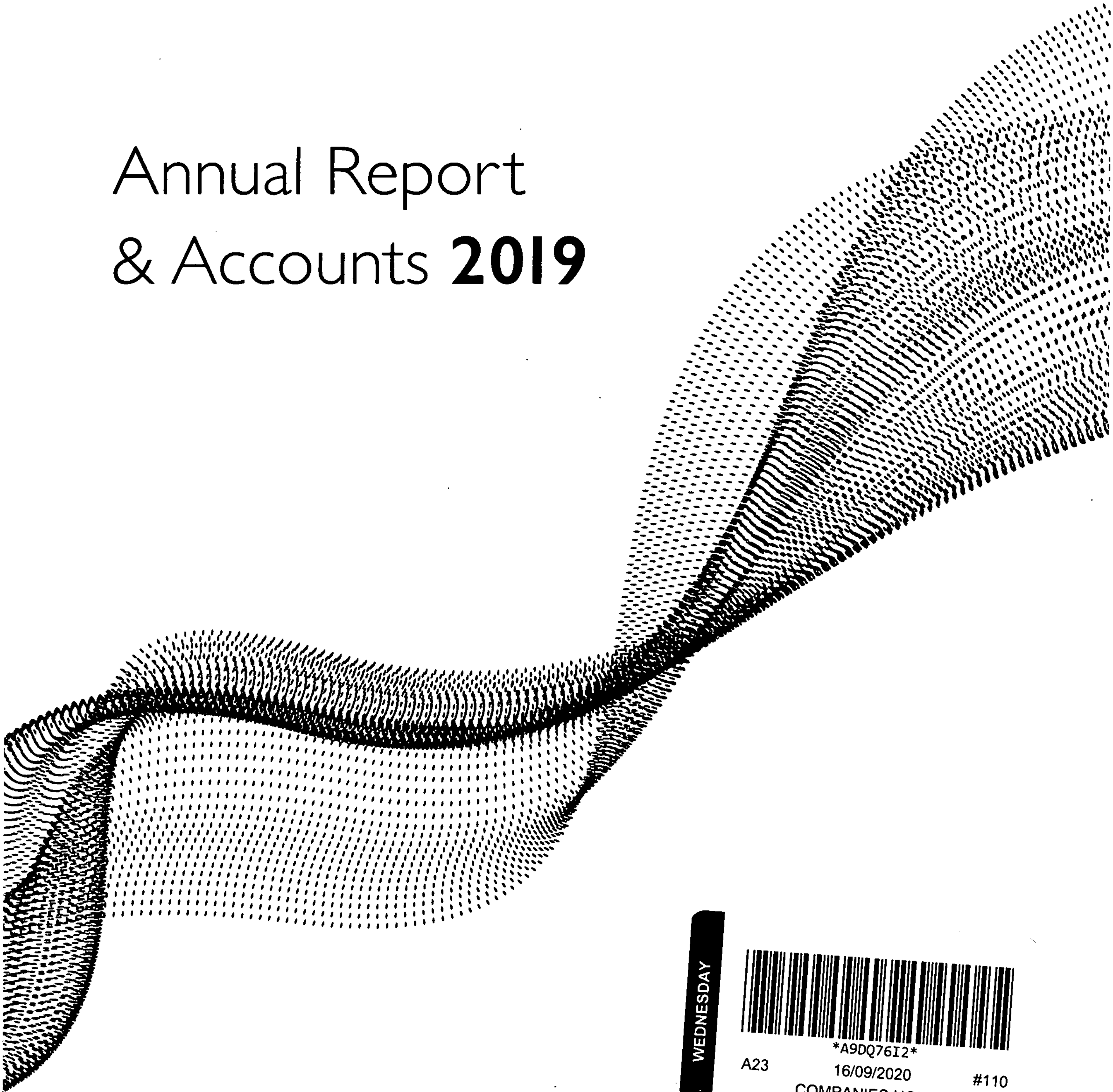
UNIPART GROUP

MANUFACTURING · LOGISTICS · CONSULTANCY

Annual Report & Accounts **2019**



Unipart Digital Products

Proven | Trusted | Transformative

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Directors
Frank W Burns
Jonathan Chitty
Bryan S Jackson CBE
Hamid G Mughal OBE
John M Neill CBE
Noel J Travers
UGC GP Scotland Limited

Company Secretary
Robert P D O'Brien

Registered Number
01994997

Registered Office
Unipart House
Cowley
Oxford
OX4 2PG

Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZX

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Donington Court
Pegasus Business Park
Herald Way
East Midlands
DE74 2UZ

This publication comprises the full Annual Report and Financial Statements of Unipart Group of Companies Limited for 2019, 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 Corporate Governance Statement, the Directors' Report, the Independent Auditors' Report and the Financial Statements for the year ended 31 December 2019.

Chairman's Statement

John M Neill CBE
Chairman & Group Chief Executive

The Unipart Group achieved significant levels of growth in 2019 with several important new contracts successfully implemented, together with extensions to existing relationships.

We delivered this growth against a continuing backdrop of political and economic uncertainty throughout the year, regarding Britain's exit from the European Union. Despite this uncertainty, turnover for the Group grew by 11.7% year on year to £799.2m (2018: £715.3m). Group profit, before defined benefit pensions, interest, taxation and other exceptional items, also increased by 5.4% to £27.3m (2018: £25.9m).

Our performance in 2019 demonstrates the Group's resilience in difficult times, largely due to "The Unipart Way", our proprietary system of continuous improvement and employee engagement. This creates a culture in which our colleagues willingly "go the extra mile" for their customers.

The need for resilience is likely to be even greater in 2020, as, at the date of approval of these financial statements, the Group is closely monitoring the economic implications of the spread of Coronavirus across the globe and the impact that it may have on the Group's trading performance for the coming year. Our immediate focus has been to protect the health and safety of our people and maintain our services to our customers, which includes the National Health Service. While it is difficult to assess the wider impact of Coronavirus, the Group is likely to be as resilient, if not more so, than many other companies, due to our diversification across multiple sectors, customers and geographies. We have undertaken a review of the potential impacts that Coronavirus may have on the Group, further details of which are reported in the Directors' Report. We are confident that we have a robust business plan that can withstand the economic challenges that may result from the pandemic.

Future trading relationships between the UK and the EU
In addition to pandemic planning, our supply chain experts continue to assess the impacts of the various models which may be adopted in the UK's future trading relationship with the EU. As I stated last year, achieving clarity over future trading rules is essential. This is needed in order to enable supply chains that have been developed and refined over the decades, to continue to operate seamlessly, with frictionless precision and high levels of efficiency.

The Digital Revolution
The Digital Revolution has radically changed our customers' expectations and needs, and I am very pleased with the progress our Group has made in our digital transformation. We have set our vision for our future state well ahead of our competition and we now have a full suite of digital solutions. They have all been developed in-house and range from simple Health & Safety Apps to bespoke Warehouse Management Systems. We are also well advanced in developing the ability to implement our own ERP system. The strength of our brand will play an important role in supporting the launch of our digital applications, products and services.

In parallel with this product development, we are undertaking the continuous re-skilling of our colleagues, in order to provide us with the capability of developing further digital innovations, that will then bring new benefits to our customers.

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.

Unipart's philosophy is "to meet the real and perceived needs of our customers better than anyone else and to serve them better than anyone else". The digital revolution unlocks endless opportunities to deliver better ways of working, both within the Group and in the services provided to our customers.

In our 2019 customer engagement survey our business scored 10 out of 10 for trust with the world's biggest car maker and 10 out of 10 for advocacy with one of the UK's biggest technology companies. Across the Group, we are extremely proud that our customers rated Unipart highly on trust metrics.

Moving towards zero carbon
The commitment by industry to achieve 'Zero Carbon' requires innovation and investment. At Unipart, we are working with world class customers, such as Sky and Vodafone, to lead the way in building sustainability into the supply chain with initiatives such as the elimination of all single use plastic.

The transition from the internal combustion engine to electrically powered vehicles provides Unipart with the ability to chart a new future in the automotive manufacturing sector and its aftermarket. Our digital capability, coupled with our advanced manufacturing, engineering and supply chain expertise, has enabled the Group to partner with some of the world's leading automotive brands, as they accelerate their development of new electric vehicles.

This has resulted in the establishment of Hyperbat, which is a new joint venture with Williams Advanced Engineering, that has resulted in a new battery production facility. In addition, we have signed a new contract with Jaguar Land Rover to provide just in time logistics at their new Battery Assembly Centre in the West Midlands.

At its outset, as a manufacturer and supplier of automotive parts, Unipart was totally reliant on the production of the internal combustion engine. Sales of such parts now represent only a small fraction of Group turnover.

Growth from across the Group

We have also seen significant growth in other areas of our Group as The Unipart Way continues to differentiate us from the competition.

Examples would include us taking over the NHS Supply Chain logistics contract in February. This involves the supply of all products, other than medicines, to all NHS Trusts in England plus care homes and other specific locations. In March, Unipart won the contract to design, manufacture and install heat exchangers at EDF Energy's nuclear power station in Suffolk. Towards the end of the year, Unipart became Selco's supply chain partner, designing a new National Distribution Centre to support growth in their network of builders' merchants.

Our overseas operations also continued to grow during 2019, supported by the acquisition of Westcode Inc, a rail engineering business in North America. Their highly technically skilled workforce and complementary product range is an excellent addition to Unipart's existing product portfolio and engineering capability in the rail industry.

Corporate Governance

Unipart has a culture of doing business the right way and the development of corporate governance standards across all major UK corporations, including those larger non-listed entities like Unipart, is a welcome development. We continue to take significant steps to strengthen our governance, which is underpinned by our values of being an ethical and responsible business. The Group's Corporate Governance Statement is included alongside the Directors' Report and the section 172(1) report can be located at the end of the Strategic, Operating and Financial Review.

Recent awards

Our joint venture with Coventry University, the Institute of Advanced Manufacturing and Engineering (AME), is now in its sixth year of undergraduate training. This year it won the prestigious Queen's Anniversary Prize, the highest national honour awarded in UK for further and higher education and granted by Her Majesty every two years.

We are pleased to announce that this innovative collaboration will now be expanded, after receiving additional funding. This will allow the development of an additional building, provided with state-of-the-art digital manufacturing and materials analysis equipment. We are very proud of the industry-ready, world-class engineers that have graduated from the AME, many of whom have gone on to start their careers with Unipart.

GRADUATE CASE STUDY

Alicia, Manufacturing Engineer

Alicia was one of the first graduates to join Unipart through its unique undergraduate partnership with Coventry University, and is now a manufacturing engineer at the cutting edge of electric vehicle battery production.

From the start of her Bachelor of Engineering degree in 2014, Alicia spent up to three days each week at Unipart's Coventry site working alongside experts at the Institute of Advanced Manufacturing and Engineering.

Throughout the three-year course, students were regularly assessed by Unipart. "It was like a three-year interview," said Alicia. "In my third year, Unipart offered me a role before I had graduated."

Alicia went on to graduate with a First Class Honours degree, starting work in September 2017 at Hyperbat, Unipart's new joint venture with Williams Advanced Engineering. She's now at the forefront of manufacturing batteries for high-performance electric vehicles, working with automation and robotics.

I am pleased to report that the Group has achieved several other awards in 2019, including:

- The Princess Royal Training Award for workplace learning, which celebrates exceptional training and development programmes across the country. Our "Gate to Great" programme, enabling employees to build their knowledge of The Unipart Way, was recognised for its commitment to engaging employees in the development of good leadership skills.
- The British Safety Council's International Safety Award for setting world class approaches in health and safety in the transport and logistics sector.
- The Group also received two Swords of Honour and one Globe of Honour from the British Safety Council. Unipart is one of an elite group of companies to receive both of these honours this year. These awards highlight the utmost importance we place on health, safety and environmental management across all our operations.

Our own internal "Mark in Action" award ceremonies recognise employees who have gone above and beyond their job roles to demonstrate outstanding personal customer service. Over 3,300 colleagues have been recognised since the awards began in 1987. These awards mark the most outstanding achievements, but every day our colleagues from across the Group are problem-solving, innovating and going that extra mile, in line with our Group philosophy.

I would like to thank every one of our employees for their commitment to outstanding customer service and continuous improvement. That commitment has allowed the Group to continue to thrive and succeed in challenging and fast-changing times.

Strategic, Operating and Financial Review

Strategy

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, to enable them to deliver our philosophy.

The success of this philosophy is shown by our enduring relationships with some of the world's most prestigious businesses who trust us to consistently deliver excellent service and support their growth both in the UK and worldwide.

"At the heart of Unipart's strategy is digital innovation and employee empowerment."

Unipart aims to be at the forefront of The Fourth Industrial Revolution. This is the convergence of digital technologies and the significant adjustments required to keep pace with the fast changing industrial landscape. To achieve this aim, we continue to challenge our employees to innovate and apply new digital technologies into their every day.

In 2019, every Unipart employee in the UK was invited to attend a digital philosophy day to introduce them to the technologies used around the Group and to focus them on seeing their role through a digital lens. Each and every employee has been given the opportunity to work with our team of Digital Champions embedded within the organisation to generate ideas on how to develop and improve the use of digital products available to our business and customers.

Our in-house digital team is developing several new products which are already proving to be of significant value to our operations globally. The benefits of the digital technologies already used in the Group are driving high levels of improvement and efficiency and our people have enthusiastically embraced the use of technological advances in physical tools such as cobots, drones and 3D printers to name just a few. Tools such as Digital Twins are being used in planning new site layouts and Robotic Process Automation enables software robots to be used to enhance existing processes in our Finance Shared Service centre.

In conjunction with the digital improvements, the Group's dedicated IT security team continues to ensure our systems and databases remain secure against the heightened threats in the fast moving cyber fraud arena.

We call our employee development programme "Gate to Great". It is a concept designed to empower our people to master The Unipart Way, our systematic philosophy of working that is necessary to solve problems every day. The "Gate to Great" programme allows 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.

We have invested over 30 years in developing The Unipart Way, and we continue to strive to make this philosophy of working second nature, thereby driving productivity and delivering operational excellence in our businesses and for the benefit of our customers. Sustaining The Unipart Way will allow us to innovate and succeed in our strategy by developing a strong culture of employee engagement.

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 onto 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 in the operation.
- **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.

The Unipart Way is a complete ecosystem, refined over many years to deliver sustained productivity improvements. Productivity has been cited as the route to improving living standards for everyone in the UK and we believe our focus on this, coupled with a matrix of digital products and services allows us to deliver exceptional customer service.

By extending The Unipart Way and Unipart's commitment to enabling everyone in the company to solve problems at their own level, we are confident that we can help customers succeed in any sector and in any geography. Our philosophy has secured the trust of global brands and continues to support our strategy and reputation.

This strategy and the dedication of our employees has helped drive our business forward over many years. In 2019 we welcomed new customers across a wide variety of sectors, we strengthened our relationship with existing partners and furthered a number of new exciting collaborations.

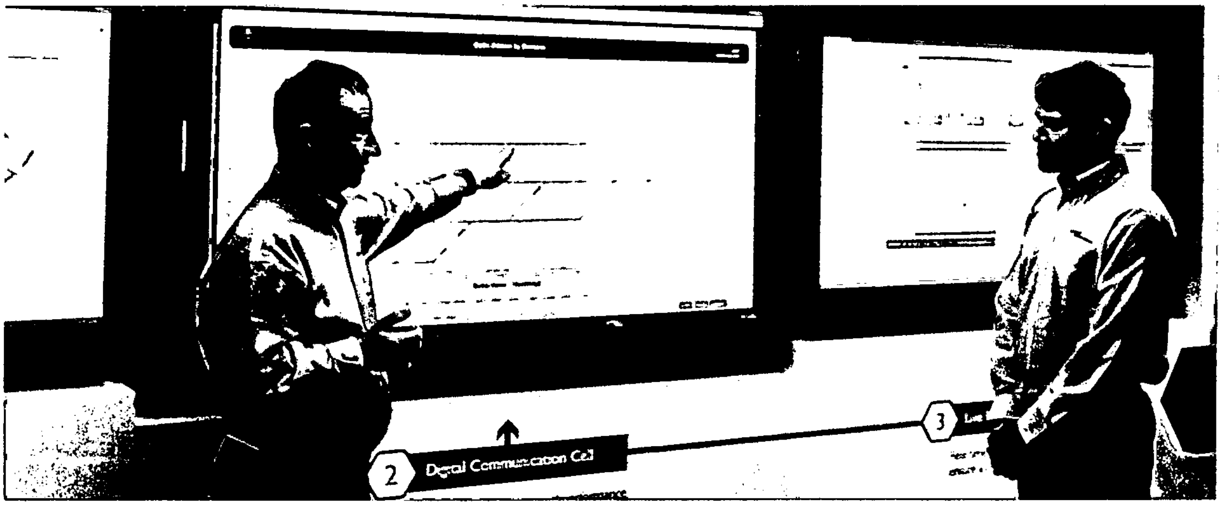
Unipart recognises the power of education to drive growth. By aligning ourselves with university partners we have become key players in new government initiatives, commencing a number of research and development projects. The knowledge our businesses gain from these partnerships allows the projects to develop into market leading products and services providing benefits to our existing and future customers.

For instance, we implemented the Faculty on the Floor model in the AME, our joint venture with Coventry University. 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 developed industry-ready young engineers for Britain.

This year, increased funding has been secured for the AME, which will allow for further investment in robotics, automation, digital technologies, laser processing and surface engineering – all designed to enhance research and teaching capabilities. These types of collaborations, along with furthering our digital focus and leveraging the benefits of The Unipart Way are the core of Unipart's strategy for prosperity in the digital age as we enter our fifth decade as an independent Group.

Following the award of the Volkswagen Group's UK aftermarket logistics business in 2018, Unipart has continued to drive improvements across the operation in close collaboration with the Volkswagen Group, resulting in progression in key performance metrics. This has been delivered while growing volumes, enabled through the deployment of many initiatives driven by both The Unipart Way and the Volkswagen team.

At the start of the year, Unipart was awarded a new production logistics operation to support BMW Mini at Plant Oxford. The operation is delivering outstanding service and will support the launch of the new Electric Mini in 2020.



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

During 2019, Unipart continued to grow its partnership with Jaguar Land Rover, and is pleased to have extended the support we provide both in the UK and overseas. Unipart is proud to have been selected to provide in-plant production logistics for Jaguar Land Rover's new flagship Battery Assembly Centre in the Midlands, which will produce a range of in-house batteries for Jaguar and Land Rover electric vehicles. There has been a particular focus on the environment through the reduction, elimination and re-use of plastic packaging, resulting in a reduction of over 10 tonnes of plastic waste during the year through Unipart's automotive packing operation.

Unipart supported the continuing growth in McLaren Automotive's aftermarket business by opening a new purpose-designed Global Distribution Centre in the Midlands. The operation features digital and automation technologies such as Robotic Process Automation to further enhance the service for McLaren Automotive's customers.

With tough new regulations on the production of internal combustion engine cars, the electric vehicle market is set for terrific growth and Unipart is uniquely placed to make a positive impact. Hyperbat, Unipart's joint venture with Williams Advanced Engineering, continues to lead the production of batteries for high-performance vehicles and in 2019 received another significant funding grant from the Advanced Propulsion Centre as part of the UK Government's industrial strategy to advance the UK's low-carbon automotive capability.

Unipart is supporting the growth of a number of high profile automotive manufacturers with their electric vehicle growth strategies. Given the increased number of electric vehicle batteries in the market in coming years that will need to be recycled, refurbished or reused, Unipart is well positioned to offer the industry a practical reverse logistics supply chain. In 2019, Innovate UK recognised Unipart's expertise in this area and designated us the leader of Project Detain, a study into the safe storage of electric vehicle batteries.

The Group's Van Wezel brand continued to grow and develop in 2019, strengthening its already enviable position as the premier provider of OEM quality aftermarket collision repair products and services across Europe. That position has been the result of a clear and differentiated

Strategic, Operating and Financial Review (continued)

Automotive (continued)

market offering, a relentless focus on productivity and trading efficiency. During 2019, Van Wezel successfully established and opened their new Centre of Expertise in Belgium, providing world class technical support to their core business and underpinning the business's leading proposition to provide 'Fit First Time', best in class products.

The commercial vehicle aftermarket sector has faced trying market conditions in recent years across both the UK and Europe. Nonetheless Intertruck, the Group's European aftermarket distributor of truck and trailer components relaunched its Heavy Duty Parts Center network proposition during 2019, incorporating 18 customers in the Benelux region across over 30 outlets. This is the biggest group of Heavy Duty parts distributors in the region.

Technology

Unipart is delighted to have again extended its contract with Vodafone, in a highly competitive technology sector. Through a significant contract extension, our partnership with Vodafone will now extend beyond 25 years. During the next phase in the partnership journey, Unipart will deliver significant transformation, including the adoption of new digital technology and automation.

Working with Vodafone, Unipart has implemented a new premium delivery box. This removed the plastic delivery bag, improved the customer experience and removed 19 tonnes of single use plastic. Our focus on building a sustainable supply chain continues and in 2020 Unipart will box all Vodafone products for delivery through automated boxing which will remove a further 20 tonnes of plastic from the supply chain.

2019 saw Sky achieve significant growth and Unipart is proud to have supported Sky's continued success, as it expands its engineering team and continues to grow its mobile proposition. To meet the growth needs of Sky and deliver impeccable service, Unipart has created a flexible outbound logistics area in our Midlands distribution centre. The area is a multi-functional space not constrained by fixed infrastructure, using mobile digital workstations developed by the Group's in-house team of digital software developers.

In addition, Unipart has continued to develop its Traceability Management Tool, a shop floor flow-and-control system, driving efficient routing and providing rich data and insight for its advanced returns, screening and repair centre.

With 127 tonnes of single-use plastic in its supply chain, Sky announced in 2017 that it wanted to find innovative ways to reduce its use of plastic when it launched the Sky Ocean Rescue campaign.

During 2018, Unipart started to remove all the single use plastic that it introduces into the Sky supply chain and this great work continued in 2019, working with the end to end supply chain to remove the need for additional packaging or, where it is required, identifying and sourcing alternative sustainable solutions.

Unipart and Sky are very proud to say that almost all single use plastic has now been eliminated from the supply chain. These innovative solutions are now used as best practice across Unipart's wider customer base as part of its commitment to delivering a greener supply chain for all customers.

Consumer

During 2019, customer relationships have gone from strength to strength, with contract extensions agreed with Kimberly-Clark and Q CELLS.

Unipart is proud to have begun a new long term partnership with Selco Builder Merchants based out of the Group's Distribution Centre at our Head Office. Selco see real value in Unipart's capability in warehousing, logistics, technology and the wider supply chain that will create a long-term platform to support their growth.

Health

Unipart has become a major provider of Healthcare Logistics during the year, taking over responsibility for the provision of logistics services for the NHS Supply Chain. The services include the management of seven regional distribution centres and associated transportation, inventory management, customer service, inbound logistics and community and home delivery services. Furthermore a new Network Control Centre and Health Care Division Head Office has been opened in Coventry.

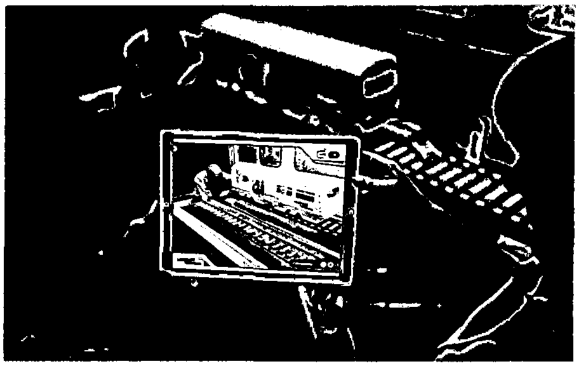
Unipart welcomed approximately 2,000 new colleagues into its business to service the NHS and, in its first year of operation, Unipart has increased the capacity of the NHS Supply Chain to support the growth driven by the introduction of the new NHS commercial operating model. At the same time, Unipart has ensured readiness of this critical logistics infrastructure for the UK's exit from the European Union, including additional transportation and warehouse capacity.

Work is already underway to develop a new distribution centre for continued growth, together with supporting the delivery of new systems for the NHS. Unipart is proud to be working with the NHS to deliver these and many other projects and contribute to significant savings in the NHS Supply Chain, enabling more funds to be made available to improve patient care.

Consultancy

Despite the political uncertainty in 2019, Unipart's operational improvement proposition continued to resonate with both existing and new clients, allowing our dedicated programme consultants to extend contracts with clients in its core sectors (public sector, manufacturing, utilities, construction and higher education), delivering operational improvement and logistics advisory services. In addition, Unipart won projects with a series of new clients across these core sectors and also new clients in the retail sector. Within the public sector, Unipart was awarded part of an important public sector healthcare framework agreement.

Unipart is pleased to have been awarded a number of new contracts for its Digital Inventory System software product, demonstrating the value that it brings for clients with a requirement to model and manage aftermarket parts. Furthermore, Unipart has continued to invest in its suite of digital products and services. For example, the Group's own in-house Data Science team has been able to demonstrate, through advanced analytics, the compelling business case for predictive maintenance based on historical parts failure data leading to cost savings and improved customer service for a number of its clients.



Rail

Unipart provides a wide range of products and the full spectrum of logistics and distribution services to almost all of the rail operators and many contractors in the UK rail market. Unipart also has a growing international presence in the rail sector. In addition to providing customers with solutions to complex supply chains, Unipart manufactures, repairs and overhauls rail equipment, with an increasing base of customers outside of the rail industry that have similar requirements around safety, availability and assurance.

Unipart's progress during 2019 is set against a backdrop of continuing difficult trading conditions. Network rail's spending remained suppressed as Control Period 6 began with many projects delayed. Rolling stock fleet withdrawal continues, albeit at a slower rate and many train operating franchises continue to operate under financial pressure. Added to this are the uncertainties caused by a lack of visibility and consistency in upcoming rail work, delayed decision making on major projects like HS2, Trans-Pennine route upgrade and Crossrail 2, the major industry restructuring with the Williams Rail Review and Network Rail's reorganisation.

In response to these market conditions, Unipart has adapted its UK rail service centre operations to better respond to market needs, whilst pursuing our strategy to grow internationally and continuing to lead the industry in innovation and new product development.

Notwithstanding these challenges, Unipart has been successful in retaining and renewing contracts with existing customers as well as winning new business in the UK and International markets.

In the UK, Network Rail's organisational change sees more autonomy and control of spend going to the routes and regions. Accordingly, Unipart is working closely with those routes and regions to extend the work it does with the contractors that serve them. In line with this approach, new business has already been delivered with the routes and contractors for both new and existing customers including Atkins, Fenix and Linbrooke.

Significant contract extensions and renewals were also secured with a number of train operators including East Midlands Trains, Stadler for Merseyrail, South Eastern Railway, Keolis Amey for Transport for Wales and Northern Rail.

The Group continues to seek growth through acquisition and during 2019 Westcode, a manufacturer based in both the UK and USA was acquired. This has provided Unipart with direct and local access to the US markets enabling it to bring its products and services to a wider market. North America presents significant opportunities on a number of fronts for supply chain, technology and product supply. During the year new opportunities were identified for major supply chain work, whilst our own signals were launched and well received in market and Unipart began to deliver level crossings solutions.

Consultancy business was won with Singapore Mass Rapid Transit, Riyadh Metro in Saudi Arabia and with Mantena in Norway, providing a platform for winning supply chain contracts.

Progress was also made with a number of new propositions, in particular Locomotive Spares and Rail Plant. For Locomotive Spares, new supply contracts were won in Africa and the Middle East. For Rail Plant, there is significant interest in Unipart's recently announced joint proposition with McCulloch Rail to manufacture and distribute innovative track equipment across a diverse range of countries and early success was seen at the end of the year when a new contract was won in Malaysia.

During 2019, our associate company in Australia, UGL Unipart successfully renegotiated and extended a major product overhaul contract. This extension concluded the first phase of the contract which had incurred some significant losses, which has enabled the company to substantially release the estimated loss that was originally provided for in the 2017 and included in the Group Consolidated Financial Statements.

Unipart's vision for Remote Condition Based Supply Chain continues to develop with an enhanced and integrated approach. During the year, Unipart were awarded a Condition Monitoring contract for Freightliner's largest locomotive fleet after a successful trial with South Western Railways.

Unipart's continued involvement with the UK Rail Research and Innovation Network, a partnership between the rail industry and universities backed by government and private investment, supports the strategy for new innovation and product development and will realise new digital capability and propositions in the coming years. In late 2019, funding streams were secured to accelerate this initiative and enable better engagement with SMEs to speed up innovation deployment.

Strategic, Operating and Financial Review (continued)

Manufacturing

2019 has proved to be another challenging year for the manufacturing sector, with significant pressure in particular on the UK manufacturing industry, leading to volume reductions. Through the application of The Unipart Way and the use of digital solutions the business has continued to improve productivity and where possible has mitigated the impact of the volume declines.

Manufacturing for the Rail industry is a key capability within the business where Unipart has seen market challenges, but there remain many opportunities to realise greater value. Successes in manufacturing in the year include the delivery of new generation train safety products for Siemens and a number of products to Network Rail, including VAMOS, the Group's new innovative off-grid power supply.

Automotive manufacturing has seen difficult trading conditions, with two of Unipart's main UK automotive customers taking extended shutdowns during the year and reducing volumes due to well publicised Brexit uncertainties. The Group's joint venture with Kautex Group, Kautex Unipart Limited, has continued to work closely with its customers to provide solutions for lower weight plastic fuel tanks, reducing emissions and improving fuel economy at lower cost.

Unipart continues to focus on exploring innovative ways to reduce the weight of automotive components, thereby reducing emissions from vehicles. In collaboration with the Advanced Manufacturing Engineering Institute in Coventry our engineers have designed several prototype light-weight components. The latest of these products to enter production is a steel fuel tank for use in the next generation plug-in hybrid version of a market leading luxury vehicle, which will go into production in 2020.

Unipart has continued to participate in a government funded research project (HIPERBAT) to create a high performance, flexible battery manufacturing facility in the UK of which the RapidE was the main focus. It has also secured funding for other grant funded projects. One of these is the APC12, which is to develop the supply base to reduce the cost of materials for battery packs, which is a key requirement for the UK automotive manufacturing industry in order to meet the UK Governments stated objective to ban the sale of petrol and diesel powered cars by 2035 at the latest.

Following its formation in 2018 Hyperbat, the Group's joint venture with Williams Advanced Engineering, based at Unipart's manufacturing site in Coventry, has developed and built prototype battery packs for the Aston Martin RapidE. Hyperbat has also started to build battery packs for the electric touring cars circuit.

The Group's collaboration with Coventry University, the AME, has seen another full cohort of undergraduates, together with Masters and PhD students participating in technical onsite training, developing future world class engineering graduates.

Metlase, the Group's collaboration with Rolls-Royce, designs and builds innovative tooling solutions using the latest laser technology. A team of dedicated engineers are now providing tooling solutions in the aerospace, automotive, defence, motorsport, nuclear and construction sectors. During the year, Metlase secured a number of new contracts to supply tooling and fixturing solutions for the world's largest aerospace manufacturer. Metlase will continue to use its 3D design capabilities, high precision laser-cutting technology and patented assembly and joining systems to create lightweight and optimised machining fixtures for the aerospace manufacturer's new facility in Sheffield.

As Metlase continues to develop its Industry 4.0 capability, this long-term agreement with the aerospace manufacturer will enable the Group to develop intelligent and connected solutions to add value to products and processes for both aerospace and other industries. To that end, it has developed innovative products that test the key specifications on fuel tanks that significantly reduce the time taken for this task. Metlase has also launched a new digital product, the Smart Gauge that enables speedy product testing and significantly reduces test times.

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. As in all aspects of our business, we are constantly seeking ways to challenge ourselves and continuously improve our approach and most recently we have looked to the UN Global Sustainable Development Goals to test, review and drive improvement in our Corporate Responsibility Strategy.

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 its 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 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 2019, the programme additionally addressed the importance of sleep, whereby employees used a digital tool to evaluate their sleep and address any issues through online cognitive behaviour therapy. 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.

We maintain our Employee Assistance Programme, Unipart Cares, and 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. For example, in summer 2019 our Head Office and Cowley Distribution Centre announced Oxford Food Bank as its nominated charity. Employees were given the chance to volunteer with the charity, using their expertise of logistics and The Unipart Way to improve the operation. Our volunteers found on average Oxford Food Bank saves £1m of food a year from landfill, which enables the charity to engage stakeholders, potential donors and the local television media.

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.

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. At our head office, for the second time in two years, we hosted young people from the local academy to come in and learn about digital technology in the workplace, raising their awareness of future career paths.

In 2019, 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 across all measures. Carbon emissions have been reduced by 28% year on year. Improvement resulted from installation of LED lights, environmental engagement campaigns, process improvement and waste heat recovery for space heating. In addition, we installed motion detector sensors and lux level controls to regulate light intensity. Our recycling rate was 92% with no waste sent to landfill. We removed 73% of avoidable single use plastics from our Logistics operations and we held Green Day events at our distribution centres to raise environmental awareness. Our head office restaurant introduced compostable vegware cutlery to replace single use plastics. Water use reduced by 24% as a result of installation of push-taps and colleague awareness.

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 our major UK sites with two highly prestigious Swords of Honour at the British Safety Council Awards 2019.

Strategic, Operating and Financial Review (continued)

Financial Review

Key performance indicators

	2019 £m	2018 £m	Movement
Turnover	**799.2**	715.3	*11.7%*
Profit before interest and tax and defined benefit pensions and other exceptional items	**27.3**	25.9	*5.4%*
Net debt	**(11.0)**	(15.4)	*£4.4m*
Net assets excluding pension deficit	**219.3**	217.9	*0.6%*
Return on net assets using profit before interest and tax, defined benefit pensions and other exceptional items compared to net assets excluding net pension deficit and tax balances	**19.9%**	19.0%	*0.9%*

In preparing the financial statements for the year ended 31 December 2019, the Company has continued to present the Consolidated Profit and Loss Account in a columnar approach, so that it better represents the performance of the Group.

The pension 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. It can also result in large fluctuations in the reported pension liability which reflect general UK economic factors rather than matters relating specifically to the Group's performance or that of its pension schemes.

Turnover

Group turnover for 2019 of £799.2m (2018: £715.3m) (excluding joint ventures and associates) represents an increase of 11.7% year on year. This is a significant achievement, underlying the importance of the Group's focus on building enduring customer relationships and a reputation for excellence, which has enabled the Group to win some significant new contracts that should provide a solid platform for further growth in future years.

Profit before interest and tax and other exceptional items

Profit before interest and tax, defined benefit pensions and other exceptional items was £27.3m (2018: £25.9m). This increased profit in the year highlights the strength of the Group's diverse operations which have delivered growth despite the challenging and uncertain economic times. The Group continues to invest heavily in digital technologies in order to further develop and widen the Group's offering. These investments have been absorbed in the profit reported for the year.

Exceptional items

In the current year, an exceptional charge of £4.8m has been reported in the Consolidated Profit and Loss account. This charge relates to the restructuring of certain Group operations in the Rail sector, enabling Unipart to respond better to future market conditions. This restructuring will allow Unipart to effectively pursue its strategy of international growth and new product innovation, whilst remaining competitive in the UK.

In the prior year, along with all UK businesses which had a defined benefit pension liability, the Group was required to charge to the profit and loss account the estimated impact of clarifications made by a legal case on how Guaranteed Minimum Pensions (or GMPs) should be equalised between male and female members of our pension schemes. As the increased members' benefits will be paid out over the life of the scheme we expect this pension scheme liability to be settled over the next 60 years. We reported an exceptional item of £9.4m in the prior year's financial statements.

Interest and other financial income and charges

Net interest payable for the year was £2.1m (2018: £1.9m). The net other finance charge of £11.5m (2018: £10.3m) reflects the net interest cost on pension schemes of £11.3m (2018: £10.0m), as prescribed by FRS 102, together with the charge on unwinding of discounting on provisions and accruals of £0.2m (2018: £0.3m).

Tax

The overall tax charge for the year was £3.1m (2018: £2.4m). The current tax charge remains broadly consistent year on year.

Profit after tax

The Group reports profit after tax of £3.6m (2018: £0.3m), an increase of £3.3m year-on-year. Profit after tax is stated after a net charge of £10.9m (£17.0m) relating to defined benefit pensions.

Cash flow and Funding position

The Group generated net cash flow from operating activities of £26.6m before contributions to the defined benefit pension schemes (note 24 - £14.2m), and £12.4m after those contributions. As a result of the cash flow generated, borrowings have reduced over the course of the year and the Group reports a net debt position as at 31 December 2019 of £11.0m (2018: £15.4m). 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 £219.3m from £217.9m, reflecting the profitable year. The total deficit in shareholders' funds at 31 December 2019, of £262.1m, has increased from £169.7m, reflecting the impact that the reduced discount rate has had on the pension liability.

Pensions

The reported pension 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 pension deficit is required to be recognised on the balance sheet despite the liability being paid over the lives of the schemes' members through to around 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 2019, the deficit under FRS 102 on the Group's defined benefit pension schemes had increased to £481.4m (2018: £387.6m). This increase is due to a notable decrease in the discount rate applied to the schemes liabilities, which will have impacted all UK defined benefit pension schemes in 2019. Under FRS 102, the discount rate has to be based on high quality corporate bond yields, even though the scheme invests in higher return seeking assets such as equities. The discount rate of 2.08% used in 2019 is significantly lower than the rate of 2.95% used in 2018 and this movement in itself resulted in a 15% increase in the scheme liabilities which amounts to an increase of around £150m in the year. The assets in the scheme increased by nearly £50m in the year due to strong investment returns, which offsets some of the notional increase in liabilities caused by the reduction in discount rate. It is also important to note, that despite this increase in scheme liabilities, the length of the scheme funding plans will not have substantially changed. The cash contributions into the schemes in 2019 were in line with those agreed funding plans.

Going concern

The Group financial statements have been prepared on the going concern basis. Account has been taken of the deficit on shareholders' funds set out above, however the Group remains profitable, has medium to long-term committed borrowing facilities in place and has a long-term payment plan for the pension deficit. The borrowings facilities available to support the Group's operational requirements are detailed in note 20 of the financial statements. In addition, and as discussed in the Directors' Report, the directors have considered in detail the impact of the significant and evolving Coronavirus outbreak. Whilst it is very difficult to fully assess the impact that this global crisis will have on the Group and the worldwide economy, a number of detailed financial resilience stress tests have been undertaken. In light of the significant long-term borrowing facilities available, and the substantial support for businesses through economic stimulus packages being offered by the UK Government, which the directors have a reasonable expectation will continue to be available on an ongoing basis, the Board is of the view that the Group will have sufficient headroom available in respect of these combined facilities to finance both the ongoing activities of the Group and manage its way through the reasonably foreseeable potential impacts of this pandemic.

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.

(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 to long-term banking facilities and continues to maintain strong control over working capital. The Group has further reviewed its liquidity risk, in light of the outbreak of Coronavirus and as noted in the Directors' Report, a number of stress tests scenarios have been undertaken to assess the resilience of Group's banking headroom and funding positions. Based on this assessment, the Board has a reasonable expectation that the Group does have adequate liquidity resources to manage the business through the reasonably foreseeable financial implications of this current global pandemic.

(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

Strategic, Operating and Financial Review (continued)

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 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 its 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 leaving the European Union in the coming year, and the full implications that this process will have on the Group, its customers and the wider UK economy. Unipart is alert to and regularly reviews 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. 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 the exit from the European Union is still been negotiated, which has caused difficulty in planning for the future post-Brexit.
- Unipart employs a high number of EU nationals. Although no particular issues have been noted to date, it is still unclear whether the exit from the European Union will cause many of these colleagues to consider relocating to mainland Europe, and therefore cause disruption to our workforce. In addition, the flexibility in recruiting new EU nationals once the UK leaves the EU remains a risk for all UK companies. We remain committed to our current EU national's 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.

(g) Pandemic viruses
The Group recognises that there are, from time to time, human viruses that can have a significant impact on the global population. The Group has draft contingency plans that consider the anticipated impacts of such a crisis, which are ready to be initiated in the event such a risk materialises. These contingency plans are reviewed and revised on a regular basis to ensure that they remain relevant and up-to-date.

At the date of approval of the financial statements, the Group is closely monitoring the developing situation of the spread of Coronavirus and assessing the potential operational and financial impacts from both a Group and global economic point of view. Further details of the impact of this risk and detailed stress testing undertaken is reported within the Directors' Report.

Stakeholder engagement

The directors set out their section 172(1) statement in accordance with the Companies Act 2006 in relation to stakeholder engagement for the year ended 31 December 2019.

The Board recognises that the long-term success of the Unipart Group is strongly correlated to a positive interaction with all of its stakeholders. Effective engagement allows the Board to understand relevant stakeholder views on material issues which may impact the business, and helps to inform the Board's decision making. Stakeholder engagement is ultimately managed and owned by the Unipart Group Board Directors, but takes place at all levels within the organisation.

At the heart of our engagement is The Unipart Way, our Group philosophy, which is led from the Board Room. Principle 4 of The Unipart Way, "We manage with a long term view" guides the Board's thinking, encouraging the adoption of strategic initiatives, rather than short term gains. This includes the directors' engagement with each of its stakeholders.

Unipart's 2020 Corporate Responsibility Strategy is published on our website and sets out how the Group plans to engage with it customers, suppliers, people and communities in a mutually sustainable manner. We always aim to act fairly across all our stakeholders and create a longstanding reputation as a Group where people want to work, customers want to give us their business and suppliers want to provide us their services, whilst at the same time ensuring the Group maintains the highest levels of ethical standards and support for its community and environment.

This report identifies some of our key stakeholders and explains how the Board and our businesses interact with them in order to promote the success of the Unipart Group for the stakeholders as a whole.

Employees

Our employees are critical to the delivery of our strategy and the future growth of the business. The directors empower each colleague throughout the business, encouraging each to solve problems at their own level. Through a wide range of training and development programmes, such as the Gate to Great journeys, we are able to develop our people so that we can promote from within and provide long term and fulfilled careers across the Group.

The Mark In Action award ceremonies held 6 times each year celebrate our employees who have demonstrated Outstanding Customer Service. Each and every one of these events have been led and presented by the Group Chief Executive for more than 30 years with over 3,300 awards presented to date.

The directors also engage with employees in a number of formal and informal ways, including Management Brief newsletters, our in-house news programme, the Grapevine and the bi-annual Senior Management Leadership Conference led by the Group Chief Executive. In addition, the directors meet sector specific operating committees on a regular basis and will frequently take the opportunity to engage with the employees on site visits. More recently, the Group Chief Executive has hosted a series of Digital Philosophy courses, which all employees have been invited to attend.

Employee engagement is a key metric for the Group and the results from the annual employee engagement survey are fed back to the Group Leadership Team. The directors have supported the group-wide employee wellbeing strategy, Unipart Workwell, which amongst other features provides free support to employees for personal health, financial and counselling matters.

The 25 year club recognises our long service colleagues, former colleagues and retired pensioners by welcoming them to an annual event at the Group's Headquarters hosted by the Group Chief Executive.

Customers

The Board of Directors support our business by engaging with our future, new and existing customers. We strive to develop enduring partnerships with our customers and drive continuous improvement and innovation into our operations to drive long term relationships across each of our businesses. To achieve this, the directors take the time to understand the real and perceived needs of our customers, which they do through actively maintaining close relationships and engaging in regular customer surveys and feedback programmes. Continuous improvement is at the heart of our operations, driving out waste and improving efficiencies for our customers.

Suppliers

The core of Unipart's business is managing complex supply chain solutions for our customers and therefore it is essential to work with our suppliers in an ethical manner. We engage closely with suppliers, because we rely on them to provide us with products and services which meet our stringent quality and performance requirements, which in turn allows us to fulfil our commitments to our customers. This engagement will be at an operational level on a day-to-day basis to ensure that our expectations are met from a quality and delivery perspective or at director level in relation for more strategic discussions. The Group has instilled a culture of ensuring we pay suppliers in line with commercially agreed payment terms.

Long-term agreements are entered into with key suppliers where appropriate and performance targets are regularly agreed with suppliers to align with our drive for continuous improvement. We have strong codes of conduct in relation to Anti-Bribery and Corruption, Criminal Finances, Human Trafficking and Modern Slavery legislation, this zero-tolerance culture being driven by the Board of Directors.

Shareholders and Pension Trustees

The Group's largest shareholder is UGC Pension Funding LP, a Limited Partnership whose shareholdings are beneficially held on behalf of the Group's main defined benefit pension schemes. As such the directors are actively involved in Pension Trustee meetings, with a number holding positions as Employer Nominated Trustees on the independent Trustee Boards. In addition, the Group Finance Director will regularly update the Trustee Boards on the Company's performance and future projections.

A large proportion of the remaining shareholders of the Unipart Group are existing, former or retired employees who receive updates from the directors either through the employee communications referred to earlier. The key formal interaction with shareholders is through the Annual Report & Accounts, which is distributed to all shareholders with a letter from the Chairman & Group Chief Executive. Any questions are invited to be made to the Group Company Secretary.

Strategic, Operating and Financial Review (continued)

Our community and the environment

We recognise that each of our businesses has an important role to play in its local community. We also acknowledge the impact of our business on the wider society. The Group, led by the directors, has been actively engaged with its community and publishes its Corporate Responsibility Statement on the website. The Board is very proud of its success in achieving a variety of community and environmental awards, some of which are referred to in the Chairman's Statement and the Strategic, Operating and Financial Review, but we continue to seek out new ways to engage with our local communities and improve our environmental credentials. These are matters which are regularly discussed by the directors at the Group Board and Group Leadership Team meetings.

Regulatory bodies

The Group aims to maintain the highest standards of conduct with each of the regulatory bodies that it engages with. It does not adopt aggressive policies aimed to maximise short term returns, instead the directors support a principled and moral way of doing business. We publish a number of our policies on our website including our zero tolerance to ethical matters such as bribery and corruption, along with maintaining transparent and fair policies with each of our stakeholders such as those reported in the Group Tax Strategy and Gender Pay Report. We maintain a regular dialogue with government bodies and regulators, and actively participate in various industry working groups and trade representative bodies. This enables us to engage in discussions regarding future policy development and planned regulatory changes, and to identify potential opportunities and risks for the business.

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

John M Neill CBE
Chairman
& Group Chief Executive

Jonathan Chitty
Group Finance Director

16 April 2020

Board of Directors

John 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.

Jonathan 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 within the Group. Having graduated in Law, Jonathan switched professions and trained as a Chartered Accountant in practice gaining experience in Audit Assurance, Tax and Corporate Finance. Jonathan is a member of Make UK's (the manufacturers' organisation) Economic Policy Committee helping to provide insight and understanding of the latest trends across the manufacturing industry.

Noel J Travers

Managing Director

Noel Travers manages the Group's interests in the Rail sector and has responsibility for the Group's manufacturing interests. This includes Board responsibility for the Group's operations and Joint Venture in Australia and rail operations in North America, the Middle East and Asia. 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 and 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.

Frank 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.

Bryan 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.

Hamid 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.

Corporate Governance Statement

For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (as published by the Financial Reporting Council).

Set out below are how these 6 principles have been applied over the financial year.

Principle 1 – Purpose and Leadership

Unipart originated as a division of the state owned car manufacturer British Leyland, until a management buyout led by the current Chairman and Group Chief Executive, John Neill, gave it independence over thirty years ago. This marked the start of Unipart's journey of transformation and the development of The Unipart Way, which has been central to its success. Privatising Unipart created the agenda for a different kind of company that has become a model of operational excellence providing logistics and consultancy services for a wide range of companies. Unipart remains privately owned, with over half of the company's shares being owned by employees and former employees.

Today, the Group's operations span three major areas; logistics, manufacturing and consultancy, but across all three there is a single approach that enables the Group to deliver outstanding levels of service to clients – it is called The Unipart Way.

The Unipart Way isn't just a set of tools; it is a designed system and a philosophy of working that engages every single employee within the organisation. It motivates people and equips them with the skills to diagnose problems and create innovative solutions that will make a dramatic difference to existing and potential customers.

Central to The Unipart Way is Unipart's culture, which is driven by the Group Board and leaders. The Group's philosophy at the heart of its culture is "To understand the real and perceived needs of our customers better than anyone else and serve them better than anyone else".

At the World Economic Forum meeting in 2020 its President Klaus Schwab celebrated the 50th anniversary of the founding principles of the stakeholder agenda. Unipart independently arrived at these ideas in the late 80s being one of the first British companies to articulate the concept of stakeholding as part of its Mission Statement. During the decades that followed, this philosophy evolved into well-defined operational programmes to engage with suppliers to improve quality and reduce cost for mutual advantage, to build lifetime relationships with customers, to continuously reskill and inspire employees to achieve more than they ever imagined and to help the communities in which the company does business to prosper. We believe this is a superior way of producing fair, enduring, long-term returns for our shareholders and more relevant today than at any time in our history.

The Group's mission statement is that it aims to be an enduring upper quartile performing company in which stakeholders are keen to participate by:

- Pursuing its values;
- Pursuing well-judged entrepreneurial risks;
- Ensuring the continuity, relevance and synergy of its business missions;
- Creating an environment within which the businesses can and do pursue their missions.

and at the heart of achieving this mission statement is the Group's culture and people.

Unipart is very proud of its track record as a responsible business, which is about doing well by doing good. Strong successful communities buy Unipart's products and services. Successful schools provide Unipart with well trained and motivated employees who help to build the business by engaging more effectively with stakeholders than competitors and Unipart prides itself on working with its communities, public services and schools for mutual benefit.

Principle 2 – Board Composition

The Unipart Group Board comprises the Chairman and Group Chief Executive, Group Finance Director and two of the sector specific Managing Directors, along with two Independent Non-Executive Directors and UGC GP Scotland Limited (representing the Group's largest shareholder, UGC Pension Funding LP). A biography for each Board Director can be found on page 15 of the Annual Report.

Chair

John Neill has held the role of Group Chief Executive since 1987. He took on the additional role of Chairman in 2012, succeeding Lord Sheppard of Didgemere following his retirement. John's appointment as Chairman was renewed in 2017 with the unanimous approval of the Board. This continuity has ensured that the Group retains its strong culture and commitment to employee and customer engagement, whilst ultimately delivering value to its shareholders.

Size and structure

The Board believes its size and structure is appropriate to meet the strategic needs and challenges of the business and enables effective decision-making. The Board's Non-Executive Directors bring a wealth of experience in world class manufacturing, engineering and digital technologies as well as an external perspective which informs the valuable challenge and guidance they provide to the Board.

The Group Leadership Team is the key decision-making forum, below Board level, for determining and implementing transparent Group-wide policies and deciding on major issues affecting the Group. It ensures that the values, strategy and culture are aligned and communicated to the employee community in a consistent manner, for example through regular senior management conferences.

Balance and diversity

Unipart recognises the importance and value of being inclusive and promoting diversity across its workforce. The Group is focussed on programmes to encourage and develop a wide range of applicants for every role, to help create an innovative and effective workforce. The Board and the Group Leadership Team collectively demonstrate an appropriate combination of skills, experience and knowledge, combined with a very high level of understanding relevant to the needs of the business, across a diverse range of backgrounds.

Effectiveness

All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice. Directors keep their skills, knowledge and familiarity with the Group up to date by meeting with senior management, visiting operations and by attending seminars and training courses.

The Chairman is responsible for keeping the effectiveness of the Board under review and ensuring appropriate succession plans are in place. The effectiveness of this is evidenced by the recent successful appointments of three new Board Directors in 2018, including two colleagues promoted from within the Group.

The Group's private ownership structure across a large number of shareholders has resulted in no individual Director owning more than 10% of the Group's share capital, which means that the Board members are able to undertake their duties objectively with a long term horizon.

Principle 3 – Director Responsibilities

Accountability

Each Board Director has a clear understanding of the role of the Board and their statutory duties as a director. The Directors and members of the wider leadership team complete an Annual Declaration of Interests, in which any potential conflicts of interest are declared. Directors are asked to notify their fellow directors as soon as they become aware of a potential conflict of interest and comply with the company's Articles of Association in handling the situation.

The Board meets a minimum of six times a year. Whilst certain matters are reserved expressly for Board approval, day-to-day decision making is delegated to committees and individuals with the most appropriate knowledge and experience, subject to regular reporting to the Board.

Committees

The Group Leadership Team is chaired by the Group Chief Executive and its members include all Executive Board Directors, as well as leaders of the Human Resources, IT, Commercial, Marketing and Operations functions.

The Board are looking at the construct of its other committees across the Group, and are planning to establish a Risk Committee in 2020.

Integrity of information

Board members receive regular and timely information on all key aspects of the business including financial performance, strategic and operational matters, health and safety, environmental matters, and risk and opportunities, all supported by key performance indicators. Board papers are distributed in advance of meetings and include an appropriate level of information to allow Directors to understand and assess the issues at hand.

The financial information is collated from the Group's finance systems and its integrity is ensured, as far as practicably possible, by using appropriately qualified and trained finance staff. Our auditors, PricewaterhouseCoopers LLP, conduct an external audit on the Group's financial information annually. Other key information is prepared by the relevant internal functions.

Principle 4 – Opportunity and Risk

One of Unipart's guiding principles is that we manage with a long term view and as a consequence the business is cautious about taking risk especially for short term gain, whilst continually seeking out opportunities.

Each year, the Group Leadership Team considers and decides on the key strategic aims for the Group and this forms part of the Group Policy Deployment Matrix process. These aims are presented to the Group Board and are subsequently cascaded down to the divisions and operations to form part of their own strategies. In conjunction with this, each division prepares a Strategic Corporate Plan which includes how they will address those strategic aims. Within the Strategic Corporate Plan, the business will consider opportunities and risks in achieving the plan and in addition they conduct an extensive annual Risk Review.

Opportunity

The Group has a culture of seeking out opportunities at every level, be those wider and longer term strategic opportunities down to smaller operational improvements. Through the tools and techniques of the Unipart Way, colleagues are trained and encouraged to eliminate waste and find ways of delivering service to customers in a more efficient manner.

Risk

Across the Group, systems and controls have been put in place to mitigate and manage risk, but not to necessarily eliminate risk in its entirety. The Group recognises that these mitigations do not provide a complete guarantee, but they do provide a proportional level of assurance against each risk materialising.

The Group does not currently have a formal Risk Committee, but it does undertake an extensive Risk Review process each year. Risk has been formally delegated by the Group Board to the Group Leadership Team, and is actively led by the Group Finance Director. The process starts at the Strategic Corporate Plan, with each division completing a detailed Risk Register, setting out the strategic, operational, reporting and compliance risks it has identified which may prevent their division from achieving their Corporate Plan objectives. Root causes along with controls and monitors that have been put in place to mitigate each of those risks manifesting are also documented and each risk is scored both before and after such mitigations. The Risk Register is then approved at a divisional Board level and presented to the Group Finance Director. A detailed summary of all the material Group Risks are then presented, discussed and reviewed by the Group Leadership Team each year, before being presented to the Group Board.

Corporate Governance Statement (continued)

Risk (continued)
The Group continues to refine and improve the Risk Review process and is currently in the process of migrating its Risk Register onto a web based platform. In 2018, this was successfully trialled in one of the businesses, with the full Group-wide rollout commencing in 2019. This has already improved the speed and effectiveness of the Risk Review process. As part of this, the Group is looking to increase the frequency of the Risk Review cycle, to encourage it to become an ongoing activity rather than an annual process so that risks can be highlighted and assessed on a timelier basis.

During 2019, the responsibility for Risk has been assigned to a newly created specific role, the Director of Corporate Governance and Risk, which reports directly to the Group Chief Executive.

Responsibilities
The Group Board has set in place a clear Delegated Authority framework, which is cascaded across the business. This clarifies where approval is required, be that for investments, contractual, brand, employment, structural or communication matters. For some areas, the delegations are on a tiered basis, so that less material decisions can be made at a divisional level. This enables the directors to apply an appropriate level of review at the right level to major decisions, whilst enabling the businesses to undertake their activities to conduct their business in a timely and efficient manner.

Principle 5 – Remuneration

Unipart's remuneration policy is to offer a total reward package that:

- is in line with prevailing market rates;
- helps attract and retain high quality people at all levels of our business who are committed and able to deliver world class levels of service to clients; and
- is sufficiently flexible to enable us to respond to skills 'hotspots'.

The Board has established a Remuneration Committee. Its terms of reference are to consider and make recommendations to the main Board on remuneration matters concerning the Executive Directors. The Remuneration Committee is chaired by an Independent Non-Executive Director.

The Remuneration Committee conducts a review on an annual basis based on similar criteria to those stated above with additional consideration given to the balance between short and long term incentives in organisations of a comparable size, individual levels of performance and fairness in relation to reward across the wider population of Unipart colleagues.

The general pay award policy is reviewed on an annual basis by the Group Leadership Team based on an update of external best practice, market pay awards and stated intentions within the legislative and economic landscape. Where skills 'hotspots' exist, these will be taken into account.

The Group has long recognised that having a diverse and engaged workforce is key to its success and as a responsible business recognises its critical role in eliminating the gender pay gap. The Group publishes information on its gender pay gap as part of its Corporate Responsibility reporting and has continually sought ways to reduce it through encouraging more women to join Unipart's businesses, which traditionally have attracted more men; including having effective and inclusive talent pipelines.

The insights gained from the pay gap reporting has helped to evolve the programmes, albeit it will take time for the benefits of these to reflect in the pay gap numbers.

The Group is delighted to see the results of these programmes starting to deliver with our highest ever number of women joining the Group Leadership Team.

Principle 6 – Stakeholder Relationships and Engagement

The Unipart Group is a combination of people, ideas and assets which exist for the benefit of our stakeholders. The Board promotes active engagement with all stakeholders, both internal and external, through Unipart's stakeholder philosophy, based on sound business thinking and recognition of the importance of achieving world-class standards of performance to compete in global markets. The Group's 2020 Corporate Responsibility Strategy considers further how the Group engages with all its stakeholders in a manner which is aligned with the 17 United Nations Sustainable development goals.

Employees
Fundamental to the Group's values is its respect for the individual. The Group fosters an environment in which individual employees can both contribute to and share in the fortunes of the business in a fair and consistent manner. The Group's employees are its greatest asset and as such they deserve:

- To be informed of their role and tasks
- To be appropriately trained and developed for the role and tasks required of them
- To be allowed the opportunity to perform
- To be regularly counselled on how they are doing and their career potential
- To be recognised and rewarded according to their individual achievements
- To be managed professionally
- To be given the willing assistance and support of their colleagues
- To be given the opportunities to develop their career potential to the full extent of their ability
- To be informed of what their company is doing, and what its objectives are
- To know we actively encourage promotion from within the company
- To have their ideas and opinions properly considered
- To not be burdened by those not willing to contribute
- To work in an inclusive environment free of discrimination, harassment, victimisation and bullying
- To have a safe and secure working environment
- To have a right to keep matters not relevant to employment private
- To be communicated and consulted with

The Group uses multiple channels to engage with its employees including employee forums, regular 'Roadshows' and employee conferences, The Unipart Way online, the regular Grapevine news update and SPARK digital knowledge sharing tools, as well as an established employee engagement system.

Shareholders
The Group's shareholder base comprises principally the Group's main defined benefit pension schemes (via corporate entities established on their behalf), the Group Share Trust (an employee benefit trust), along with current and former employees. The principal engagement with shareholders is through the Report & Accounts, which is distributed annually to all shareholders. Regular updates to the Group's website also keep shareholders informed.

Shareholders are invited to contact the Company Secretary to ask any questions they may have on the Report & Accounts or other matters arising during the year. The Company Secretary coordinates responses to shareholders.

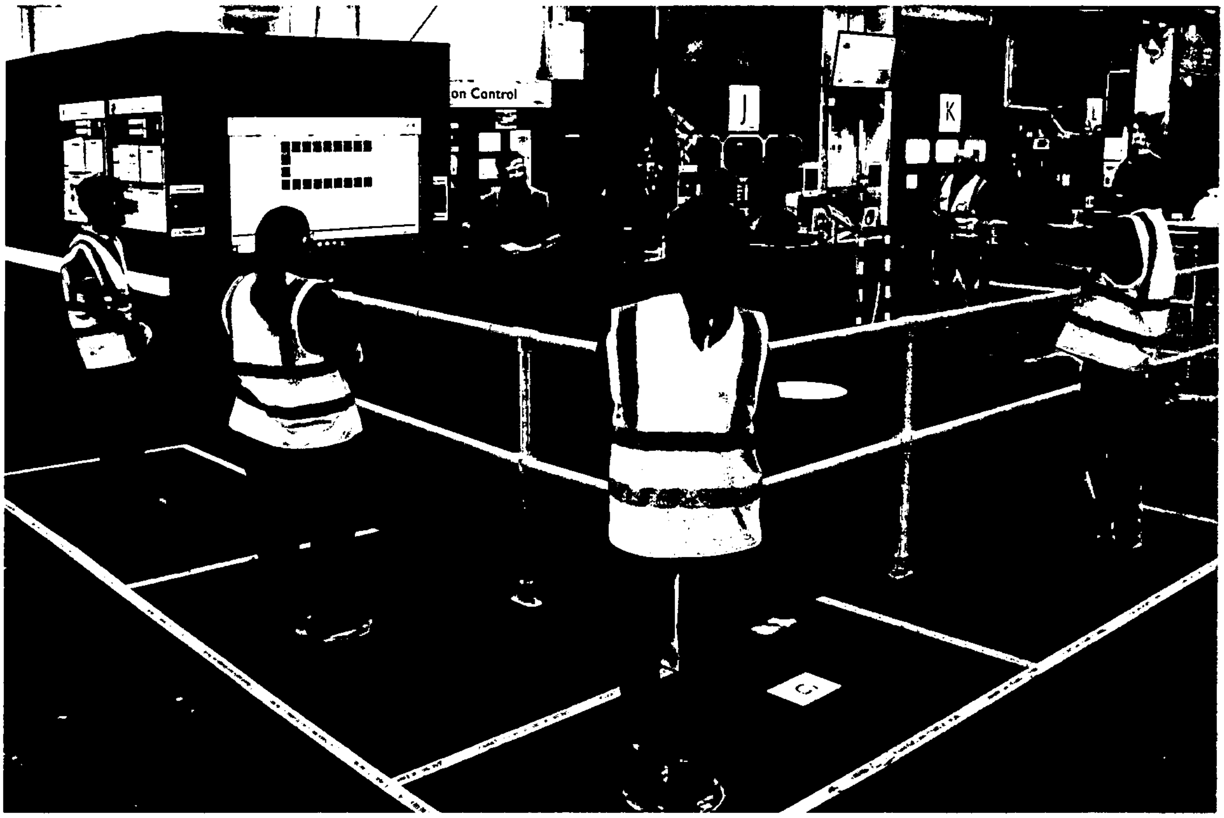
Pension Trustees
The Group communicates regularly with the pension trustees, who are independent of the company. Regular meetings are held to discuss the financial projections of the Group and its ability to meet the agreed recovery plan. The Group engages actively on the performance of the investments and assets to ensure that it effectively fulfils its obligations to the stakeholders of the pension scheme.

Customers
Customer engagement is also paramount to the successful management of the Group and customer engagement is driven by the Group Board and Group Leadership Team. Customer surveys are undertaken to evaluate its performance and seek feedback on delivering exceptional client service. Regular communication is held with significant customers to ensure that any matters are addressed in a timely fashion.

Suppliers
The Group ensures it works fairly with its suppliers and agrees reasonable payment terms with each and pays them on time each month. Where there are genuine disputes it positively works with these suppliers to resolve them promptly.

Community
The Group recognises the importance of engaging with the communities in which it operates. It is these communities that provide the current and future workforce and the Group is mindful of its responsibilities to them as an employer and a good neighbour. Through community engagement programmes Unipart aims to:

- Reduce so far as is reasonably practicable any negative environmental impact on local communities where that environmental impact is produced directly or indirectly by Unipart Group operations
- Reduce so far as is reasonably practicable any negative health or safety impacts on local communities where that impact is produced directly or indirectly by Unipart Group operations
- Enthuse and develop potential future employees within local communities
- Encourage employees to engage in community activities
- Invest at least 1% of UK pre-tax profits (in the form of time as well as money) in community activities



Directors' Report

For the Year Ended 31 December 2019

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 2019.

Results for the year

The Group reports profit before exceptional items, defined benefit pension costs, interest and tax of £27.3m (2018: £25.9m) and profit after taxation of £3.6m (2018: £0.3m). The Company has not paid, nor is it proposing to pay, any dividends in respect of the financial year ended 31 December 2019 (2018: £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 directors listed on page 15 and UGC GP Scotland Limited served during the year and up to the date of signing of the report.

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 2019 Number**	31 December 2018 Number
Beneficial Holdings		
John M Neill	**7,767,082**	7,767,082
Frank W Burns	**112,002**	112,002
Jonathan Chitty	**1,250**	1,250
Non-Beneficial Holdings		
John M Neill	**898,020**	898,020
Ordinary 'A' shares under option in the Company		
Frank W Burns	**250,000**	250,000

No options were granted or exercised during the year (2018: none). No options lapsed during the year (2018: 82,000).

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. Details of the Group's borrowings and the Group's financial instruments have been disclosed in note 20 and note 22 respectively.

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, sexual orientation, 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. Details of how the directors have engaged with suppliers, customers and other business relationships are disclosed in the Corporate Governance Statement.

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 33 to the financial statements.

Impact of Coronavirus

Since the balance sheet date, there has been significant macro-economic uncertainty as a result of the Coronavirus outbreak, the scale and duration of which inherently remains uncertain. As the Coronavirus outbreak was confirmed as a pandemic by the World Health Organisation on 11 March 2020, the impact of this global crisis is considered to be a non-adjusting event after the end of the reporting period.

Since the start of the escalation of Coronavirus, the senior management team have been monitoring and reacting to the situation on a daily basis and have put in place contingency plans to safeguard the employees and mitigate the developing risks of this global pandemic. These contingency plans include ensuring employees receive appropriate guidance and clear communications, along with the necessary equipment and facilities to maintain a safe working environment. Additional hygiene supplies have been provided to help limit the spread of any infection, along with increased cleaning protocols of all locations. Both domestic and international business travel was scaled back very quickly and attendance at large business meetings strongly discouraged. Many of our office employees were already able to work effectively from home and this is now being enforced for all but essential working requirements. The Group has also been working closely with both customers and suppliers to mitigate any disruption to supply chains. These plans will continue to be adapted as the situation evolves.

As a multi-national organisation primarily operating in the lesser impacted industry sectors, the Group is likely to be as resilient, if not more so, than many other companies across the world. It is a difficult challenge to fully assess the impact of Coronavirus, however the key financial risks that the directors have identified are:

- a decline in turnover due to customers' reduced volume demands;
- increased levels of absenteeism; and
- working capital increases if customers delay payments.

The Group's banking headroom position and associated covenants have been stress tested for various scenarios relating to each of these those three risks, looking in particular at the impact of:

1. Certain customers delaying payments by either one or two months; and
2. Customer volume declines of 10%, 25% and 50% for a period of six months.

These assessments have been reviewed and discussed by the Board of Directors, with consideration given to sensible mitigating actions that are readily available to the Group. The directors have considered the commercial mechanisms in place with customers and suppliers, along with the ability, if required, for the business to scale down costs according to the reduced demand. Whilst these are unprecedented times, being able to efficiently manage costs in line with fluctuating volumes is a fundamental part of the offering the Group already provides to many of its customers. Other mitigating options available include taking advantage of the various Coronavirus support packages offered by the UK government (and other worldwide authorities) as well as the delaying of discretionary expenditure, which have each been considered and modelled. In addition, some customer sectors are expected to experience increased demand levels during the period of this pandemic outbreak.

Based on this assessment, at the date of signing these financial statements, the Board has a reasonable expectation that the Group has adequate resources to manage its way through the potential impacts of this pandemic and continue in operational existence for the foreseeable future.

The health and safety of our people remains our top priority. The Group will continue to monitor guidance issued from the various worldwide authorities as the global crisis progresses to ensure that our business remains well placed to respond to this ever-changing situation.

Going concern

In addition to the assessment of the impact of the Coronavirus outbreak detailed above, account has been taken of the deficit on shareholders' funds due to the pension liability, for which the Group has long-term contribution plans agreed with the pension trustees which run until 2036. The Group has reported profit before interest and taxation and other exceptional items and before defined benefit pension costs of £27.3m (2018: £25.9m).

In considering going concern, the directors have reviewed the cash flow requirements of the Group, both under normal circumstances and reflecting the current assessment of the severe but plausible downside scenarios in light of the Coronavirus pandemic. The Group has access to significant worldwide and long-term borrowing facilities as disclosed in note 20, which the directors anticipate being available on a continuing basis. Based on these assessments, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. 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.

Statement of directors' responsibilities in respect of the financial statements

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:

Directors' Report (continued)

For the Year Ended 31 December 2019

Statement of directors' responsibilities in respect of the financial statements (continued)

- 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.

Directors' confirmations

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.

The financial statements set out on pages 25 to 57 were approved by the Board and signed by its order.

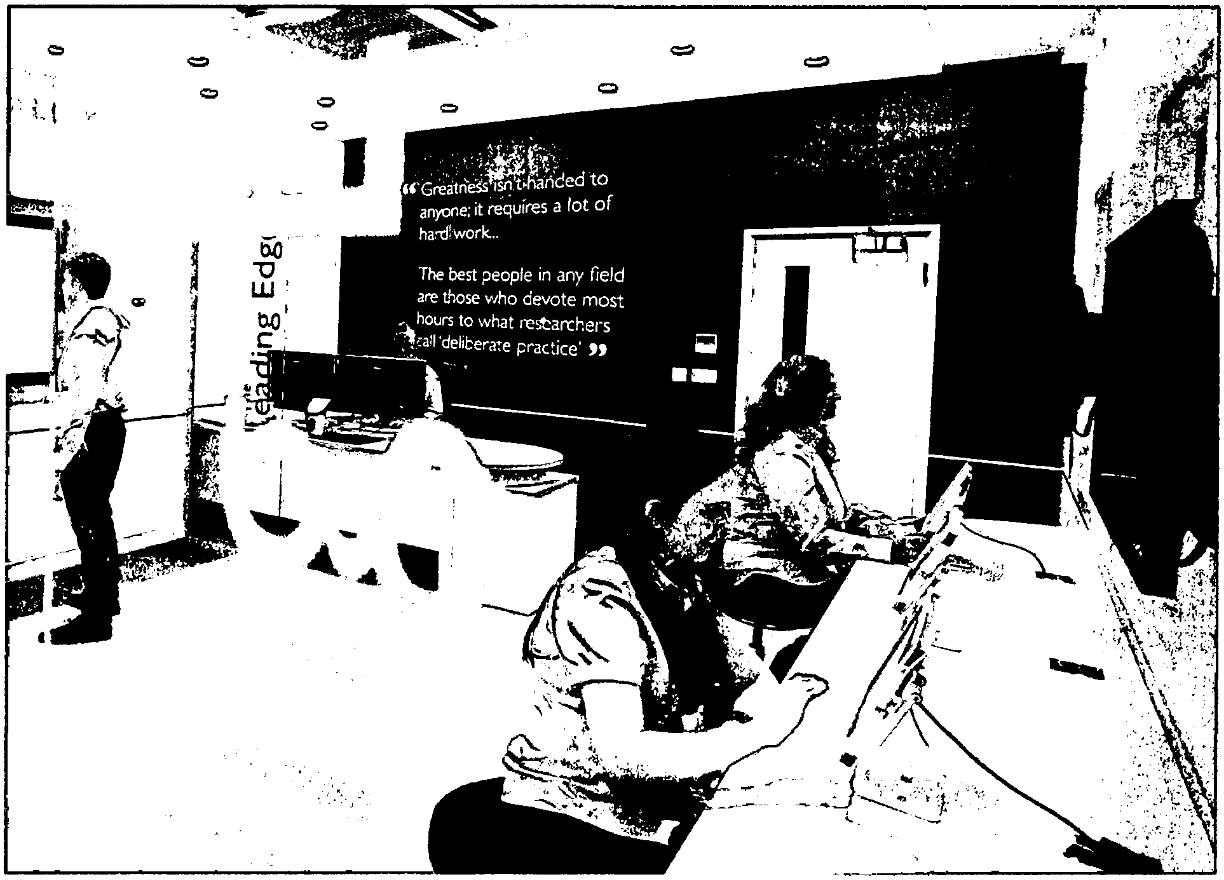
Jonathan Chitty

Jonathan Chitty

Group Finance Director

16 April 2020

Registered number: 01994997



Independent Auditors' Report

To the members of Unipart Group of Companies Limited

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 2019 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 2019; 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.

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 2019 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 Statement of directors' responsibilities in respect of the financial statements set out on page 21, 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.

Independent Auditors' Report (continued)

To the members of Unipart Group of Companies Limited

Responsibilities for the financial statements and the audit (continued)

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.

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. 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.

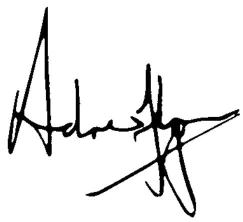
Other required reporting

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.



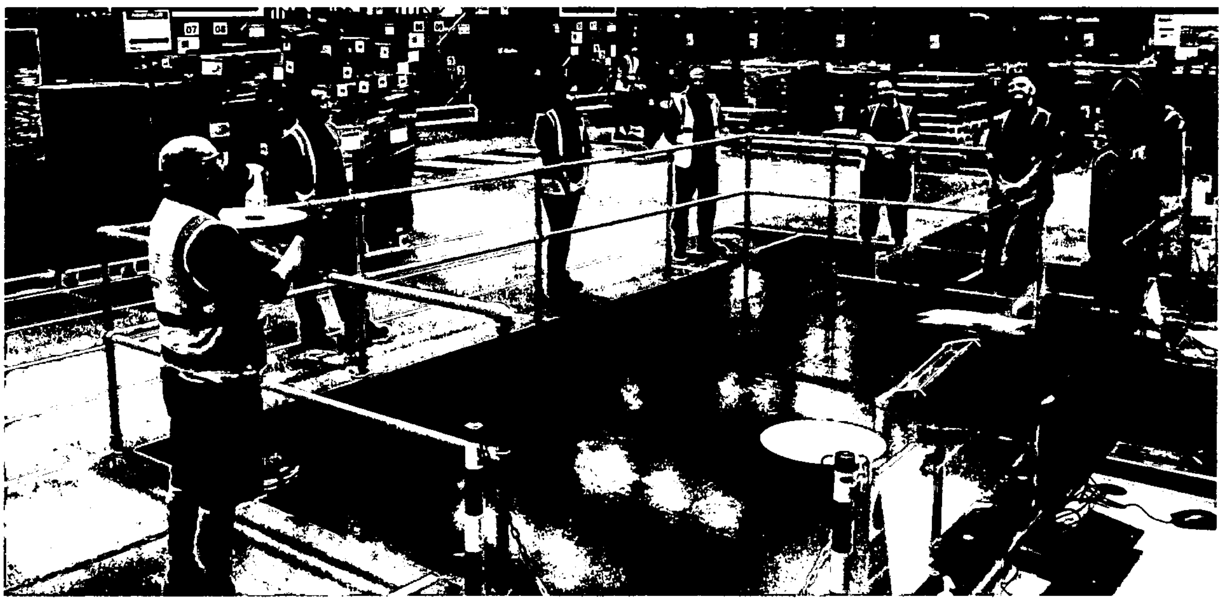
Andrew Lyon

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

East Midlands

17 April 2020



Consolidated Profit and Loss Account

For the Year Ended 31 December 2019

	Note	**Results (before defined benefit pensions) £m**	**Defined benefit pensions* £m**	**2019 Total £m**	Results (before defined benefit pensions) £m	Defined benefit pensions* £m	2018 Total £m
Turnover	5	**799.2**	-	**799.2**	715.3	-	715.3
Profit before interest and taxation, before share of profit after taxation of joint ventures and associates and before exceptional items		**20.0**	(2.2)	**17.8**	21.7	(1.6)	20.1
Share of profit after taxation of joint ventures and associates:							
- Before exceptional items		**3.5**	-	**3.5**	4.2	-	4.2
- Share of exceptional items related to associates	7	**3.8**	-	**3.8**	-	-	-
Share of profit after taxation of joint ventures and associates	15	**7.3**	-	**7.3**	4.2	-	4.2
Profit/(loss) before interest and taxation and other exceptional items		**27.3**	(2.2)	**25.1**	25.9	(1.6)	24.3
Other exceptional items (not related to joint ventures and associates)	7	**(4.8)**	-	**(4.8)**	-	(9.4)	(9.4)
Profit/(loss) before interest and taxation	6	**22.5**	(2.2)	**20.3**	25.9	(11.0)	14.9
Net interest payable and similar charges	8	**(2.1)**	-	**(2.1)**	(1.9)	-	(1.9)
Net other finance charge	9	**(0.2)**	(11.3)	**(11.5)**	(0.3)	(10.0)	(10.3)
Profit/(loss) before taxation		**20.2**	(13.5)	**6.7**	23.7	(21.0)	2.7
Tax on profit/(loss)	12	**(5.7)**	2.6	**(3.1)**	(6.4)	4.0	(2.4)
Profit/(loss) after taxation		**14.5**	(10.9)	**3.6**	17.3	(17.0)	0.3

The notes on pages 31 to 57 form part of these financial statements.

* Defined benefit pension costs have been separated to provide greater transparency of the financial performance of the Group both before and after these non-trading items. See note 3 for further details.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2019

	Note	2019 £m	2018 £m
Profit for the financial year		**3.6**	0.3
Revaluation of freehold and long leasehold land and buildings	14	**1.0**	2.8
Actuarial loss recognised on Group pension schemes	24	**(94.3)**	(4.5)
Deferred tax relating to actuarial loss on Group pension schemes		**4.1**	0.8
Effect of change in tax rate on deferred tax relating to Group pension schemes		**(1.6)**	(0.2)
Other pension related movements		**(1.1)**	0.8
Unrecognised asset relating to Group pension schemes		**(0.1)**	-
Actuarial loss recognised on joint venture's pension schemes		**(0.1)**	-
Currency translation differences		**(3.8)**	1.3
Change in value of hedging instrument		**0.4**	-
Deferred tax relating to change in value of hedging instrument		**(0.1)**	-
Other comprehensive (expense)/income for the year		**(95.6)**	1.0
Total comprehensive (expense)/income for the year		**(92.0)**	1.3

	2019 £m	2018 £m
Profit for the financial year attributable to:		
Non-controlling interest	**0.4**	0.2
Owners of the parent Company	**3.2**	0.1
	3.6	0.3

	2019 £m	2018 £m
Total comprehensive income attributable to:		
Non-controlling interest	**0.2**	0.4
Owners of the parent Company	**(92.2)**	0.9
	(92.0)	1.3

Consolidated Balance Sheet

As at 31 December 2019

	Note	£m	2019 £m	£m	2018 £m
Fixed assets					
Intangible assets	13		**9.2**		7.6
Tangible assets	14		**58.0**		56.1
Investments	15		**28.7**		24.9
			95.9		88.6
Current assets					
Stocks	16	**98.0**		94.8	
Debtors: amounts falling due after more than one year	17	**95.4**		88.0	
Debtors: amounts falling due within one year	17	**159.8**		140.3	
Cash at bank and in hand		**56.3**		62.9	
		409.5		386.0	
Creditors: amounts falling due within one year	18	**(233.2)**		(212.8)	
Net current assets			**176.3**		173.2
Total assets less current liabilities			**272.2**		261.8
Creditors: amounts falling due after more than one year	19		**(29.6)**		(24.6)
Provisions for liabilities	23		**(23.3)**		(19.3)
Net assets excluding pension liability			**219.3**		217.9
Pension liability	24		**(481.4)**		(387.6)
Net liabilities			**(262.1)**		(169.7)
Capital and reserves					
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
Revaluation reserve	27		**27.8**		27.2
Profit and loss account	27		**(306.7)**		(213.9)
Total shareholders' deficit			**(262.6)**		(170.4)
Non-controlling interests			**0.5**		0.7
Total equity			**(262.1)**		(169.7)

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 16 April 2020.

John M Neill CBE
Chairman & Group Chief Executive

Jonathan Chitty
Group Finance Director

Registered number: 01994997

Company Balance Sheet

As at 31 December 2019

	Note	2019 £m	2019 £m	2018 £m	2018 £m
Fixed assets					
Intangible assets	13		**0.1**		0.1
Investments	15		**41.6**		41.6
			41.7		41.7
Current assets					
Debtors: amounts falling due after more than one year	17	**20.9**		20.0	
Debtors: amounts falling due within one year	17	**16.2**		7.7	
Cash at bank and in hand		**10.0**		22.5	
		47.1		50.2	
Creditors: amounts falling due within one year	18	**(0.7)**		(1.4)	
Net current assets			**46.4**		48.8
Total assets less current liabilities			**88.1**		90.5
Creditors: amounts falling due after more than one year	19		**(0.1)**		(0.3)
Net assets excluding pension liability			**88.0**		90.2
Pension liability	24		**(51.0)**		(45.2)
Net assets			**37.0**		45.0
Capital and reserves					
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		**20.7**		28.7
Total shareholders' funds			**37.0**		45.0

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 loss for the financial year was £0.7m (2018: profit of £4.2m) and the Company's other comprehensive expense for the financial year was £7.3m (2018: £1.9m).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 16 April 2020.

John M Neill CBE
Chairman & Group Chief Executive

Jonathan Chitty
Group Finance Director

Registered number: 01994997

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

	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 2019	0.4	4.4	11.5	27.2	(213.9)	**(170.4)**	0.7	**(169.7)**
Profit for the financial year	-	-	-	-	3.2	**3.2**	0.4	**3.6**
Other comprehensive income/ (expense) for the year	-	-	-	0.9	(96.3)	**(95.4)**	(0.2)	**(95.6)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	(0.4)	**(0.4)**
Transfer between reserves	-	-	-	(0.3)	0.3	-	-	-
As at 31 December 2019	0.4	4.4	11.5	27.8	(306.7)	**(262.6)**	0.5	**(262.1)**

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**	0.2	**1.0**
Dividends paid to non-controlling interests	-	-	-	-	-	-	(0.2)	**(0.2)**
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)**

Company Statement of Changes in Equity

For the Year Ended 31 December 2019

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total shareholders' funds £m
At 1 January 2019	0.4	4.4	11.5	28.7	**45.0**
Loss for the financial year	-	-	-	(0.7)	**(0.7)**
Other comprehensive expense for the year	-	-	-	(7.3)	**(7.3)**
As at 31 December 2019	0.4	4.4	11.5	20.7	**37.0**

For the Year Ended 31 December 2018

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total shareholders' funds £m
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	0.4	4.4	11.5	28.7	**45.0**

Consolidated Cash Flow Statement

For the Year Ended 31 December 2019

	Note	2019 £m	2018 £m
Net cash from/(used in) operating activities	29	**12.4**	(6.9)
Taxation paid		**(1.4)**	(2.2)
Net cash from/(used in) operating activities after taxation		**11.0**	(9.1)
Cash flow from investing activities			
Acquisition of businesses		**(2.1)**	(0.2)
Purchase of tangible assets		**(5.8)**	(3.8)
Proceeds from disposals of tangible assets		**0.5**	0.4
Dividends received from joint ventures and associates	15	**2.9**	2.3
Interest received	8	**0.3**	0.3
Net cash used in investing activities		**(4.2)**	(1.0)
Cash flow from financing activities			
Receipts from debt		**0.7**	16.6
Repayments of debt		**(3.5)**	(3.3)
Interest paid	8	**(2.2)**	(2.0)
Dividends paid to minority interests		**(0.4)**	(0.2)
Net cash (used in)/generated from financing activities		**(5.4)**	11.1

Net increase in cash and cash equivalents		**1.4**	1.0
Cash and cash equivalents at 1 January	29	**45.4**	44.1
Exchange (losses)/gains on cash and cash equivalents	29	**(0.7)**	0.3
Cash and cash equivalents at 31 December	29	**46.1**	45.4
Cash and cash equivalents consists of:			
Cash at bank and in hand	29	**56.3**	62.9
Bank overdrafts	20, 29	**(10.2)**	(17.5)
Cash and cash equivalents	29	**46.1**	45.4

Notes to the Financial Statements

For the Year Ended 31 December 2019

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, and consistent with the prior year, 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.

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.

At the date of signing these accounts, the Group is closely monitoring the implications of Coronavirus. As reported in more detail in the Directors' Report, various stress test scenarios have been assessed to evaluate the impact that this global pandemic may have on the Group and Company's future performance. The financial resilience tests take into account the significant long-term borrowing facilities available and the substantial support for businesses and economic stimulus packages being offered by both the UK government and worldwide authorities, which the directors have a reasonable expectation will continue to be available on an ongoing basis. Based on the outcomes of those financial resilience tests, the Board is of the view that the Group will have sufficient headroom available to finance both the ongoing activities of the Group and manage its way through the reasonably foreseeable potential impacts of this pandemic. As a result, the financial statements have been prepared on the going concern basis, under 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 or loss in compliance with United Kingdom Accounting Standards, including FRS 102 and the Companies Act 2006.

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.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

3. Accounting policies (continued)

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 profit before interest and taxation are the current service costs, scheme administration 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.

Defined benefit pension costs are analysed out in a separate column on the face of the Consolidated Profit and Loss Account to demonstrate the financial performance of the Group both before and after these non trading items.

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 and long leasehold investment properties	-	Not depreciated
Freehold land and 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 fair value less costs to sell and the value in use of those assets. The value in use is calculated using forecast, risk adjusted, discounted, pre 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.

3.12 **Stocks**
Stocks are stated at the lower of cost and net realisable value on a weighted average basis. 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 and legal claims**
Provision is made for the best estimate of the costs of making good under warranty products sold or resolving any legal claims relating to periods 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 sublet.

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 **Restructuring provisions**
Provision is made for the best estimate of restructuring cost obligations at the balance sheet date and is discounted, where material.

3.16 **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.

3.17 **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.

3.18 **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.

3.19 **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.

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.

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

3.21 **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. Accounting policies (continued)

3.22 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.

3.23 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.

3.24 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 and netted against the respective facility 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, unless it is appropriate to apply hedge accounting in which case changes are recognised in the Consolidated Statement of Comprehensive Income.

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 adoption of the going concern assumption, 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 financial statements have been prepared on the going concern basis, in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom.

In considering the going concern assumption, the directors have had to apply judgment in relation to the potential impact that the current Coronavirus global pandemic might have on the global and domestic economies the Group operates in and its potential impact on the Group. In arriving at this judgment, projections have been prepared to model the financial resilience of the Group to various scenarios resulting from a downturn triggered by the Coronavirus pandemic. The projections themselves require judgment and estimates regarding the potential impact that the Coronavirus pandemic will have on the Group's profit and cashflow. The results of the financial resilience tests, and the mitigating actions that are available provide a reasonable expectation that the Group has adequate resources to manage its way through the potential impacts of Coronavirus. Therefore the directors continue to consider it appropriate to adopt the going concern assumption in preparing these financial statements. The directors have also concluded that, whilst there are uncertainties over the scale and duration of this pandemic, they do not lead the directors to consider that there are material uncertainties which cast significant doubt over the Group's ability to continue as a going concern. The Directors' Report includes more detail on the financial resilience testing undertaken.

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, legal claims, 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.

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:

	2019 £m	2018 £m
Sale of goods	**415.4**	432.7
Provision of services	**383.8**	282.6
Statutory Group turnover	**799.2**	715.3
Share of joint ventures (i)	**41.4**	55.1
Share of associates (i)	**64.2**	75.0
Total turnover (including joint ventures and associates)	**904.8**	845.4

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 33).

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

	2019 £m	2018 £m
United Kingdom	**529.2**	452.8
Rest of Europe	**155.8**	152.5
Rest of World	**114.2**	110.0
	799.2	715.3

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

6. Profit before interest and taxation

	Note	**2019 £m**	2018 £m
Group turnover		**799.2**	715.3
Cost of sales		**(627.4)**	(535.7)
Gross profit		**171.8**	179.6
Distribution costs		**(38.9)**	(39.0)
Administration expenses		**(119.2)**	(122.7)
Other operating income		**4.1**	2.2
Profit before interest and taxation, before share of profit after taxation of joint ventures and associates and before exceptional items		**17.8**	20.1
Share of profit after taxation of joint ventures and associates		**7.3**	4.2
Other exceptional items	7	**(4.8)**	(9.4)
Profit before interest and taxation		**20.3**	14.9

Total administration expenses, including exceptionals, are £119.9m (2018: £129.9m).

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

	2019 £m	2018 £m
Depreciation of tangible fixed assets	**4.0**	5.9
Amortisation of intangible assets, including goodwill	**1.3**	1.1
Amount of stock expensed	**300.1**	276.2
Operating lease rentals	**40.0**	30.8
Sublet income from land and buildings	**(2.5)**	(2.2)
Loss/(profit) on disposal of fixed assets	**0.2**	(0.2)
Impairment of trade receivables	**1.3**	(0.5)
Foreign exchange (gains)/ losses	**(0.8)**	0.4
Other income	**(1.6)**	-

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

	2019 £m	2018 £m
Audit of Group and Company financial statements	**0.1**	0.1
Other services to the Group:		
Audit of the Company's subsidiary financial statements pursuant to legislation	**0.5**	0.4
Taxation compliance services	**0.3**	0.4
Taxation advisory services	**0.1**	0.1
Other non-audit services	**0.1**	0.1

7. Exceptional items

In the current year, an exceptional credit of £3.8m has been reported in the Consolidated Profit and Loss Account within the share of profit after taxation of joint ventures and associates. This credit relates to the partial reversal of estimated losses expected to be incurred in previous years on a long-term engineering contract. During the current year, the contract was renewed and the losses agreed, which were substantially lower than those initially anticipated.

In the current year, an exceptional charge of £4.8m has been reported in the Consolidated Profit and Loss account. This charge relates to the restructuring of certain UK rail operations enabling Unipart to respond better to market needs in this sector. This restructuring will allow Unipart to effectively pursue its strategy of international growth and new product innovation, whilst remaining competitive in the UK.

In the prior year, an exceptional charge of £9.4m was reported in the Consolidated Profit and Loss Account. This related 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 triggered these past service costs. These costs will be payable over the remaining lives of the members of the pension schemes, which is expected to be until around 2080. See note 24 for further details of the Group's pension commitments.

8. Net interest payable and similar charges

	2019 £m	2018 £m
Interest payable and similar charges		
Bank loan interest payable	**2.0**	1.8
Finance lease interest	**0.1**	0.1
Amortisation of issue costs on bank facilities	**0.2**	0.2
Other interest payable	**0.1**	0.1
	2.4	2.2
Interest receivable and similar income	**(0.3)**	(0.3)
Net interest payable	**2.1**	1.9

9. Net other finance charge

	Note	**2019 £m**	2018 £m
Net finance charge on pension schemes	24	**11.3**	10.0
Unwinding of discounting of provisions	23	**0.2**	0.3
Net other finance charge		**11.5**	10.3

Total finance costs are £13.6m (2018: £12.2m)

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

10. Employees

Staff costs were as follows:

	2019 £m	2018 £m
Wages and salaries	**201.1**	163.9
Social security costs	**21.3**	17.3
Other pension costs	**9.4**	7.0
	231.8	188.2

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:

	2019 No.	2018 No.
Direct labour	**3,378**	2,340
Indirect labour	**1,941**	1,718
Sales, marketing and administration	**1,414**	1,371
	6,733	5,429

11. Directors' emoluments

The aggregate emoluments of the directors during the year totalled £3,046,618 (2018: £3,442,632). During the year, retirement benefits were accruing to two directors (2018: two) in respect of a defined contribution pension scheme. No directors (2018: 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 £1,390,112 (2018: £1,337,789).

Also included in aggregate emoluments were fees of £120,170 (2018: £108,419), which were paid in the year in respect of the two non-executive directors who served during the year (2018: two).

The aggregate emoluments of key management personnel during the year totalled £7,196,624 (2018: £7,690,172).

12. Tax on profit on ordinary activities

	2019 £m	2018 £m
Analysis of tax charge in the year		
Current tax		
UK corporation tax credit on profit for the year	**(0.4)**	(0.4)
Adjustments in respect of prior years	**0.3**	0.2
	(0.1)	(0.2)
Foreign corporation tax	**4.1**	4.2
Total current tax	**4.0**	4.0
Deferred tax		
Origination and reversal of timing differences	**(0.4)**	(1.7)
Effect of change in tax rates	**-**	0.2
Adjustments in respect of prior years	**(0.5)**	(0.1)
Total deferred tax	**(0.9)**	(1.6)
Tax on profit on ordinary activities	**3.1**	2.4

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £m	2018 £m
Profit on ordinary activities before taxation	**6.7**	2.7
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**1.3**	0.5
Effects of:		
Expenses not deductible for tax purposes	**1.7**	0.2
Adjustments in respect of prior years	**(0.2)**	0.1
Effect of foreign taxation rates	**1.0**	1.2
Share of joint ventures' and associates' tax reported within profit on ordinary activities	**(0.4)**	(0.7)
Non taxable income	**(1.2)**	0.6
Effects of changes in tax rates	**-**	0.2
Deferred tax not previously recognised	**0.9**	0.3
Total tax charge for the year	**3.1**	2.4

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.

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.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the year by £1.8m and to increase the deferred tax asset by £9.8m.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

13. Intangible assets

Group	Goodwill £m	Licences/Other £m	Total £m
Cost			
At 1 January 2019	29.4	0.9	**30.3**
Additions	2.9	-	**2.9**
At 31 December 2019	**32.3**	**0.9**	**33.2**
Accumulated amortisation			
At 1 January 2019	21.9	0.8	**22.7**
Charge for the year	1.3	-	**1.3**
At 31 December 2019	**23.2**	**0.8**	**24.0**
Net book value			
At 31 December 2019	**9.1**	**0.1**	**9.2**
At 31 December 2018	7.5	0.1	**7.6**

Company	Licences/Other £m
Cost and Net book value	
At 1 January and 31 December 2019	**0.1**

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
Cost or valuation						
At 1 January 2019	4.5	34.8	5.9	3.5	50.7	**99.4**
Additions	-	-	0.8	0.3	4.9	**6.0**
Disposals	-	-	(0.6)	(0.2)	(2.6)	**(3.4)**
Revaluations	-	0.8	-	-	-	**0.8**
Foreign exchange	-	(0.4)	(0.4)	-	(0.3)	**(1.1)**
At 31 December 2019	**4.5**	**35.2**	**5.7**	**3.6**	**52.7**	**101.7**
Accumulated depreciation						
At 1 January 2019	-	0.7	-	3.0	39.6	**43.3**
Charge for the year	-	0.1	0.1	0.2	3.6	**4.0**
Disposals	-	-	-	(0.4)	(2.3)	**(2.7)**
Revaluations	-	(0.1)	(0.1)	-	-	**(0.2)**
Foreign exchange	-	-	-	-	(0.7)	**(0.7)**
At 31 December 2019	**-**	**0.7**	**-**	**2.8**	**40.2**	**43.7**
Net book value						
At 31 December 2019	**4.5**	**34.5**	**5.7**	**0.8**	**12.5**	**58.0**
At 31 December 2018	4.5	34.1	5.9	0.5	11.1	**56.1**

Included within plant and machinery are assets held under finance leases with a cost of £2.5m (2018: £2.7m) and accumulated depreciation of £1.2m (2018: £1.0m).

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:

	2019 £m	2018 £m
Cost	**19.0**	19.1
Accumulated depreciation	**(6.6)**	(6.3)
Net book value	**12.4**	12.8

Of the total revaluation reserve of £27.8m (2018: £27.2m), an amount of £27.2m (2018: £26.5m) relates to freehold and long leasehold land and buildings and an amount of £0.6m (2018: £0.7m) relates to investment properties.

At 31 December 2019, the portfolio of investment, freehold and long leasehold properties was revalued, on an open market basis, giving a total aggregate value of £44.7m (2018: £44.5m).

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 £nil (2018: £0.2m) are included within profit and loss and revaluation gains of £1.0m (2018: £2.8m) 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 £1.0m (2018: £0.5m) has been recognised.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

15. Investments

Group	Investments in joint ventures £m	Investments in associates £m	Total £m
Cost			
At 1 January 2019	12.3	12.6	**24.9**
Share of profits retained	1.2	6.1	**7.3**
Dividends	(0.8)	(2.1)	**(2.9)**
Foreign exchange	-	(0.6)	**(0.6)**
At 31 December 2019	**12.7**	**16.0**	**28.7**
Net book value			
At 31 December 2019	**12.7**	**16.0**	**28.7**
At 31 December 2018	12.3	12.6	24.9

The Group's interest in joint ventures is 50% of the ordinary share capital of Kautex Unipart Limited, 50% of the ordinary share capital of Unipart Rail ARC Middle East LLC and 50% of the ordinary share capital of Hyperbat Limited which have 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 32.

Details of the Group's undertakings are shown in note 33.

Company	Investments in subsidiary companies £m
Cost	
At 1 January and 31 December 2019	74.8
Impairment	
At 1 January and 31 December 2019	33.2
Net book value	
At 31 December 2018 and 31 December 2019	**41.6**

Details of the investments of the Company are shown in note 33.

16. Stocks

	Group 2019 £m	Group 2018 £m
Raw materials and consumables	**8.7**	7.6
Work in progress	**4.2**	4.2
Finished goods and goods for resale	**85.1**	83.0
	98.0	94.8

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

Stocks are stated after provisions for impairment of £19.9m (2018: £20.6m).

The Company has £nil stocks (2018: £nil).

17. Debtors

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Amounts falling due after more than one year					
Deferred tax	21	**83.6**	80.6	**13.8**	12.8
Other debtors		**11.8**	7.4	**7.1**	7.2
		95.4	88.0	**20.9**	20.0

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Amounts falling due within one year					
Trade debtors		**112.7**	97.1	**-**	-
Amounts owed by Group undertakings		**-**	-	**14.5**	6.6
Amounts owed by joint ventures and associates	32	**1.9**	3.3	**0.2**	0.2
Corporation tax		**0.3**	2.5	**1.5**	0.9
Deferred tax	21	**0.4**	0.1	**-**	-
Other debtors		**11.2**	12.7	**-**	-
Prepayments and accrued income		**33.3**	24.6	**-**	-
		159.8	140.3	**16.2**	7.7

Trade debtors are stated after provisions for impairment of £6.3m (2018: £5.0m).

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.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

18. Creditors: amounts falling due within one year

	Note	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Bank loans and overdrafts	20	**45.9**	57.1	**-**	-
Trade creditors		**62.3**	56.9	**-**	-
Amounts owed to joint ventures and associates	32	**0.1**	0.3	**-**	-
Finance leases		**0.4**	0.5	**-**	-
Corporation tax		**0.6**	0.6	**-**	-
Other taxation and social security		**17.1**	13.0	**-**	-
Other creditors		**25.7**	18.4	**-**	0.1
Accruals and deferred income		**81.1**	66.0	**0.7**	1.3
		233.2	212.8	**0.7**	1.4

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

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

	Note	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Bank loans and overdrafts	20	**20.3**	19.6	**-**	-
Finance leases		**0.7**	1.1	**-**	-
Other creditors		**7.7**	2.8	**-**	-
Accruals and deferred income		**0.9**	1.1	**0.1**	0.3
		29.6	24.6	**0.1**	0.3

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 2019 £m	Group 2018 £m
Amounts falling due within one year		
Bank overdrafts	**(10.2)**	(17.5)
Bank loans	**(35.7)**	(39.6)
	(45.9)	(57.1)

	Group 2019 £m	Group 2018 £m
Amounts falling due between one and five years		
Bank loans and working capital facilities	**(19.2)**	(18.3)
	(19.2)	(18.3)

	Group 2019 £m	Group 2018 £m
Amounts falling due after more than five years		
Bank loans and working capital facilities	**(1.1)**	(1.3)
	(1.1)	(1.3)

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 (2018: £0.1m). The facility falling due in more than one year is stated net of unamortised issue costs of £nil (2018: £0.2m). 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 (2018: £40.0m) currently committed until December 2021, a working capital facility of up to €3.0m (2018: €3.0m) renewable annually, a revolving facility of up to £30.0m (2018: £30.0m) committed until March 2021, a term loan of £2.5m (2018: £4.5m) repayable in quarterly instalments until March 2021, a term loan of €2.4m (2018: €3.6m) repayable in monthly instalments until November 2021, a revolving loan of €10.0m (2018: €10.0m) renewable annually and a term loan of €2.2m (2018: €2.4m) repayable in monthly instalments until 2031. The amounts falling due after more than five years are in respect of the term loan which is repayable in monthly instalments until 2031.

The revolving facility and the term loan which are due to expire in March 2021 are part of a combined facility. After the balance sheet date, the combined facility was extended on similar terms until March 2024.

21. Deferred tax

	Note	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
At 1 January		**79.4**	77.2	**12.8**	12.4
Amounts credited/(charged) to the Profit and Loss Account		**0.9**	1.6	**(0.5)**	(0.2)
Amounts credited to the Statement of Comprehensive Income		**2.4**	0.6	**1.5**	0.6
At 31 December		**82.7**	79.4	**13.8**	12.8
Representing:					
Deferred tax asset included within debtors falling due within one year	17	**0.4**	0.1	**-**	-
Deferred tax asset included within debtors falling due in more than one year	17	**83.6**	80.6	**13.8**	12.8
Deferred tax liability included within provisions and contingent liabilities	23	**(1.3)**	(1.3)	**-**	-
		82.7	79.4	**13.8**	12.8

	Group 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Accelerated capital allowances	**6.7**	6.1	**-**	-
Trading losses and timing differences	**8.0**	7.3	**-**	2.5
Capital losses	**-**	-	**5.2**	2.6
Deferred tax asset relating to pension deficit	**68.0**	66.0	**8.6**	7.7
	82.7	79.4	**13.8**	12.8

The Group does not recognise an asset of £16.9m (2018: £14.9m) 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.

Following a change in estimation basis, the Group does not recognise an asset of £13.8m (2018: £nil) relating to the pension deficit due to the uncertainty concerning the timescale of its recoverability.

The Company does not recognise an asset of £15.4m (2018: £14.9m) 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:

	Note	**2019 £m**	2018 £m
Financial assets that are debt instruments measured at amortised cost			
Trade debtors	17	**112.7**	97.1
Amounts owed by joint ventures and associates	17	**1.9**	3.3
Prepayments and accrued income	17	**33.3**	24.6
Other debtors	17	**23.0**	20.1
		170.9	145.1

	Note	**2019 £m**	2018 £m
Financial liabilities measured at amortised cost			
Bank loans, overdrafts and working capital facilities	20	**66.2**	76.7
Finance leases	18, 19	**1.1**	1.6
Amounts owed to joint ventures and associates	18	**0.1**	0.3
Trade creditors	18	**62.3**	56.9
Accruals and deferred income	18, 19	**82.0**	67.1
Other creditors	18, 19	**33.4**	21.2
		245.1	223.8

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 2019, the outstanding contracts all mature within 12 months (2018: 12 months) of the year end.

At 31 December 2019, the Group was committed:

- to sell USD 4.2m at a fixed rate of $1.2280:£1; and
- to buy USD 4.2m at a fixed rate of $1.2868:£1;
- to buy USD 20.0m at fixed rates between $1.11585:€1 and $1.16889:€1

At 31 December 2018, the Group was committed to sell AUD 5.8m at a fixed rate of $1.7854:£1; to sell AED 1m at a fixed rate of AED4.6926:£1; to buy USD 2m at a fixed rate of $1.274:£1; and to buy USD 24m at fixed rates between $1.1861:€1 and $1.2175:€1.

At 31 December 2019, the fair value of forward contracts was £0.5m (2018: £0.1m).

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

	Deferred tax liability (note 21) £m	Restructuring £m	Legal and product liability £m	Property £m	Total £m
At 1 January 2019	1.3	-	0.8	17.2	**19.3**
Charged in the year	-	4.8	0.2	1.3	**6.3**
Reversed in the year	-	-	-	(0.4)	**(0.4)**
Unwinding of discount	-	-	-	0.2	**0.2**
Utilised in year	-	(1.5)	(0.3)	(0.3)	**(2.1)**
At 31 December 2019	**1.3**	**3.3**	**0.7**	**18.0**	**23.3**

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. If 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 always known with certainty.

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 (2018: 0.8% - 1.8%).

Restructuring

The restructuring provision is in respect of the estimated costs of restructuring certain operations. These provisions are expected to be fully utilised at the end of the coming financial year.

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 light of the results of the next actuarial valuations. The long term schedule of contributions extends to 2036. Total contributions to the defined benefit sections of these two schemes made in the year were £13.0m (2018: £13.1m).

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 2019 for the purposes of FRS 102. Scheme assets are stated at their market value at 31 December 2019.

The disclosures for all of the Group's defined benefit arrangements are aggregated opposite.

Total contributions made in the year to defined contribution sections of the Group's schemes were £7.2m (2018: £5.0m).

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

	2019	2018
Rate of general increase in salaries	**2.96%**	3.18%
Rate of increase in pensions in payment	**2.81%**	2.96%
Rate of increase in deferred pensions	**2.11%**	2.33%
RPI inflation rate	**2.96%**	3.18%
Discount rate	**2.08%**	2.95%

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**	23 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.

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:

	2019 £m	2018 £m
Equities/absolute return funds	**129.1**	228.8
Government bonds	**27.9**	34.3
Corporate bonds/LDI	**138.2**	110.9
Property/infrastructure	**77.2**	82.7
Private & Opportunistic Credit	**77.9**	55.7
Other	**146.4**	51.1
Total fair value of assets	**596.7**	563.5
Present value of funded pension plans' liabilities	**(1,076.8)**	(950.0)
Deficit in funded plans	**(480.1)**	(386.5)
Unrecognised assets due to surplus restriction	**(1.3)**	(1.1)
Total deficit in plans	**(481.4)**	(387.6)

24. Pension commitments (continued)

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 2019	(950.0)	563.5	(386.5)
Scheme administration costs	-	(1.1)	(1.1)
Current service cost	(1.1)	-	(1.1)
Interest (cost)/income	(27.6)	16.3	(11.3)
Contributions by members	(0.4)	0.4	-
Contributions by Group	-	14.2	14.2
Benefits paid	29.7	(29.7)	-
Actuarial (loss)/gain	(127.4)	33.1	(94.3)
At 31 December 2019	**(1,076.8)**	**596.7**	**(480.1)**

Scheme assets include an interest in shares in the Company valued at £16.0m (2018: £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 gain of £49.4m (2018: loss of £20.3m).

The consolidated Profit and Loss Account includes the following amounts:

	Note	2019 £m	2018 £m
Settlement		-	0.4
Past service cost	7	-	(9.4)
Current service cost		**(1.1)**	(1.1)
Scheme administration costs		**(1.1)**	(0.9)
Interest costs		**(11.3)**	(10.0)
		(13.5)	(21.0)

Company

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

	2019 £m	2018 £m
Equities/absolute return funds	7.1	29.5
Corporate bonds/LDI	10.9	19.4
Property/infrastructure	20.3	14.3
Private & Opportunistic Credit	13.3	9.4
Other	33.1	6.2
Total fair value of assets	**84.7**	**78.8**
Present value of funded pension plan's liabilities	(135.7)	(124.0)
Total deficit in plan	**(51.0)**	**(45.2)**

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 2019	(124.0)	78.8	(45.2)
Scheme administration costs	-	(0.1)	(0.1)
Interest (cost)/income	(3.6)	2.4	(1.2)
Contributions by Company	-	4.0	4.0
Benefits paid	5.0	(5.0)	-
Actuarial (loss)/gain	(13.1)	4.6	(8.5)
At 31 December 2019	**(135.7)**	**84.7**	**(51.0)**

Scheme assets include an interest in shares in the Company valued at £3.8m (2018: £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 gain of £7.0m (2018: loss of £4.4m).

The Company Profit and Loss Account includes the following amounts:

	2019 £m	2018 £m
Past service cost	-	(0.6)
Scheme administration costs	**(0.1)**	(0.1)
Interest costs	**(1.2)**	(1.1)
	(1.3)	(1.8)

Total contributions made by the Company in the year to defined contribution section of the Company's schemes were £0.4m (2018: £0.4m).

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

	2019 £m	2018 £m
73.7 million (2018: 73.7 million) 'A' Ordinary shares of ½p each	**0.4**	0.4
5.6 million (2018: 5.6 million) 'D' Ordinary shares of ½p each	-	-
2.3 million (2018: 2.3 million) 'E' Ordinary shares of ½p each	-	-
	0.4	0.4

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

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

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 option issued in September 2010 has been issued at an exercise price of 45p per share and has 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.

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.

Revaluation reserve

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

Profit and loss account

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

28. Acquisitions

On 1 March 2019, the Group acquired 100% of the ordinary share capital of Westcode Inc.

The assets and liabilities acquired are as follows:

	Fair value £m
Net liabilities	(0.5)
Cash at bank	0.9
	0.4
Consideration	(3.3)
Goodwill	**(2.9)**

The goodwill is expected to be amortised over 10 years.

Since the date of acquisition, turnover of £3.3m and a profit of £0.3m in relation to Westcode Inc. has been included in the Consolidated Profit and Loss Account.

On 1 March 2019, the Group acquired 100% of the ordinary share capital of Westcode (U.K.) Limited.

The assets and liabilities acquired are as follows:

	Fair value £m
Net assets	0.5
Cash at bank	1.2
	1.7
Consideration	(1.7)
Goodwill	-

Since the date of acquisition, turnover of £2.2m and a profit of £0.2m in relation to Westcode (U.K.) Limited has been included in the Consolidated Profit and Loss Account.

29. Notes to the cash flow statement

	2019 £m	2018 £m
Profit after taxation	**3.6**	0.3
Adjustments for:		
Tax on profit	**3.1**	2.4
Net interest expense	**13.6**	12.2
Exceptional items	**4.8**	9.4
Income from interests in associated undertakings	**(7.3)**	(4.2)
Profit before interest and taxation, before share of profit after taxation of joint ventures and associates and before exceptional items	**17.8**	**20.1**
Amortisation of intangible assets	**1.3**	1.1
Depreciation of tangible assets	**4.0**	5.9
Loss/(profit) on disposal of tangible assets	**0.2**	(0.2)
Gain on revaluation of property	**-**	(0.2)
Working capital movements:		
- Increase in stock	**(3.2)**	(4.8)
- Increase in debtors	**(28.3)**	(5.1)
- Increase/(decrease) in creditors	**30.5**	(7.5)
Increase/(decrease) in provisions	**3.9**	(2.3)
Cash relating to exceptional items	**(1.6)**	-
Difference between pension service charge and cash contributions	**(12.0)**	(13.5)
Unrealised foreign currency gains and losses	**(0.2)**	(0.4)
Net cash from/(used in) operating activities	**12.4**	**(6.9)**

Analysis of changes in net debt

	1 January 2019 £m	Cash flow £m	Non-cash movement £m	31 December 2019 £m
Cash at bank and in hand	**62.9**	(5.8)	(0.8)	**56.3**
Bank overdrafts	**(17.5)**	7.2	0.1	**(10.2)**
Cash and cash equivalents	**45.4**	**1.4**	**(0.7)**	**46.1**
Debt:				
Finance leases	**(1.6)**	0.5	-	**(1.1)**
Debts due within one year	**(39.6)**	3.5	0.4	**(35.7)**
Debts falling due after more than one year	**(19.6)**	(0.7)	-	**(20.3)**
Total debt excluding cash and overdrafts	**(60.8)**	**3.3**	**0.4**	**(57.1)**
Net debt	**(15.4)**	**4.7**	**(0.3)**	**(11.0)**

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

30. Financial commitments

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Guarantees for export trading and loan facilities	**1.5**	1.3	**-**	-

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 2019 was £17.0m (2018: £19.4m).

31. Operating lease commitments

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

	2019 £m	2018 £m
Expiry date		
Within 1 year	**33.9**	25.5
Between 2 and 5 years	**54.3**	47.7
After more than 5 years	**20.8**	8.4

The Company had no operating lease commitments at 31 December 2019 (2018: £nil).

32. 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:

	Note	2019 £m	2018 £m
Entities over which the Group has joint control or significant influence			
Sales to related parties		**13.3**	11.1
Purchases from related parties		**2.2**	2.7
Payments made on behalf of related parties		**10.9**	14.5
Balances due from related parties	17	**1.9**	3.3
Balances owed to related parties	18	**0.1**	0.3
Dividends from related parties		**2.9**	2.3

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 and Development team in Unipart's consultancy business; Warehouse operative; Head of Forum; and Customer Services Director.

33. Group undertakings

33.1 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 *Schloßmühlstraße 15b, 2320 Schwechat, Austria*	Austria
Serck Services (Bahrain) EC *PO Box 3214, Manama, Bahrain*	Bahrain
Van Wezel Autoparts NV *Industriepark 3300, Tienen, Belgium*	Belgium
Unipart NV *Industriepark 3300, Tienen, Belgium*	Belgium
Unipart Logistics s.r.o *Vaclavske namesti 832/19, Nove Mesto, Prague 1, 11000, Czech Republic*	Czech Republic
Instrumentel Limited (87%)	*England
Key Fasteners Limited	*England
Park Signalling Limited	*England
Samuel James Engineering Limited	*England
Unipart Accelerated Logistics Limited	*England
Unipart Exports Limited	*England
Unipart Group Limited (i)	*England
Unipart Logistics Limited	*England
Unipart North America Limited	*England
Unipart Rail Limited	*England
Unipart Security Solutions Limited	*England
Westcode (UK) Limited	*England
Unipart DCM Service GmbH i.L [in liquidation] *Stockstadter Str. 10,63763 Grossostheim, Germany*	Germany
Van Wezel GmbH *Südfeld 7, 59174 Kamen, Germany*	Germany
Intertruck Deutschland GmbH *Siemensstraße 31, 47533, Kleve, Germany*	Germany
Intertruck Benelux BV *Koddeweg 10, 3194 DH Hoogvliet, Netherlands*	Netherlands
Van Wezel Nederland BV *Koddeweg 10, 3194 DH Hoogvliet, Netherlands*	Netherlands
HD Fleet Solutions BV *Koddeweg 10, 3194 DH Hoogvliet, Netherlands*	Netherlands
Serck Services (Oman) LLC (49%) (ii) *PO Box 1056, Ruwi 112, Sultanate of Oman*	Oman
Unipart Services Spain, S.L. [in liquidation] *Avenida del Sistema Solar, 19, Nave 5 y 6, San Fernando de Henares, 28830, Spain*	Spain
Intertruck Holding Limited *Level 15 Rolex Tower, Sheikh Zayed Rd, Dubai, UAE*	UAE
Intertruck MENA LLC (49%) (ii) *1068-0 Apricot Building, Dubai, UAE*	UAE
Serck Services (Gulf) Limited (49%) (ii) *PO Box 5834, Sharjah, UAE*	UAE
Serck Services Company LLC (49%) (ii) *PO Box 4439, Abu Dhabi, UAE*	UAE

Africa, Americas and Rest of the World

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

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

33. Group undertakings (continued)

33.1 Subsidiary undertakings (continued)

Serck Services Inc — USA
5501 Pearl Street, Denver, CO 80216, USA

Westcode Inc — USA
3 Dickinson Dr, Chadds Ford, PA 19317, USA

Intertruck Africa Limited — Zambia
Plot 6940, Buyantanshi Road, Lusaka, Zambia

S3 Technical Pty Ltd (75%) — Australia
111-113 Newton Road, Wetherill Park, NSW 2164, Australia

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 *Koddeweg 10, 3194 DH Hoogvliet, Netherlands*	Netherlands

Intermediate holding companies	
UGC (2015) Limited (i)	*England
Unipart Rail Holdings Limited (i)	*England
Unipart Rail Holdings (North America) Inc *209 Orange Street, Wilmington, DE 19801, United States of America*	USA
UGC Holdings BV *Koddeweg 10, 3194 DH Hoogvliet, Netherlands*	Netherlands
UNV Invest BV *Koddeweg 10, 3194 DH Hoogvliet, Netherlands*	Netherlands
Unipart Advanced Manufacturing Limited	*England
Unipart Manufacturing Limited	*England
Unipart Group Holdings Limited (i)	*England

33.2 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%) *Level 10, 40 Miller Street, North Sydney, NSW, 2060 Australia*	Australia
ACI Auto Components International SRO (29%) *Delostrelecka 190/19, 162 00 Praha 6, Czech Republic*	Czech Republic
Lucchini Unipart Rail Limited (40%) *Ashburton Park Wheel Forge Way, Trafford Park, Manchester, M17 1EH, England*	England
Hyperbat Limited	*England
Unipart Rail ARC Middle East LLC *19th Floor Al Nakhlah Tower, 3026 Prince Mohammed Ibn Salman Ibn Abdulaziz Rd, As Sahafah, Riyadh 13315*	Saudi Arabia

Manufacturing and engineering solutions	
Kautex Unipart Limited	*England

33.3 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 [in liquidation] *2nd Floor 110 Cannon Street, London, EC4N 6EU*	England
LGUA15 Limited	*England
LGUA18 Limited	*England
Lucchini UK Limited (40%) *Ashburton Park, Wheel Forge Way, Trafford Park, Manchester, M17 1EH, England*	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
UHS (2018) Limited	*England
Unipart Advanced Logistics Limited	*England
Unipart PA Trustees Limited (i)	*England
Unipart Rail Logistics Limited	*England
UGC Pension Shareholding Limited *1st Floor, Sixty Circular Road, Douglas, IM1 1AE, Isle of Man*	Isle of Man
UGC Pension Funding LP (iii) *50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland*	Scotland
UGC GP Scotland Limited (i) *50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland*	Scotland

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

(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.

(iii) A Scottish Limited Partnership

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

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