year was £1.9m (2017: income of £5.3m).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 March 2019.



**J M Neill CBE**  
Chairman & Group Chief Executive



**J Chitty**  
Group Finance Director

Registered number: 01994997

**Unipart Group of Companies Limited**

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m	Total shareholders' deficit £m	Non- controlling interests £m	Total equity £m
At 1 January 2018	0.4	4.4	11.5	25.7	(213.3)	(171.3)	0.5	(170.8)
Profit for the financial year	-	-	-	-	0.1	0.1	0.2	0.3
Other comprehensive income/(expense) for the year	-	-	-	2.8	(2.0)	0.8	-	0.8
Transfer between reserves	-	-	-	(1.3)	1.3	-	-	-
As at 31 December 2018	0.4	4.4	11.5	27.2	(213.9)	(170.4)	0.7	(169.7)

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 December 2017**

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m	Total shareholders' deficit £m	Non- controlling interests £m	Total equity £m
At 1 January 2017	0.4	4.4	11.5	22.8	(232.2)	(193.1)	0.7	(192.4)
Profit for the financial year	-	-	-	-	13.9	13.9	0.2	14.1
Other comprehensive income for the year	-	-	-	2.7	5.2	7.9	-	7.9
Dividends paid to non- controlling interests	-	-	-	-	-	-	(0.3)	(0.3)
Transfer between reserves	-	-	-	0.2	(0.2)	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-	(0.1)	(0.1)
As at 31 December 2017	0.4	4.4	11.5	25.7	(213.3)	(171.3)	0.5	(170.8)



**Unipart Group of Companies Limited**

**Company Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	<b>Called up share capital £m</b>	<b>Share premium account £m</b>	<b>Capital redemption reserve £m</b>	<b>Profit and loss account £m</b>	<b>Total shareholders' funds £m</b>
At 1 January 2018	0.4	4.4	11.5	26.4	42.7
Profit for the financial year	-	-	-	4.2	4.2
Other comprehensive expense for the year	-	-	-	(1.9)	(1.9)
As at 31 December 2018	<b>0.4</b>	<b>4.4</b>	<b>11.5</b>	<b>28.7</b>	<b>45.0</b>

**Company Statement of Changes in Equity  
For the Year Ended 31 December 2017**

	<b>Called up share capital £m</b>	<b>Share premium account £m</b>	<b>Capital redemption reserve £m</b>	<b>Profit and loss account £m</b>	<b>Total shareholders' funds £m</b>
At 1 January 2017	0.4	4.4	11.5	9.9	26.2
Profit for the financial year	-	-	-	11.2	11.2
Other comprehensive income for the year	-	-	-	5.3	5.3
As at 31 December 2017	<b>0.4</b>	<b>4.4</b>	<b>11.5</b>	<b>26.4</b>	<b>42.7</b>

**Unipart Group of Companies Limited**

**Consolidated Cash Flow Statement  
For the Year Ended 31 December 2018**

	Note	2018 £m	2017 £m
<b>Net cash from operating activities</b>	29	(6.9)	(6.1)
Taxation paid		(2.2)	(5.1)
<b>Net cash used in operating activities</b>		<u>(9.1)</u>	<u>(11.2)</u>
<b>Cash flow from investing activities</b>			
Acquisition of businesses	13	(0.2)	(5.4)
Purchase of tangible assets		(3.8)	(6.7)
Proceeds from disposals of tangible assets		0.4	4.7
Dividends paid to minority interests		(0.2)	(0.3)
Dividends received from joint ventures and associates	15	2.3	2.7
Interest received	8	0.3	-
<b>Net cash used in investing activities</b>		<u>(1.2)</u>	<u>(5.0)</u>
<b>Cash flow from financing activities</b>			
Increase in debt due within one year	29	8.3	26.1
Increase in debt due in more than one year	29	5.0	0.3
Interest paid	8	(2.0)	(1.6)
<b>Net cash generated from financing activities</b>		<u>11.3</u>	<u>24.8</u>
<b>Net increase in cash and cash equivalents</b>		1.0	8.6
Cash and cash equivalents at 1 January	29	44.1	35.5
Exchange gains on cash and cash equivalents	29	0.3	-
<b>Cash and cash equivalents at 31 December</b>	29	<u>45.4</u>	<u>44.1</u>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand	29	62.9	62.4
Bank overdrafts	20, 29	(17.5)	(18.3)
<b>Cash and cash equivalents</b>	29	<u>45.4</u>	<u>44.1</u>

**1 General information**

The Company is a trading company within the United Kingdom.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Unipart House, Cowley, Oxford, OX4 2PG.

**2 Statement of compliance**

The consolidated financial statements of Unipart Group of Companies Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**3 Accounting policies**

In preparing the financial statements, the Company has reviewed the presentation of the Consolidated Profit and Loss Account in order to assess whether it provides the clearest representation of the performance of the Group. In forming this view, the directors consider that it is important to present the defined benefit pension costs of the Group in a separate column in the Consolidated Profit and Loss Account to demonstrate the financial performance of the Group both before and after these costs. As a consequence, the presentation of exceptional costs has also been reviewed. In the previous year, exceptional costs were disclosed in a separate column in the Consolidated Profit and Loss Account, whereas they are now disclosed within a separate Exceptionals line.

In the prior year, there was a gain on disposal of a freehold property which was disclosed within the Operating results (before exceptional items) column. As this gain was a non-trading and non-recurring transaction, the directors consider that it is now better disclosed in a separate line in the Consolidated Profit and Loss Account. See note 7 for further information in relation to exceptional items.

A summary of the significant accounting policies adopted by the Group and the Company is given in the following paragraphs. The policies have been consistently applied to all years presented, unless otherwise stated.

**3.1 Basis of accounting**

The financial statements have been prepared on the going concern basis, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, although the deficit on the pension schemes has resulted in a deficit on shareholders' funds. In considering the going concern assumption, the directors have therefore considered the cash flow requirements of the Group.

The Group has significant borrowing facilities available, which the directors have a reasonable expectation will continue to be available on a similar basis, as disclosed in note 20, with sufficient headroom in respect of these facilities to finance the ongoing activities of the Group.

The financial statements are prepared on the historical cost basis of accounting, modified to include the revaluation of investment property and freehold and long leasehold land and buildings measured at fair value through profit and loss.

### 3 Accounting policies (continued)

#### 3.2 Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all of its subsidiary undertakings, except where control is subject to severe long-term restrictions, and incorporate its share of the results of all joint ventures and associates via equity accounting principles. The results and fair value of the assets and liabilities of undertakings acquired are consolidated from the date the Group gains control. The results from discontinued operations are included up until the date they are disposed of or terminated. Where, in the view of the directors, the Group does not have de facto control over the related entities, these entities are excluded from the consolidation in the Group's financial statements. No Profit and Loss Account is presented for the Company, as permitted by Section 408 (3) of the Companies Act 2006. Uniform accounting policies are applied across the Group. Intragroup transactions are eliminated on consolidation.

#### 3.3 Cash flow statement

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a cash flow statement on the basis that it is a qualifying entity and the Company's cashflows are included in the Consolidated Cash Flow Statement.

#### 3.4 Turnover

Turnover is recognised as the fair value of consideration receivable on goods and services supplied during the year, including amounts received and receivable on management fee contracts. The sales of goods are recognised at the point at which the risks and rewards of ownership are transferred, in accordance with the individual sales' contracts. The sales of services are recognised in the accounting period in which the services are rendered, by reference to the agreed contractual arrangements. Turnover is reported net of conditional discounts, VAT and other sales taxes. Turnover derived from gain share arrangements is recognised when the benefits are agreed with customers and are certain.

#### 3.5 Exceptional items

Where items are of a one-off nature and so material that separate presentation is relevant to the consolidated financial performance, then such items are presented as exceptional items on the face of the Consolidated Profit and Loss Account.

#### 3.6 Pension costs

For defined contribution schemes, contributions are charged to the Consolidated Profit and Loss Account as payable in respect of the accounting year.

For defined benefit schemes, the amounts charged to operating profit are the scheme administration costs, current service costs, excluding the costs of servicing the investments, and gains and losses on settlements and curtailments. They are charged or credited to the Consolidated Profit and Loss Account headings to which they relate. Past service costs are recognised immediately in the Consolidated Profit and Loss Account. The net interest cost is shown as other finance charge adjacent to interest. Actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Group, in separate, trustee administered funds. Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

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### 3 Accounting policies (continued)

#### 3.6 Pension costs (continued)

The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the Balance Sheet.

#### 3.7 Intangible assets

Expenditure incurred to acquire licences to manufacture certain products are capitalised and amortised on a straight line basis over the estimated economic life of the manufacturing activity, or the life of the licence, which are all between 5 and 10 years. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and are amortised in line with the expected sales arising from the projects.

#### 3.8 Tangible fixed assets

All tangible fixed assets, with the exception of investment properties and freehold and long leasehold land and buildings, are carried at cost less depreciation and provision for impairment, where considered appropriate. The cost of purchased assets is the value of consideration given to acquire the assets and the value of other, directly attributable costs that are incurred in bringing the assets to the location and condition necessary for their intended use.

Investment properties and freehold and long leasehold land and buildings are carried at valuation, being fair value determined annually by external valuers.

With the exception of freehold land, investment properties and assets in the course of construction, which are not depreciated, depreciation on the cost or valuation of tangible fixed assets is charged evenly to write off the assets to their residual value over their estimated useful lives.

The estimated useful lives range as follows:

Freehold land	-	Not depreciated
Investment properties	-	Not depreciated
Freehold buildings	-	35 to 50 years
Long leasehold land and buildings	-	35 to 50 years
Short leasehold land and buildings	-	Over the lease term
Plant and machinery	-	1 to 15 years
Assets in the course of construction	-	Not depreciated

#### 3.9 Impairment of fixed assets and goodwill

Fixed and intangible assets are reviewed annually for indicators of impairment. Impairment provisions are calculated by comparing the net book value of fixed assets or goodwill with the higher of the net realisable value and the value in use of those assets. The value in use is calculated using forecast, risk adjusted, discounted, post tax cash flows over the economic life of the related fixed asset or goodwill.

#### 3.10 Investment properties

Investment properties are included in the Balance Sheet at fair value, in accordance with FRS 102 section 16 "Investment Property". This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated.

#### 3.11 Investments

Investments in the Company Balance Sheet are shown at cost less provision for impairment. Impairment reviews are performed by the directors when there has been an indicator of potential impairment.

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### 3 Accounting policies (continued)

#### 3.12 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost of finished products and work in progress includes, where appropriate, direct labour and materials and a proportion of factory overheads. Net realisable value is calculated after taking into account provisions for obsolescence, as the actual selling price, net of trade discounts, less costs to completion and all related marketing, selling and distribution costs.

#### 3.13 Warranties

Provision is made for the best estimate of the costs of making good under warranty products sold before the Balance Sheet date and is discounted, where material.

#### 3.14 Property provisions

Provision is made for the best estimate of the unavoidable future lease payments, on a discounted basis, where material, when the lease becomes onerous, net of amounts that can be reasonably expected to be recovered from subtenants to which the respective property is expected to be

Provision is made for the best estimate of dilapidation costs, on a discounted basis, where material, at the date the obligation arises. The unwinding of the discount is included within interest expense. The provision is net of amounts recoverable in respect of dilapidation costs for properties that have been sublet to unrelated third parties.

#### 3.15 Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### 3.16 Deferred tax

Deferred tax is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. A deferred tax liability is recognised if transactions or events result in the Group having an obligation to pay more tax in future periods. A deferred tax asset is only recognised where transactions or events that have occurred before the Balance Sheet date give the Group the right to pay less tax in the future and it is considered to be probable that the asset will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

#### 3.17 Share based payments

The fair value of share plans, where material, is recognised as an expense in the Consolidated Profit and Loss Account over their expected vesting periods. The fair value of share plans is determined at the date of the grant, taking into account any market based vesting conditions attached to the award. Non market based vesting conditions are taken into account in estimating the number of awards that are likely to vest; these estimates are reviewed regularly and the expense charge adjusted accordingly.

### 3 Accounting policies (continued)

#### 3.18 Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases where the Group acts as the lessor are presented as a receivable at an amount equal to the net investment in the lease. Rental payments received by the Group under the finance leases are apportioned between the finance charge and the reduction of the outstanding obligation.

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The finance charge from the lease is recognised within interest receivable in each accounting period. Rentals relating to the reduction of the outstanding obligation are recognised through turnover over the term of the lease. Normal selling losses are recognised through costs of sales on inception of the lease.

For assets held under finance leases when the Group acts as a lessee, the capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Consolidated Profit and Loss Account in proportion to the reducing capital element.

#### 3.19 Operating leases

Operating lease rentals are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term.

#### 3.20 Finance costs

Costs incurred in respect of obtaining new debt instruments are capitalised and reported against the respective debt within liabilities and amortised to the Consolidated Profit and Loss Account over the term of the facility.

#### 3.21 Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Consolidated Profit and Loss Account.

The Profit and Loss Accounts of overseas activities are translated into sterling at average rates of exchange. The Balance Sheets of overseas activities are translated at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising on the retranslation at closing rates of the opening Balance Sheets of overseas activities, together with the year end adjustment to closing rates of Profit and Loss accounts translated at average rates, are taken to reserves.

### 3 Accounting policies (continued)

#### 3.22 Business combinations and goodwill

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributable to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is written off to the Consolidated Profit and Loss Account on a straight line basis over periods that represent the estimated useful economic lives of those assets which are between 5 and 20 years.

The Group has taken advantage of the exemption in respect of applying FRS 102 section 19 "Business Combinations and Goodwill" to business combinations effected before the date of transition.

#### 3.23 Financial instruments

The Group has chosen to adopt FRS 102 Section 11 "Basic Financial Instruments" and FRS 102 Section 12 "Other Financial Instruments Issues" in respect of financial instruments.

Basic financial assets, including trade and other receivables and cash and bank balances, are initially measured at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility to which it relates.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value of derivatives are recognised in profit or loss in finance costs or income, as appropriate.

The Group does not currently apply hedge accounting for interest rate and foreign exchange derivatives.



**4 Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure in the reporting period, particularly in relation to the accounting for pension costs, the valuation of investment properties and freehold and long leasehold land and buildings, the useful economic lives of fixed tangible and intangible assets, the recognition of provisions and the recognition of deferred tax assets. Actual results could differ from those estimates.

The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate based on the return on high quality corporate bonds. Management estimates these factors in determining the net pension obligation in the Balance Sheet. The assumptions reflect historical experience and current trends. See note 24 for the assumptions used in accounting for defined benefit pension schemes.

Investment property and freehold and long leasehold land and buildings are measured at fair value in these financial statements. Fair value is deemed to be an open market basis valuation and is reassessed annually. They are amended when necessary, to reflect current estimates. See note 14 for the carrying value of investment property and freehold and long leasehold land and buildings.

The annual depreciation charge for tangible and intangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful lives and residual values are reassessed annually. They are amended when necessary, to reflect current estimates. See note 13 for the carrying value of intangible fixed assets and note 14 for the carrying value of tangible fixed assets.

Stocks are stated after provisions for impairment. These are reassessed annually and amended, when necessary, to reflect current estimates. See note 16 for the carrying value of provisions.

Provisions are made for the best estimates in relation to warranties, onerous property leases and dilapidations. These are reassessed annually and amended, when necessary, to reflect current estimates. See note 23 for the carrying value of provisions.

Deferred tax assets are only recognised to the extent to which it can be regarded as more likely than not that the Group will generate sufficient future taxable profits from which the reversal of the underlying timing differences can be deducted. See note 21 for details of deferred tax assets recognised.

## Unipart Group of Companies Limited

### Notes to the Financial Statements For the Year Ended 31 December 2018

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#### 5 Turnover

It is the directors' judgment that all sales in the current and prior year relate to one class of business, that of the provision of global supply chain and logistics solutions.

An analysis of turnover by category is as follows:

	2018 £m	2017 £m
Sale of goods	432.7	449.8
Provision of services	282.6	307.8
<b>Statutory Group Turnover</b>	<b>715.3</b>	<b>757.6</b>
Share of joint ventures (i)	55.1	54.1
Share of associates (i)	75.0	77.9
<b>Total turnover (including joint ventures and associates)</b>	<b>845.4</b>	<b>889.6</b>

The Group has joint ventures and associates, the turnover of which is not included within Group turnover in accordance with FRS 102. However, the Group's share of such turnover is shown above.

(i) The share of joint ventures' and associates' turnover is based on the percentage of shares the Group owns (see note 34).

An analysis of turnover by geographical location of customer is as follows:

	2018 £m	2017 £m
United Kingdom	452.8	487.5
Rest of Europe	152.5	150.2
Rest of World	110.0	119.9
	<b>715.3</b>	<b>757.6</b>

#### 6 Profit before interest and taxation

	2018 £m	2017 £m
Group turnover	715.3	757.6
Cost of sales	(535.7)	(580.9)
<b>Gross profit</b>	<b>179.6</b>	<b>176.7</b>
Distribution costs	(39.0)	(36.1)
Administration expenses	(120.5)	(118.2)
<b>Profit on ordinary activities</b>	<b>20.1</b>	<b>22.4</b>
Share of profit after taxation of joint ventures and associates	4.2	0.4
Exceptional items (note 7)	(9.4)	4.1
<b>Profit before interest and taxation</b>	<b>14.9</b>	<b>26.9</b>

## 6 Profit before interest and taxation (continued)

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

	2018 £m	2017 £m
Depreciation of tangible fixed assets	5.9	5.0
Amortisation of intangible assets, including goodwill	1.1	1.1
Amount of stock expensed	276.2	279.9
Operating lease rentals	30.8	31.4
Sublet income from land and buildings	(2.2)	(2.0)
Profit on disposal of fixed assets	(0.2)	(4.1)

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors:

	2018 £m	2017 £m
Audit of Group and Company financial statements	0.1	0.1
<b>Other services to the Group:</b>		
Audit of the Company's subsidiary financial statements pursuant to legislation	0.4	0.4
Taxation compliance services	0.4	0.4
Taxation advisory services	0.1	0.1
Other non-audit services	0.1	0.1

## 7 Exceptional items

An exceptional charge of £9.4m is reported in the Consolidated Profit and Loss Account. This relates to the past service cost in relation to the equalisation of Guaranteed Minimum Pensions (GMP) on the Group's pension scheme liabilities. GMPs have been payable in relation to service before April 1997 for those pension schemes that contracted out of the UK State Earnings Related Pension Scheme (SERPS). During 2018, a High Court case clarified that GMPs need to be equalised between male and female members and this has triggered these past service costs. See note 24 for further detail of the Group's pension commitments.

The prior year exceptional credit of £4.1m relates to a one-off profit on the disposal of a freehold property. As noted in the Accounting Policies, the Profit and Loss account has been presented in a revised format in these financial statements. In the previous year financial statements, this credit was reported within Operating results (before exceptional items) in the Profit and Loss Account.

In the prior year, a charge of £5.2m was reported in the Exceptionals column within the share of profit after taxation of joint ventures and associates, which related to the estimated losses expected to be incurred on a long-term engineering contract. Due to the revised format of the Consolidated Profit and Loss Account, this is now reported in a separate line within the share of profit after taxation of joint ventures and associates.

**Unipart Group of Companies Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**8 Net interest payable and similar charges**

	2018 £m	2017 £m
<b>Interest payable and similar charges</b>		
Bank loan interest payable	1.8	1.5
Finance lease interest	0.1	0.1
Amortisation of issue costs on bank facilities	0.2	0.3
Other interest payable	0.1	-
	<u>2.2</u>	<u>1.9</u>
Interest receivable and similar income	(0.3)	(0.2)
<b>Net interest payable</b>	<u>1.9</u>	<u>1.7</u>

**9 Net other finance charge**

	2018 £m	2017 £m
Net finance charge on pension schemes (note 24)	10.0	11.0
Unwinding of discounting of provisions (note 23)	0.3	0.2
<b>Net other finance charge</b>	<u>10.3</u>	<u>11.2</u>

**10 Employees**

Staff costs were as follows:

	2018 £m	2017 £m
Wages and salaries	163.9	175.3
Social security costs and other taxes	17.3	18.7
Other pension costs	7.0	6.7
	<u>188.2</u>	<u>200.7</u>

Other pension costs relate to contributions to defined contribution pension schemes and current service costs and administration costs relating to defined benefit pension schemes.

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

	2018 No.	2017 No.
Direct labour	2,340	2,509
Indirect labour	1,718	2,139
Sales, marketing and administration	1,371	1,401
	<u>5,429</u>	<u>6,049</u>

## 11 Directors' emoluments

The aggregate emoluments of the directors during the year totalled £3,442,632 (2017: £3,784,718). During the year, retirement benefits were accruing to two directors (2017: nil) in respect of a defined contribution pension scheme. No directors (2017: nil) accrued retirement benefits under a defined benefit scheme or under a money purchase scheme. The highest paid director received aggregate emoluments during the year of £1,337,789 (2017: £1,522,921).

Also included in aggregate emoluments were fees of £108,419 (2017: £73,075), which were paid in the year in respect of the two non-executive directors who served during the year (2017: 1).

The aggregate emoluments of key management personnel during the year totalled £7,690,172 (2017: £8,481,856).

## 12 Tax on profit on ordinary activities

	2018 £m	2017 £m
<b>Analysis of tax charge/(credit) in the year</b>		
<b>Current tax</b>		
UK corporation tax credit on profit for the year	(0.4)	(0.7)
Adjustments in respect of prior years	0.2	(0.7)
	<u>(0.2)</u>	<u>(1.4)</u>
Foreign corporation tax	4.2	4.7
<b>Total current tax</b>	<u>4.0</u>	<u>3.3</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1.7)	(0.9)
Effect of change in tax rates	0.2	0.2
Adjustments in respect of prior years	(0.1)	(3.0)
Foreign deferred tax	-	0.3
<b>Total deferred tax</b>	<u>(1.6)</u>	<u>(3.4)</u>
<b>Tax on profit on ordinary activities</b>	<u>2.4</u>	<u>(0.1)</u>

## 12 Tax on profit on ordinary activities (continued)

### Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2017: lower than) the standard rate of corporation tax in the

	2018 £m	2017 £m
Profit on ordinary activities before taxation	2.7	14.0
Profit on ordinary activities multiplied by the standard rate of corporation	0.5	2.7
<b>Effects of:</b>		
Expenses not deductible for tax purposes	0.2	1.3
Adjustments in respect of prior years	0.1	(3.6)
Effect of foreign taxation rates	1.2	1.8
Share of joint ventures' and associates' tax reported within profit on ordinary activities	(0.7)	(0.7)
Non taxable income	0.6	(1.5)
Effects of changes in tax rates	0.2	0.2
Deferred tax not previously recognised	0.3	0.1
Deferred tax relating to Group pension schemes	-	(0.4)
<b>Total tax charge/(credit) for the year</b>	<b>2.4</b>	<b>(0.1)</b>

### Factors that may affect future tax charges

The Group has generated significant UK capital losses from disposals in previous years. Such losses will only be available to offset UK capital profits arising in future periods, such as gains arising on the future sale of freehold properties, and it is expected to be some time before these losses are relieved. Accordingly, the Group has not recognised a deferred tax asset in respect of these losses. As a consequence, the Group does not expect to incur any significant tax charges in respect of capital gains within the foreseeable future.

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Unipart Group of Companies Limited

Notes to the Financial Statements  
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13 Intangible assets

Group

	Goodwill £m	Licences /Other £m	Total £m
<b>Cost</b>			
At 1 January 2018	29.2	0.9	30.1
Additions	0.2	-	0.2
<b>At 31 December 2018</b>	<b>29.4</b>	<b>0.9</b>	<b>30.3</b>
<b>Accumulated amortisation</b>			
At 1 January 2018	20.8	0.8	21.6
Charge for the year	1.1	-	1.1
<b>At 31 December 2018</b>	<b>21.9</b>	<b>0.8</b>	<b>22.7</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>7.5</b>	<b>0.1</b>	<b>7.6</b>
At 31 December 2017	8.4	0.1	8.5

Additions to goodwill relate to deferred consideration paid during the year on acquisitions completed in prior years.

Company

	Licences /Other £m
<b>Cost and Net book value</b>	
At 1 January and 31 December 2018	<b>0.1</b>

Notes to the Financial Statements  
For the Year Ended 31 December 2018

## 14 Tangible assets

## Group

	Freehold and long leasehold investment properties £m	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
<b>Cost or valuation</b>						
At 1 January 2018	4.5	32.3	5.6	3.4	51.4	97.2
Additions	-	-	-	0.1	3.7	3.8
Disposals	-	(0.1)	-	-	(4.9)	(5.0)
Revaluations	-	2.5	0.2	-	-	2.7
Foreign exchange	-	0.1	0.1	-	0.5	0.7
<b>At 31 December 2018</b>	<b>4.5</b>	<b>34.8</b>	<b>5.9</b>	<b>3.5</b>	<b>50.7</b>	<b>99.4</b>
<b>Accumulated depreciation</b>						
At 1 January 2018	-	0.9	-	2.7	38.4	42.0
Charge for the year	-	0.1	-	0.2	5.6	5.9
Disposals	-	-	-	-	(4.8)	(4.8)
Revaluations	-	(0.3)	-	-	-	(0.3)
Foreign exchange	-	-	-	0.1	0.4	0.5
<b>At 31 December 2018</b>	<b>-</b>	<b>0.7</b>	<b>-</b>	<b>3.0</b>	<b>39.6</b>	<b>43.3</b>
<b>Net book value</b>						
<b>At 31 December 2018</b>	<b>4.5</b>	<b>34.1</b>	<b>5.9</b>	<b>0.5</b>	<b>11.1</b>	<b>56.1</b>
At 31 December 2017	4.5	31.4	5.6	0.7	13.0	55.2

Included within plant and machinery are assets held under finance leases with a cost of £2.7m (2017: £3.4m) and accumulated depreciation of £1.0m (2017: £1.6m).

If the freehold and long leasehold land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2018 £m	2017 £m
<b>Group</b>		
Cost	19.1	19.1
Accumulated depreciation	(6.3)	(6.2)
<b>Net book value</b>	<b>12.8</b>	<b>12.9</b>

Of the total revaluation reserve of £27.2m (2017: £25.7m), an amount of £26.5m (2017: £25.2m) relates to freehold and long leasehold land and buildings and an amount of £0.7m (2017: £0.5m) relates to investment properties.



#### 14 Tangible assets (continued)

At 31 December 2018, the portfolio of investment, freehold and long leasehold properties was revalued, on an open market basis, giving a total aggregate value of £44.5m (2017: £41.5m).

The investment, freehold and long leasehold properties, including overseas properties, were valued by external valuers Cushman & Wakefield, being qualified valuers and members of the Royal Institution of Chartered Surveyors (RICS). All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards.

The revaluation of investment properties and the revaluation of freehold and long leasehold properties only to the extent that a revaluation decrease exceeds the revaluation gains accumulated in equity in respect of an asset, or to the extent that a revaluation increase reverses a revaluation decrease of the same asset previously recognised in profit or loss, are reported in the Consolidated Profit and Loss Account. All other revaluation gains and losses are reported in other comprehensive income. During the year, total revaluation gains of £0.2m (2017: £0.2m) are included within profit and loss and revaluation gains of £2.8m (2017: £2.7m) are included within other comprehensive income.

Revaluations of properties recognised in profit or loss, along with the revaluation surplus realised on the disposal of property, are transferred between the Profit and Loss Account and the Revaluation Reserve.

Deferred tax is recognised except to the extent that there are sufficient capital losses available within the Group to utilise any capital gains that arise on the future sale of the revalued properties. A deferred tax liability of £0.5m (2017: £0.9m) has been recognised.

**Unipart Group of Companies Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**15 Investments**

**Group**

	<b>Investment in joint ventures £m</b>	<b>Investments in associates £m</b>	<b>Total £m</b>
<b>Cost</b>			
At 1 January 2018	11.0	10.9	21.9
Share of profits retained	1.6	2.6	4.2
Acquisitions	1.0	-	1.0
Dividends	(1.3)	(1.0)	(2.3)
Foreign exchange	-	0.1	0.1
<b>At 31 December 2018</b>	<b>12.3</b>	<b>12.6</b>	<b>24.9</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>12.3</b>	<b>12.6</b>	<b>24.9</b>
At 31 December 2017	11.0	10.9	21.9

The Group's interest in joint ventures is 50% of the ordinary share capital of Kautex Unipart Limited which has been included in the consolidated financial statements using the equity method of accounting.

Associated undertakings represent the Group's 29% ordinary shareholding of ACI Auto Components International SRO, the Group's 40% ordinary shareholding of Lucchini Unipart Rail Limited and the Group's 30% ordinary shareholding of UGL Unipart Rail Services Pty Limited, all of which have been included in the consolidated financial statements using the equity method of accounting.

The Group provides certain services to its joint ventures and associated undertakings, the transactions being disclosed in note 33.

Details of the Group's undertakings are shown in note 34.

**Unipart Group of Companies Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

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**15 Investments (continued)**

**Company**

	<b>Investments in subsidiary companies £m</b>	<b>Investment in joint ventures £m</b>	<b>Total £m</b>
<b>Cost</b>			
At 1 January and 31 December 2018	<u>70.4</u>	<u>4.4</u>	<u>74.8</u>
<b>Impairment</b>			
At 1 January and 31 December 2018	<u>33.2</u>	<u>-</u>	<u>33.2</u>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<u>37.2</u>	<u>4.4</u>	<u>41.6</u>
At 31 December 2017	<u>37.2</u>	<u>4.4</u>	<u>41.6</u>

Details of the investments of the Company are shown in note 34.

**Unipart Group of Companies Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**16 Stocks**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>
Raw materials and consumables	7.6	8.6
Work in progress	4.2	3.5
Finished goods and goods for resale	83.0	77.3
	<b>94.8</b>	<b>89.4</b>

There is no material difference between carrying value and replacement cost.

Stocks are stated after provisions for impairment of £20.6m (2017: £22.3m).

The Company has £nil stocks (2017: £nil).

**17 Debtors**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Company 2018 £m</b>	<b>Company 2017 £m</b>
<b>Amounts falling due after more than one year</b>				
Amounts owed by joint ventures and associates (note 33)	-	3.2	-	3.2
Deferred tax (note 21)	80.6	74.9	12.8	11.2
Other debtors	7.4	10.0	7.2	7.2
	<b>88.0</b>	<b>88.1</b>	<b>20.0</b>	<b>21.6</b>
<b>Amounts falling due within one year</b>				
Trade debtors	97.1	93.2	-	-
Amounts owed by Group undertakings	-	-	6.6	3.9
Amounts owed by joint ventures and associates (note 33)	3.3	2.8	0.2	0.3
Amounts receivable under finance lease	-	0.2	-	-
Corporation tax	2.5	4.1	0.9	0.6
Deferred tax (note 21)	0.1	3.5	-	1.2
Other debtors	12.7	7.1	-	0.5
Prepayments and accrued income	24.6	22.1	-	-
	<b>140.3</b>	<b>133.0</b>	<b>7.7</b>	<b>6.5</b>

Trade debtors are stated after provisions for impairment of £5.0m (2017: £5.5m).

Amounts owed by Group undertakings, joint ventures and associates are unsecured and have no fixed repayment date. Certain amounts owed by Group undertakings bear interest based on 3 month LIBOR rates.

**Unipart Group of Companies Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**18 Creditors: amounts falling due within one year**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Company 2018 £m</b>	<b>Company 2017 £m</b>
Bank loans and overdrafts (note 20)	<b>57.1</b>	49.3	-	-
Trade creditors	<b>56.9</b>	73.9	-	-
Amounts owed to joint ventures and associates (note 33)	<b>0.3</b>	0.2	-	-
Finance leases	<b>0.5</b>	0.5	-	-
Corporation tax	<b>0.6</b>	0.2	-	-
Other taxation and social security	<b>13.0</b>	12.9	-	-
Deferred tax (note 21)	<b>1.3</b>	1.2	-	-
Other creditors	<b>18.4</b>	14.7	<b>0.1</b>	-
Accruals and deferred income	<b>66.0</b>	55.3	<b>1.3</b>	1.4
	<b>214.1</b>	208.2	<b>1.4</b>	1.4

Amounts owed to Group undertakings, joint ventures and associates are unsecured and are repayable on demand. Certain amounts owed to Group undertakings bear interest based on 3 month LIBOR rates.

**19 Creditors: amounts falling due after more than one year**

	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>	<b>Company 2018 £m</b>	<b>Company 2017 £m</b>
Bank loans and overdrafts (note 20)	<b>19.6</b>	14.5	-	-
Finance leases	<b>1.1</b>	1.1	-	-
Other creditors	<b>2.8</b>	7.3	-	-
Accruals and deferred income	<b>1.1</b>	0.8	<b>0.3</b>	-
	<b>24.6</b>	23.7	<b>0.3</b>	-

The future minimum payments under finance leases due after more than one year are due later than one but not later than five years.

## 20 Borrowings

	Group 2018 £m	Group 2017 £m
<b>Amounts falling due within one year</b>		
Bank overdrafts	(17.5)	(18.3)
Bank loans	(39.6)	(31.0)
	<u>(57.1)</u>	<u>(49.3)</u>
	Group 2018 £m	Group 2017 £m
<b>Amounts falling due between one and five years</b>		
Bank loans and working capital facilities	(18.3)	(13.0)
	<u>(18.3)</u>	<u>(13.0)</u>
	Group 2018 £m	Group 2017 £m
<b>Amounts falling due after more than five years</b>		
Bank loans and working capital facilities	(1.3)	(1.5)
	<u>(1.3)</u>	<u>(1.5)</u>

The bank loans and overdrafts bear interest based on LIBOR and are secured by fixed and floating charges over certain of the Group's assets. The facility falling due within one year is stated net of unamortised issue costs of £0.1m (2017: £0.3m). The facility falling due in more than one year is stated net of unamortised issue costs of £0.2m (2017: £0.1m). The costs are allocated to the Consolidated Profit and Loss Account over the terms of the respective facilities at a constant rate.

The Group has various borrowings facilities available, including a working capital facility of up to £40.0m (2017: £40.0m) currently committed until June 2021, a working capital facility of up to €3.0m (2017: €3.5m) renewable annually, a revolving facility of up to £30.0m (2017: £30.0m) committed until March 2021, a term loan of £4.5m (2017: £6.5m) repayable in quarterly instalments until March 2021, a term loan of €3.6m (2017: €4.9m) repayable in monthly instalments until November 2021, a revolving loan of €10.0m (2017: €10.0m) renewable annually and a term loan of €2.4m (2017: €2.6m) repayable in monthly instalments until 2031.

21 Deferred tax

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
At 1 January	77.2	74.7	12.4	13.4
Amounts credited/(charged) to the Profit and Loss Account	1.6	3.4	(0.2)	(0.2)
Amounts credited/(charged) to the Statement of Comprehensive Income	0.6	(0.9)	0.6	(0.8)
At 31 December	79.4	77.2	12.8	12.4
<b>Representing:</b>				
Deferred tax asset included within debtors falling due within one year (note 17)	0.1	3.5	-	1.2
Deferred tax asset included within debtors falling due in more than one year (note 17)	80.6	74.9	12.8	11.2
Deferred tax liability included within creditors falling due within one year (note 18)	(1.3)	(1.2)	-	-
	79.4	77.2	12.8	12.4

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Accelerated capital allowances	6.1	5.9	-	-
Trading losses and timing differences	7.3	7.1	2.5	2.4
Capital losses	-	-	2.6	2.2
Deferred tax asset relating to pension deficit	66.0	64.2	7.7	7.8
	79.4	77.2	12.8	12.4

The Group does not recognise an asset of £14.9m (2017: £17.6m) in respect of UK capital losses generated from disposals in previous years, trading losses that have arisen and accelerated capital allowances due to uncertainty concerning the timescale of its recoverability.

The Company does not recognise an asset of £14.9m (2017: £17.6m) in respect of UK capital losses generated from disposals in previous years, trading losses that have arisen and accelerated capital allowances due to the uncertainty concerning the timescale of its recoverability.

## 22 Financial instruments

The Group has the following financial instruments:

	2018 £m	2017 £m
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Trade debtors (note 17)	97.1	93.2
Amounts receivable under finance lease (note 17)	-	0.2
Amounts owed by joint ventures and associates (note 17)	3.3	6.0
Prepayments and accrued income (note 17)	24.6	22.1
Other debtors (note 17)	20.1	17.1
	<b>145.1</b>	<b>138.6</b>
<b>Financial liabilities measured at amortised cost</b>		
Bank loans, overdrafts and working capital facilities (note 20)	76.7	63.8
Finance leases (notes 18,19)	1.6	1.6
Amounts owed to joint ventures and associates (note 18)	0.3	0.2
Trade creditors (note 18)	56.9	73.9
Accruals and deferred income (notes 18,19)	67.1	56.1
Other creditors (notes 18,19)	21.2	22.0
	<b>223.8</b>	<b>217.6</b>

Financial instruments are measured at fair value.

### Derivative financial instruments - Forward contracts

The Group enters into forward foreign contracts to mitigate the exchange rate risk for certain foreign currency transactions. At 31 December 2018, the outstanding contracts all mature within 1 month (2017: 7 months) of the year end.

At 31 December 2018, the Group was committed:

- to sell AUD 5.8m at a fixed rate of 1.7854; and
- to sell AED 1m at a fixed rate of 4.6926; and
- to buy USD 2m at a fixed rate of 1.274; and
- to buy USD 24m at fixed rates between 1.1861 and 1.2175.

At 31 December 2017, the Group was committed to sell AUD 5.6m at fixed rates between 1.6642 and 1.7468.

At 31 December 2018, the fair value of forward contracts was less than £0.1m (2017: £0.1m).

### Derivative financial instruments - Interest rate swaps

There were no interest rate swaps outstanding at the year ended 31 December 2018 (2017: nil).

### Company

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(c), from presenting disclosures in relation to financial instruments on the basis that the Group prepares the equivalent consolidated disclosures.



## 23 Provisions and contingent liabilities

### Group

	Legal and product liability	Property	Total
	£m	£m	£m
At 1 January 2018	1.2	18.9	20.1
Charge in the year	0.3	0.6	0.9
Reversed in the year	(0.5)	(1.2)	(1.7)
Unwinding of discount	-	0.3	0.3
Utilised in year	(0.2)	(1.4)	(1.6)
<b>At 31 December 2018</b>	<b>0.8</b>	<b>17.2</b>	<b>18.0</b>

### Legal and product liability

A legal and product liability provision is maintained in respect of compliance with regulations and known litigations that impact the Group including warranties, claims and other disputes. Due to the contractual nature of the Group's business, there are from time to time disputes or claims received. In preparing the accounts, the directors assess the validity and likelihood of each new and existing claim and consider how they should be reported or provided for in the financial statements in accordance with the accounting standards.

Where there are claims at the end of the financial year where a settlement is considered probable and there is a reliable estimate of the expected outcome, a provision is made in the financial statements. The timing of outflows of such provisions will vary as and when claims are received and settled, which is not known with any certainty.

In addition to those provisions recorded in the financial statements there are, during the ordinary course of business, contractual claims received which are considered less than probable in resulting in a settlement or cannot be reliably estimated. The Company received such a claim in the year which remains unresolved at the balance sheet date. The directors are assessing the validity of the claim but believe that in the event any liability should arise then the Company will be substantially reimbursed. The directors expect the claim to be resolved within the next year.

### Property

The property provision is in respect of contractual obligations primarily in relation to onerous leases on vacant properties and in relation to dilapidations. The charge in respect of the unwinding of discounting of provisions is included in net other finance charge (note 9). Where it is probable that the Group will not be required to settle a provision, the provision is released. These provisions are expected to be fully utilised at the end of the respective leases, which vary between 1 and 64 years. A discount rate of between 0.8% - 1.8% has been applied (2017: 0.4% - 1.8%).

## 24 Pension commitments

The Group operates several pension schemes in the United Kingdom, the largest being the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme. The assets of these pension schemes are held separately from those of the Group in trustee administered funds. The schemes are principally funded defined benefit schemes. Liabilities are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. Contributions are payable in accordance with the long term schedules of contributions agreed with the Trustees of the pension schemes and these schedules will be reviewed in the light of the results of the next actuarial valuations. Total contributions to the defined benefit sections of these two schemes made in the year were £13.1m (2017: £13.9m).

With effect from 31 December 2005, defined benefit accrual ceased in the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme and members had the option of continuing to accrue benefits under new defined contribution sections of the schemes.

The latest available formal comprehensive actuarial valuations of the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme were carried out as at 31 December 2017 by AON Hewitt Limited. Based on this data, the value of the schemes' liabilities has been updated by AON Hewitt Limited to assess the liabilities of the schemes at 31 December 2018 for the purposes of FRS 102. Scheme assets are stated at their market value at 31 December 2018.

The disclosures for all of the Group's defined benefit arrangements are aggregated below. Estimated contributions to be paid into the Group schemes in the coming year are £14.9m.

Total contributions made in the year to defined contribution sections of the Group's schemes were £5.0m (2017: £4.5m). At the year end there was an accrual for unpaid pension contributions of £nil (2017: £0.3m).

The key financial and other assumptions used to calculate the schemes' liabilities are:

	2018	2017
Rate of general increase in salaries	3.18%	3.14%
Rate of increase in pensions in payment	2.96%	2.94%
Rate of increase in deferred pensions	2.33%	2.29%
RPI inflation rate	3.18%	3.14%
Discount rate	2.95%	2.63%

A review of mortality for scheme members was conducted in preparation for the actuarial valuations as at 31 December 2017 and the demographic assumptions used in assessing the FRS 102 liabilities reflect this review. For these schemes, the following life expectancies have been used:

Retirement in this year for male pensioners at age 65	22 years	22 years
Retirement in 2038 for male pensioners at age 65	23 years	23 years
Retirement in this year for female pensioners at age 65	23 years	24 years
Retirement in 2038 for female pensioners at age 65	25 years	25 years

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Group's UK schemes have been calculated by adjusting the standard mortality tables to reflect the characteristics of the workforce.

## 24 Pension commitments (continued)

In line with prior years, it has been assumed that at retirement, members commute some of their pension for cash, being some three-quarters of the maximum amount of the commutable pension, based on the schemes' current commutation factors.

Minor changes in key assumptions may have a material impact on the quantum of the pension deficit.

### Group

The fair value of total scheme assets was:

	2018 £m	2017 £m
Equities/absolute return funds	228.8	249.2
Government bonds	34.3	36.8
Corporate bonds/LDI	110.9	159.3
Property/infrastructure	82.7	65.0
Other	106.8	89.5
<b>Total fair value of assets</b>	<b>563.5</b>	<b>599.8</b>
Present value of funded pension plans' liabilities	(950.0)	(976.0)
<b>Deficit in funded plans</b>	<b>(386.5)</b>	<b>(376.2)</b>
Unrecognised assets due to surplus restriction	(1.1)	(1.1)
<b>Total deficit in plans</b>	<b>(387.6)</b>	<b>(377.3)</b>

The movements in the fair value of scheme assets and present value of scheme liabilities during the year were:

	Liabilities £m	Assets £m	Total £m
At 1 January 2018	(976.0)	599.8	(376.2)
Scheme administration costs	-	(0.9)	(0.9)
Current service cost	(1.1)	-	(1.1)
Interest (cost)/income	(25.5)	15.5	(10.0)
Contributions by members	(0.5)	0.5	-
Contributions by Group	-	15.2	15.2
Benefits paid	30.8	(30.8)	-
Actuarial gain/(loss)	31.3	(35.8)	(4.5)
Settlement	0.4	-	0.4
Past service cost (note 7)	(9.4)	-	(9.4)
<b>At 31 December 2018</b>	<b>(950.0)</b>	<b>563.5</b>	<b>(386.5)</b>

Scheme assets include an interest in shares in the Company valued at £16.0m (2017: £16.0m). Scheme assets do not include any property occupied by any members of the Group. The actual total return on scheme assets in the year was a loss of £20.3m (2017: gain of £54.6m).

## 24 Pension commitments (continued)

### Settlement

At the start of the financial year, the pension deficit on the NRS section of the Railways Pension Scheme was £15.4m, of which the members' share amounted to £6.2m. The size of this deficit, along with the high level of ongoing contributions required by both the active members and employer to address it led the company and members to enter into discussions about the future. In return for a freezing of pensionable pay, the members were released of their obligations to fund 40% of the deficit. In addition, the active members were offered the opportunity to join a defined contribution scheme as well as the defined benefit scheme in which the employer will match member contributions up to a certain level. For the Company, this has resulted in a net accounting gain of £0.4m, however the Company is now 100% responsible for the deficit and any future gains or losses, in addition to the obligations under the defined contribution scheme.

The consolidated Profit and Loss Account includes the following amounts:

	2018 £m	2017 £m
Settlement	0.4	-
Past service cost (note 7)	(9.4)	-
Current service cost	(1.1)	(1.3)
Scheme administration costs	(0.9)	(0.9)
Interest costs	(10.0)	(11.0)
	<u>(21.0)</u>	<u>(13.2)</u>

### Company

The Company operates the Unipart Group Retirement Benefit Scheme. The fair value of total scheme assets was:

	2018 £m	2017 £m
Equities/absolute return funds	29.5	27.7
Corporate bonds/LDI	19.4	28.2
Property/infrastructure	14.3	10.8
Other	15.6	17.9
<b>Total fair value of assets</b>	<b>78.8</b>	<b>84.6</b>
Present value of funded pension plan's liabilities	(124.0)	(129.7)
<b>Total deficit in plan</b>	<b>(45.2)</b>	<b>(45.1)</b>

The movements in the fair value of scheme assets and present value of scheme liabilities during the year were:

	Liabilities £m	Assets £m	Total £m
At 1 January 2018	(129.7)	84.6	(45.1)
Scheme administration costs	-	(0.1)	(0.1)
Interest (cost)/income	(3.3)	2.2	(1.1)
Contributions by Company	-	4.0	4.0
Benefits paid	5.3	(5.3)	-
Actuarial gain/(loss)	4.3	(6.6)	(2.3)
Past service cost	(0.6)	-	(0.6)
<b>At 31 December 2018</b>	<b>(124.0)</b>	<b>78.8</b>	<b>(45.2)</b>

**24 Pension commitments (continued)**

Scheme assets include an interest in shares in the Company valued at £3.8m (2017: £3.8m). Scheme assets do not include any property occupied by any members of the Group. The actual total return on scheme assets in the year was a loss of £4.4m (2017: gain of £11.5m).

The Company Profit and Loss Account includes the following amounts:

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Past service cost	<b>(0.6)</b>	-
Scheme administration costs	<b>(0.1)</b>	(0.1)
Interest costs	<b>(1.1)</b>	(1.5)
	<b><u>(1.8)</u></b>	<b><u>(1.6)</u></b>

Total contributions made by the Company in the year to defined contribution section of the Company's schemes were £0.4m (2017: £0.3m). At the year end there was no accrual for unpaid pension contributions (2017: £0.3m).

## 25 Called up share capital

The share capital comprises 'A', 'D' and 'E' Ordinary shares of ½p each. Each share, irrespective of class, has the same dividend entitlement and has one vote at a general meeting. On a return of capital on liquidation or otherwise, the assets of the Company available for distribution amongst shareholders shall be applied in paying pro-rata to the holders of the 'A' Ordinary shares the sum of ½p per share and to the holders of the 'D' Ordinary shares and the 'E' Ordinary shares the sum of 1p per share and thereafter, pro-rata to the nominal value of shares held by them.

Group and Company	2018 £m	2017 £m
73.7 million (2017: 72.3 million) 'A' Ordinary shares of ½p each	0.4	0.4
5.6 million (2017: 7.0 million) 'D' Ordinary shares of ½p each	-	-
2.3 million (2017: 2.3 million) 'E' Ordinary shares of ½p each	-	-
	<b>0.4</b>	<b>0.4</b>

No individual shareholder is able to exercise control and, as a result, the directors do not consider there to be an ultimate controlling party.

## 26 Share option schemes

The Group Share Trust has granted options to employees over a number of shares which have already been issued and are owned by the Group Share Trust. It is not considered appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the Trust deeds governing the Group Share Trust, which prevent the Group from having de facto control over the Trust.

The vesting requirements associated with the share options are a combination of criteria based on financial and personal performances. The share options issued between July 2008 and September 2010 have all been issued at an exercise price of 45p per share and have a vesting period of 3 years and a total option length of 10 years. All options exercised are to be settled with ordinary shares of the Company.

No share-based payment charge has been recognised in relation to the options issued since November 2002 on the basis that any charge would be immaterial. At the date the options were granted, the exercise price was greater than the share valuation.

## 27 Reserves

### Share premium account

The share premium account represents amounts received above par value in return for shares within the Company.

### Revaluation reserve

Revaluation reserve represents accumulated revaluation gains and losses for the year and prior years.

### Capital redemption reserve

The capital redemption reserve is non-distributable and represents amounts that have been transferred following the purchase of the Company's own shares.

### Profit and loss account

The profit and loss account represents accumulated comprehensive income for the year and prior years less dividends paid.

## 28 Post balance sheet events

On 1 March 2019, the Group acquired 100% of the ordinary share capital of Westcode Inc. for consideration of \$5,000,000 and 100% of the ordinary share capital of Westcode (UK) Limited for consideration of £750,000.

The above acquisitions have no impact on these financial statements for the year ended 31 December 2018.

Notes to the Financial Statements  
For the Year Ended 31 December 2018

29 Notes to the cash flow statement

	2018 £m	2017 £m
<b>Profit after taxation</b>	<b>0.3</b>	<b>14.1</b>
Adjustments for:		
Tax on profit	2.4	(0.1)
Net interest expense	12.2	12.9
Exceptional items	9.4	(4.1)
Income from interests in associated undertakings	(4.2)	(0.4)
<b>Profit on ordinary activities</b>	<b>20.1</b>	<b>22.4</b>
Amortisation of intangible assets	1.1	1.1
Depreciation of tangible assets	5.9	5.0
Profit on disposal of tangible assets	(0.2)	-
Gain on revaluation of property	(0.2)	(0.2)
Working capital movements:		
- Increase in stock	(4.8)	(7.2)
- Increase in debtors	(5.1)	(7.0)
- Decrease in creditors	(7.4)	(12.1)
(Decrease)/increase in provisions	(2.4)	1.2
Difference between pension service charge and cash contributions	(13.5)	(9.3)
Unrealised foreign currency gains and losses	(0.4)	-
<b>Cash flow from operating activities</b>	<b>(6.9)</b>	<b>(6.1)</b>

Analysis of changes in net debt

	1 January 2018 £m	Cash flow £m	Non-cash movement £m	31 December 2018 £m
Cash at bank and in hand	62.4	0.2	0.3	62.9
Bank overdrafts	(18.3)	0.8	-	(17.5)
<b>Cash and cash equivalents</b>	<b>44.1</b>	<b>1.0</b>	<b>0.3</b>	<b>45.4</b>
<b>Debt:</b>				
Finance leases	(1.6)	-	-	(1.6)
Debts due within one year	(31.0)	(8.3)	(0.3)	(39.6)
Debts falling due after more than one year	(14.5)	(5.0)	(0.1)	(19.6)
<b>Total debt excluding cash and overdrafts</b>	<b>(47.1)</b>	<b>(13.3)</b>	<b>(0.4)</b>	<b>(60.8)</b>
<b>Net debt</b>	<b>(3.0)</b>	<b>(12.3)</b>	<b>(0.1)</b>	<b>(15.4)</b>

Non-cash movements relate to the amortisation of issue costs and foreign exchange movements.



### 30 Capital commitments

At 31 December, the Group and Company had capital commitments as follows:

	2018 £m	2017 £m
Contracted as at the year end but not provided for in the financial statements	-	0.1

### 31 Financial commitments

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Guarantees for export trading and loan facilities	1.3	0.9	-	-

Under the Group's banking arrangements, the Company, together with certain of its subsidiary undertakings, has given security, by way of fixed charges over certain assets, to guarantee bank loans provided to the Group. The amount guaranteed by the Company outstanding at 31 December 2018 was £19.4m (2017: £5.2m).

### 32 Operating lease commitments

At 31 December, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2018 £m	2017 £m
<b>Expiry date</b>		
Within 1 year	25.5	27.9
Between 2 and 5 years	47.7	57.8
After more than 5 years	8.4	10.4

The Company had no operating lease commitments at 31 December 2018 (2017: £nil).

### 33 Related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	2018 £m	2017 £m
<b>Entities over which the Group has joint control or significant influence</b>		
Sales to related parties	11.1	12.2
Purchases from related parties	2.7	4.3
Payments made on behalf of related parties	14.5	13.4
Balances due from related parties (note 17)	3.3	6.0
Balances owed to related parties (note 18)	0.3	0.2
Dividends from related parties	1.9	2.7

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made by the Group for doubtful debts in respect of the amounts owed by related parties.

Information regarding transactions with key management personnel is included in note 11.

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(e), from disclosing transactions with other wholly owned Group companies and from representing disclosures in relation to key management personnel on the basis that the Group prepares the equivalent consolidated disclosure.

Family members of either directors or key management personnel were employed by the Group during the year and were each paid a salary appropriate for the tasks and responsibilities of their roles. The positions of these family members employed during the year were: Propositions and Innovation Director; Chief Digital Officer; General Manager for a large logistics contract; Member of the Learning & Development team in Unipart's consultancy business; Warehouse Operative; and Graduate Trainee.

## Unipart Group of Companies Limited

### Notes to the Financial Statements For the Year Ended 31 December 2018

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#### 34 Group undertakings

##### 34.1 Subsidiary undertakings

At the year end, the Group's subsidiary undertakings were as set out below. Unless otherwise stated, the holdings are 100% of the voting rights and ordinary shares.

##### Distribution and logistics management

##### Europe and the Middle East

Van Wezel Austria GmbH	Austria
Schloßmühlstraße 15b, 2320 Schwechat, Austria	
Serck Services (Bahrain) EC	Bahrain
PO Box 3214, Manama, Bahrain	
Van Wezel Autoparts NV	Belgium
Industriepark 3300, Tienen, Belgium	
Unipart NV	Belgium
Industriepark 3300, Tienen, Belgium	
Unipart Logistics s.r.o	Czech Republic
Praha 1, Nove Mesto, Václavské náměstí 832/19, Czech Republic	
Instrumentel Limited *	England
Key Fasteners Limited *	England
Park Signalling Limited *	England
Samuel James Engineering Limited *	England
Unipart Accelerated Logistics Limited *	England
Unipart Advanced Logistics Limited *	England
Unipart Exports Limited *	England
Unipart Group Limited * (i)	England
Unipart Healthcare Services Limited *	England
Unipart Logistics Limited *	England
Unipart North America Limited *	England
Unipart Rail Limited *	England
Unipart Security Solutions Limited *	England
Unipart DCM Service GmbH i.L [in liquidation]	Germany
Stockstadter Str. 10, 63763 Grossostheim, Germany	
Van Wezel GmbH	Germany
Südfeld 7, 59174 Kamen, Germany	
Intertruck Deutschland GmbH	Germany
Siemensstraße 31, 47533, Kleve, Germany	
Intertruck Benelux BV	Netherlands
Koddeweg 10, 3194 DH Hoogvliet, Netherlands	
Van Wezel Nederland BV	Netherlands
Koddeweg 10, 3194 DH Hoogvliet, Netherlands	
HD Fleet Solutions BV	Netherlands
Koddeweg 10, 3194 DH Hoogvliet, Netherlands	
Serck Services (Oman) LLC (49%) (ii)	Oman
PO Box 1056, Ruwi 112, Sultanate of Oman	
Unipart Services Spain, S.L. [in liquidation]	Spain
Avenida del Sistema Solar, 19, Nave 5 y 6, San Fernando de Henares, 28830, Spain	
Intertruck Holding Limited	UAE
Level 15 Rolex Tower, Sheikh Zayed Rd, Dubai, UAE	
Intertruck MENA LLC (49%) (ii)	UAE
1068-0 Apricot Building, Dubai, UAE	
Serck Services (Gulf) Limited (49%) (ii)	UAE
PO Box 5834, Sharjah, UAE	
Serck Services Company LLC (49%) (ii)	UAE
PO Box 4439, Abu Dhabi, UAE	

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## Unipart Group of Companies Limited

### Notes to the Financial Statements For the Year Ended 31 December 2018

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#### 34 Group undertakings (continued)

##### Africa, Americas and Rest of the World

Unipart Group Australia Pty Limited	Australia
PricewaterhouseCoopers, 201 Sussex Street, Sydney, NSW 2000, Australia	
Unipart Services Canada Inc	Canada
317 Rutherford Road South, Brampton, Ontario, L6W 3R5, Canada	
Unipart Logistics (Suzhou) Trading Co., Limited	China
No.88 Xian Dai Avenue, Suzhou Industrial Park, China	
Unipart (Suzhou) Logistics Co., Limited	China
Room 901, 9th Floor, Xian Dai Logistics Tower, No.88 Xian Dai Avenue, Suzhou Industrial Park, China	
Unipart Kabushiki Kaisha	Japan
6F Seifun-Kaikan, 15-6 Nihonbashi-Kabutocho, Chuo-ku, Tokyo, 103-0026, Japan	
Unipart Services India Private Limited	India
Office No. 224, Sector 30-A, Platinum Techno Park, Vashi, Navi Mumbai - 400703, Maharashtra, India	
Intertruck Africa Limited [in liquidation]	Kenya
1/1228 Chaka Place, Argwings Khodek Rd, Nairobi, Kenya	
Unipart Korea Yuhan Hoesa	Korea
4F The Exchange Seoul Bldg., 21 Mukyo-ro, Jung-gu, Seoul 100-722, Korea	
Rail Supply Chain Services Malaysia Sdn Bhd	Malaysia
Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No.1, Leboh Ampang, 50100 Kuala Lumpur, Malaysia	
Unipart Rail Malaysia Sdn Bhd	Malaysia
Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No.1, Leboh Ampang, 50100 Kuala Lumpur, Malaysia	
UL Logistics Pty Ltd	South Africa
2 Eglin Road, Sunninghill, 2157, South Africa	
Unipart Services America Inc	USA
85 Chestnut Ridge Rd, Suite 211, Montvale, NJ 07645, USA	
Serck Services Inc	USA
5501 Pearl Street, Denver, CO 80216, USA	
Intertruck Africa Limited	Zambia
Plot 6940, Buyantanshi Road, Lusaka, Zambia	

##### Manufacturing and engineering solutions

Metlase Limited (80%) * (i)	England
Unipart International Holdings Limited *	England
Unipart Powertrain Applications Limited *	England

##### Group vehicle and property holding companies

LGUA17 Limited *	England
Unipart Fleet Services Limited *	England
UGC Properties Limited * (i)	England
Unipart Property Netherlands BV	Netherlands
Koddeweg 10, 3194 DH Hoogvliet, Netherlands	

**34 Group undertakings (continued)**

**Intermediate holding companies**

UGC(2015) Limited * (i)	England
Unipart Rail Holdings Limited * (i)	England
UGC Holdings BV	Netherlands
Koddeweg 10, 3194 DH Hoogvliet, Netherlands	
UNV Invest BV	Netherlands
Koddeweg 10, 3194 DH Hoogvliet, Netherlands	
Unipart Advanced Manufacturing Limited *	England
Unipart Manufacturing Limited *	England
Unipart Group Holdings Limited (i) *	England

(i) Shares held directly by the Company

(ii) These companies have been treated as subsidiaries under section 1162(4) of the Companies Act 2006. The investments are held for the long term and the Group's management takes an active role in the operational and strategic management of these companies. These operations are effectively controlled by the Group with a dominant influence being exercised over their activities.

\* Registered address is Unipart House, Garsington Road, Cowley, Oxford, OX4 2PG, England

**34.2 Joint ventures and associates**

The Group's interests in joint ventures and associates are set out below. Unless otherwise stated, the holdings are 50% of the voting rights and shares.

**Distribution and logistics management**

UGL Unipart Rail Services Pty Limited (30%)	Australia
Level 10, 40 Miller Street, North Sydney, NSW, 2060 Australia	
ACI Auto Components International SRO (29%)	Czech Republic
Delostrelecka 190/19, 162 00 Praha 6, Czech Republic	
Lucchini Unipart Rail Limited (40%)	England
Ashburton Park Wheel Forge Way, Trafford Park, Manchester, M17 1EH, England	
Hyperbat Limited *	England

**Manufacturing and engineering solutions**

Kautex Unipart Limited *	England
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(i) Shares held directly by the Company

\* Registered address is Unipart House, Garsington Road, Cowley, Oxford, OX4 2PG, England

## Unipart Group of Companies Limited

### Notes to the Financial Statements For the Year Ended 31 December 2018

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#### 34 Group undertakings (continued)

##### 34.3 Non-trading subsidiaries and associates

The Group's non-trading subsidiary undertakings are set out below. Unless otherwise stated, the holdings are 100% of the voting rights and ordinary shares.

Carbitz Otley Limited *	England
Dorman Traffic Products Limited *	England
Dorman Traffic Products Pension Trustees Limited *	England
EW (Holdings) Limited *	England
Gresty Road 2005 Holdings Limited *	England
Gresty Road Supplies Limited *	England
H.Burden Pension Trustees Limited * (i)	England
HCSU10 Limited * (i)	England
HCSU13 Limited *	England
HCSU16 Limited *	England
HCSU29 Limited	England
2nd Floor 110 Cannon Street, London, EC4N 6EU	
LGUA15 Limited *	England
LGUA18 Limited *	England
Lucchini UK Limited (40%)	England
Ashburton Park, Wheel Forge Way, Trafford Park, Manchester, M17 1EH, England	
Partco Limited *	England
Railpart (UK) Limited *	England
Secura-Cam (U.K.) Limited *	England
Serck Limited * (i)	England
Truck & Trailer Components Limited *	England
Truckparts Limited *	England
UGC JV Pension Trustees Limited * (i)	England
UGC Pension Trustees Limited * (i)	England
UGC Rail Investments Limited * (i)	England
UGC Retirement Benefits Trustees Limited * (i)	England
Unipart PA Trustees Limited * (i)	England
Unipart Rail Logistics Limited *	England
UGC Pension Shareholding Limited	Isle of Man
1st Floor, Sixty Circular Road, Douglas, IM1 1AE, Isle of Man	
UGC Pension Funding LP (ii)	Scotland
50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland	
UGC GP Scotland Limited (i)	Scotland
50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland	

(i) Shares held directly by the Company

(ii) A Scottish Limited Partnership

\* Registered address is Unipart House, Garsington Road, Cowley, Oxford, OX4 2PG, England

As well as those undertakings listed above, the Group also has branches in Australia and Japan.