

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Registered Number: 03918171

LEONI Wiring Systems UK Limited

Reports and Financial Statements

31 December 2020



LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Registered Number	03918171
Directors	Mr G D Clowes Mr M Gloeslein (resigned 31 st July 2020)
Secretary	Mr P J Onslow
Auditors	Deloitte LLP Four Brindleyplace Birmingham B12HZ
Bankers	HSBC Bank plc City Corporate Banking Centre 1st Floor 60 Queen Victoria Street London EC4N 4TR
Solicitors	Blake Morgan LLP 6 New Street Square London EC4A 3DJ
Registered Office	Lower Milehouse Lane Newcastle-under-Lyme Staffs ST5 9BT United Kingdom

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic report

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

PRINCIPAL ACTIVITY

The Company's principal activity during the year continued to be the design, manufacture and supply of automotive wiring systems and associated components for the passenger car, commercial vehicles and second tier harness supply sectors. The Company is a wholly owned subsidiary of LEONI AG, a global supplier of Wire, Cable and Wiring Systems; LEONI (LEONI Group) operates 100 facilities in more than 30 countries worldwide.

KEY PERFORMANCE INDICATORS

	2020	2019	Change
External sales	£193m	£281m	-31%
EBIT	(£11.7m)	£5.8m	-302%
EBIT/sales	(6.0%)	2.1%	-386%
Employees (as at 31/12)	343	364	-5.8%

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic report (continued)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The customers of LEONI Wiring Systems UK Ltd (LWS UK) are the passenger car and commercial vehicle sectors as well as system and component suppliers. Some of these customers are located primarily in the UK whilst others are located overseas. The majority of the customers of the business export their products to global markets around the world.

LEONI GROUP (i.e. LEONI AG the parent, its subsidiaries and affiliates)

2020 was an extraordinary year, which also confronted the LEONI Group with new kinds of challenges. The Covid-19 pandemic impacted virtually all areas of our business and compelled us thoroughly rethink and reconfigure much of our activity.

The most important concern was and continues to be the health of our staff. Comprehensive hygiene concepts have been put in place for the sites and extensive working from home solutions have been adopted to protect our employees as well as possible to ensure that we all get through this Covid-19 pandemic in good health. In response to local lockdowns and temporary interruptions of production among our customers, we were constrained to close many of our plants temporarily, either in full or in part, and to introduce short-time working or similar measures. At the start of the second quarter this affected around 80,000 employees worldwide and around two-thirds of our production sites, especially at our major wiring systems facilities. A turnaround followed the mid-year decline in the number of new infections.

The uptake from our customers revived and demand remained at a relatively high level until the end of the year despite the onset of the second wave in the autumn. Subsequently, it was all about responding to the recovery in demand to avoid delivery bottlenecks and ensure supplies reached our customers.

We are well on course, but much work still lies ahead. The year 2021 is certain to bring fresh challenges again. Despite the progress made with vaccinations, there is still considerable uncertainty surrounding the further course of the Covid-19 pandemic; demand from our customers remains volatile, heightened risks currently exist regarding the availability of critical components, and the LEONI Group is continuing to push ahead with major internal changes. Assuming that the recovery in demand continues and new projects are ramped up, we currently expect a rebound in sales and a significant improvement in earnings during the current financial year compared with 2020 based on the existing corporate portfolio. We are keeping a close eye on the situation to allow us to respond quickly to new developments and are coordinating closely with our partners worldwide.

All told, the LEONI Group considers itself to be well-prepared to stabilise its business performance on a sustained basis. We will continue to make all necessary efforts to improve our operational performance, to put ourselves on a secure financial footing over the long term and to bring the Company fully back on course.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic report (continued)

LEONI WIRING SYSTEMS UK LIMITED

Our 2020 trading has been severely hit by the pandemic resulting in a 31% reduction in sales and a significant negative impact to profitability (see KPI table on page 3), though the efforts of everyone prevented them from being even worse.

Most importantly we focused on the health and well-being of all our employees and it was great to see how everyone looked out for each other during some very stressful times.

We need to return to profitability and cash generation and know that all employees will be committed, flexible and fighting to achieve this goal.

The global pandemic has made our vigilance in all areas of Compliance even more critical, especially the challenges of maintaining Information Security whilst working from home including being alert to the increased levels of scams and fraud attacks.

We have continued to address all the Compliance priorities through regular meetings of a multi-functional team lead by the Managing Director and in close alignment with the Head of Regional Compliance.

Information Security was a key priority in 2020. In September the Newcastle-under-Lyme location was audited externally to renew its TISAX AL3 (Secret) Information Security accreditation and successfully qualified for the accreditation for another 3 years. The Auditor commented that Newcastle-under-Lyme was extremely strong in the area of Information security and that it was one of the best he had seen both inside and outside of LWS UK.

This result is a testament to the approach we have taken as a company over the last few years and consolidates our position as one of the leading locations in the LEONI Group in the area of Information Security.

In March 2020 the Company responded to the Government request to work from home. This presented an unprecedented challenge. Within two working weeks we supported the move of over 95% of the UK workforce to enable them to fully work from home. IT Operations did an outstanding job enabling UK staff to work for the rest of the year efficiently from home.

Safety, Health and Environment was inevitably a priority in the year.

In addition to the usual regular meetings of our multi-functional steering committee headed by the Managing Director and Head of SHE, we deployed a response task force to address the special challenges that were presented by the pandemic.

We have recognized that this current climate can have a massive impact on mental health so in 2020 we trained seven employees to become Mental Health First Aiders.

We continued with our SHE legal training requirements such as manual handling which was done onsite at Newcastle-under-Lyme following the site protocol and strict social distancing guidelines. Covid-19 inductions were carried out via remote access and every employee has had some form of health and safety training in 2020.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's business is inevitably associated with risks which cannot entirely be eliminated despite all due diligence. Risk management is integrated into the existing planning, controlling and information systems of the LEONI Group. A list of risks is updated monthly and reviewed by the board and at group level.

The Company has a risk management system, as well as other supporting control systems. This system primarily focuses on early identification of risks that might threaten the Company's continuing operations, as well as protecting the Company from events that hinder the achievement of the Company's performance objectives.

The Company monitors all aspects of risk including economic risk, competition and changes in market conditions, financial risk, health and safety risk, environmental risk, customer and supplier dependencies.

Within this structure the main risks are:

Market risk

The Company depends, to a large extent, on the strength of the global automotive market and, in particular, the vehicle production volumes of key customers. Losing a major customer would have a significant impact, even though there would be a fairly long lead time before the impact takes effect. This is due to the lengthy contract periods covering a particular model range. Even so, the Company seeks to address this risk through extensive development work and providing the best possible service in terms of quality, delivery and customer support. This has resulted in our establishing stable relationships with our customers.

Pressure to cut prices

The Company supplies its products to markets that are characterised by fierce competition. The trend prevailing in the automotive industry towards sharing development costs with suppliers also continues to affect the Company. We confront the unabatedly heavy pressure on prices in the automotive industry with effective, stringent cost management in all areas of the Company.

Procurement risk

Copper is the most important raw material used in the manufacture of products that occurs at other Leoni plants that are sold by the Company. The cost of materials therefore depends to a large extent on the global market price of copper. This is set at the London Metal Exchange, among other places, and can potentially be subject to significant fluctuation. Mostly, the Company passes the effect of any fluctuation in the purchase price of copper on to customers. This is achieved through contractual agreements, which can be subject to a defined time lag before the change is implemented.

Environmental risks

The Company takes its environmental responsibilities very seriously and constantly seeks to minimise waste and reuse packaging. All applicable waste and packaging regulations are fully complied with. Other environmental risks are reduced because products are manufactured by other group companies, and these manufacturing plants are certified to ISO 14001.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liability risk

The Company's revenue is generated by the design, manufacture and sale of products that are, in the main, complex, technically sophisticated and all of which have high built-in safety standards. The Company is inevitably exposed to some product liability risk. These risks are minimised by taking effective measures as part of product design, process safety and quality assurance related activities. All group plants which deal with Leoni Wiring Systems UK Ltd are certified to IATF 16949. There is also insurance cover for warranty and product liability, which includes product recalls.

Foreign Currency risk

The Company has increasing foreign currency exposures due to globalisation of markets. Such exposure arises from sales and purchases in currencies other than the Company's functional currency. The impact of the UK leaving the European Union has been assessed by the Company in relation to foreign exchange and the risk is considered to be managed by the currency sales profile and, where required the hedging contracts held by the Company. Foreign currency risk is minimised by ongoing assessments of the Company's currency portfolio.

Credit risk

The Company trades only with recognised, creditworthy parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification and compliance procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

BREXIT

The Company was exceptionally well prepared for Brexit having deployed an international, multi-functional, cross-division Task Force to address all aspects of Brexit Risk Management.

The team was sponsored by the Group CFO and reported monthly to the Group Board.

Along with all internal topics, the team also worked closely with our customers, suppliers and service providers to ensure strong processes throughout the value chain.

Whilst, in common with all companies, we have experienced some border delays and additional administration requirements, our strong preparation has kept disruption and costs to a minimum.

In terms of business volume, it is difficult to distinguish Brexit effects from Covid-19 Pandemic and general world market impacts, though again we are working closely with our trading partners to ensure smooth processes are in place.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

CORONAVIRUS

In 2020 the Company's sales were significantly impacted by Covid-19 with many of our customers being forced to pause production and a further drop in demand from the economic down turn.

The Company made use of the Coronavirus Job Retention Scheme (CJRS) introduced by the UK Government to help it to retain as many employees as possible and to be able to respond to the improvement in business towards the end of the year. The Company received CJRS grants of £1,768,000 during the year. In addition the company has also made use of the VAT deferral scheme.

We had a small number of employees who became infected with Covid-19 and some who had to self-isolate but thankfully there were no hospitalisations or deaths.

At the end of 2020, the UK government announced a further national lockdown. However, given the lessons learned over the previous year, this has had little impact on the running of the business and operations have continued to operate as normal.

STREAMLINED ENERGY AND CARBON REPORTING STATEMENT

As a contribution to climate protection and in line with our principle of making efficient use of environmental resources and energy, it is our objective in general terms to reduce the energy consumed at our facilities. The Company's energy consumption dropped during the year under report to 600 MWh (previous year 1,025 MWh). This significant reduction in energy consumption for 2020 was as a consequence of the Covid-19 pandemic and the Newcastle-under-Lyme site being mainly on lock down with the exception of critical areas. CO2 emissions have been calculated using measured energy usage data and Government conversion factors published by the Department for Business, Energy and Industrial Strategy (BEIS). The Company's CO2 emissions has also reduced to 146 tonnes (from 800 tonnes in 2019). The reduction is mainly due to reduced travel as a result of the pandemic but there is also an increasing shift towards hybrid and electric vehicles which is reducing the average emissions of the car fleet.

SECTION 172 STATEMENT

The UK Companies' Acts set out the rules and duties the Directors are subject to. This includes a general duty to promote the success of the Company. As is usual with companies of this size the Directors fulfil their objectives by delegating day to day decision making to a senior management team. The Directors and senior management team have been briefed on the requirements of the Companies' Acts.

Long Term Decisions

When making decisions the Directors and senior management team are careful to consider both short and long term impacts. Brexit is a good example of this where short term supply disruption to customers has needed to be considered at the same time as the long term sustainability of the business. The overall strategic direction of the company is managed in line with the Value 21 vision outlined by the Leoni Group.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Employees

The company's employees are considered its key asset and as such particular focus has been put into their development with well-established programmes in place for the advancement of apprentice, graduate and established employees. Furthermore the company holds regular meetings with an employee works council to aid communication with the work force and to ensure that the views of employees are considered in decision making.

Business Relations

In all dealings with customers and suppliers the company ensures it acts in a fair and balanced manner with the aim of creating beneficial outcomes for all parties. We have on site teams at many of our customers and aim to leverage this to better understand their needs, desires and challenges in order that we can best place ourselves to assist them. Our success is very much predicated upon the success of our customers and so we aim to place ourselves in a position to help drive their success.

Environment

Leoni Group is well aware of its ecological responsibilities and regards environmental protection as a key corporate objective. Our environmental management system is geared to keeping the impact of all of our processes on ecosystems to the absolute minimum. We make every effort to reduce energy consumption and our associated CO₂ emissions as our contribution to climate protection, and to reduce our water consumption and volumes of waste we generate, with the aim of achieving optimum resource and material efficiency.

Leoni Group has defined water and energy consumption, waste generation and CO₂ equivalent (CO₂e) as key indicators for environmental protection. In 2018, we defined our first Group-wide targets for these indicators as part of our work on the 2030 CSR Strategy. We aim to achieve the following targets by 2030 (baseline year is 2016 in each case):

- Reduction of CO₂ equivalents by 20 per cent per EUR 1 million of revenue.
- Reduction of energy consumption by 15 per cent per EUR 1 million of revenue.
- Reduction in fresh water use by 10 per cent per EUR 1 million of revenue

We also intend to have all our production facilities certified to the ISO 14001 environmental standard by 2030. In order to achieve these targets, plants are free to define and complete one or more projects, so as to accommodate the differing strategies and infrastructural circumstances applicable to the various production facilities within the two divisions

FINANCIAL RISK MANAGEMENT POLICY

The Company enters into derivative transactions, primarily forward currency contracts. The purpose of this is to manage the currency risks arising from the Company's operations and its sources of finance. It is and has been throughout 2020 and 2019 the Company's policy that no trading in derivatives shall be undertaken. The main risks arising from the Company's financial instruments are foreign currency risk and credit risk. Further details on financial risks can be found under Note 27.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

EMPLOYEE INVOLVEMENT

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year the policy of providing employees with information about the Company has been continued through employee briefings and presentations. Regular meetings are held between management and employees as part of the Company's commitment to team-based working.

DISABLED PERSONS

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.


Where existing employees become disabled, it is Company policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

RESEARCH AND DEVELOPMENT

The Company is involved in ongoing research and development to gain competitive advantage through the production of wiring harnesses incorporating state of the art technology. We also benefit from LEONI Group research and development activities.

Approved by the board and signed on its behalf by:

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Date: 2021.04.23 18:31:11
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Mr P J Onslow
Company Secretary
Date: 23rd April 2021

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The (loss)/profit for the year, after taxation, amounted to £12,443,000 (2019 profit: £2,645,000).

The directors have paid no dividend during the year and do not propose to pay one (2019: £Nil).

We have further disclosed the KPIs and explained the performance of the business in our strategic report in section "Review of the business and future developments" on page 3.

INTERESTS IN SHARES

At 31 December 2020 the Company had an investment of £2 in its wholly owned subsidiary, LEONI Pension Trustees Limited.

DIRECTORS AND THEIR INTERESTS

Directors who served during the year and up to the date of signing were:

- Mr G D Clowes
- Mr M Gloesslein (resigned 31st July 2020)

No director had any interests in the share capital of the Company. In accordance with the Articles of Association, no director is required to retire or seek re-election.

Mr M Gloesslein was a member of the board of the parent company LEONI Bordnetz-Systeme GmbH.

Directors' insurance cover has been established through Group for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company.

DIRECTORS OBLIGATIONS

The directors of the company are conscious of their obligations to act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) The likely consequences of any decision in the long term.
- b) The interests of the company's employees.
- c) The need to foster the company's business relationships with suppliers, customers and others.
- d) The impact of the company's operations on the community and the environment.
- e) The desirability of the company maintaining a reputation for high standards of business conduct, and
- f) The need to act fairly as between members of the company.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Directors' Report (continued)

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out above.

The Company has financial backing from LEONI Group together with long term contracts with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

Based on the latest projection, the Company is not expected to generate positive cash flows on its activities in early 2021 considering the impact due to Covid-19 pandemic but this is expected to improve later with the Company generating positive cash flows. The Company has strong relationships with the wider LEONI Group, who have a number of customers and suppliers across different geographic areas and industries. The Company also participates in the LEONI Group's centralised Treasury arrangements and expects to maintain availability to sufficient cash to continue to operate as a going concern. Thus, the Company's directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

However, we draw attention to the Consolidated Financial statements and annual report for LEONI AG ultimate parent for LEONI Wiring Systems UK Limited for the year ended 31st December 2020, in which the group's executive directors describe the uncertainties of the future business development due to the Covid-19 pandemic as well as the expiration of significant parts of the current financing at the end of the financial year 2022 as risk relating to the Group's ability to continue as a going concern.

The group has planned, initiated and largely implemented measures to secure short and medium-term liquidity in the financial years 2019 and 2020. However, to ensure the ability to refinance at the end of the financial year 2022 and to secure long-term liquidity, the timely and successful implementation of further planned measures is necessary, in particular sale of selected units of the WCS division (Wiring and Cable Solutions division). The timely implementation of the measures is one assumption underlying the group's executive director's current multi-year plan.

Further considering the fact that group's financial management is handled centrally by LEONI AG, holding company as explained in section "Financial and Liquidity management" of group financials. Hence, LEONI Wiring Systems UK Limited depends on the group for funding and thus the conclusion reached at group level over appropriateness of going concern assumption applies to LEONI Wiring Systems UK Limited as well.

The liquidity and financial risks described in Section "Principles" and Section 6.5 "Opportunity and risk situation" to the consolidated financial statement for LEONI AG and the negative impact and uncertainty surrounding Covid-19 impacts the earnings, sales and liquidity of the group as a whole and points to material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Directors' Report (continued)

EVENTS AFTER THE BALANCE SHEET DATE

At the end of 2020, the UK government announced a further national lockdown. However, given the lessons learned over the previous year (e.g. remote working), this has had little impact on the running of the business and operations have continued to operate as normal.

FINANCIAL RISKS AND RISK MANAGEMENT POLICY

This has been disclosed as part of the strategic report on page 9.

AUDITORS

A resolution to reappoint Deloitte LLP as the Company's auditor will be put to members at the General Meeting.

DIRECTORS STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

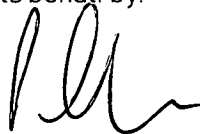
The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- To the best of each directors knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each director has taken all steps that a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Approved by the board and signed on its behalf by:

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Date: 2021.04.23
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Mr P J Onslow
Company Secretary
Date: 23rd April 2021

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

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

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEONI WIRING SYSTEMS UK LTD **Report on the audit of the financial statements**

Opinion

In our opinion the financial statements of LEONI Wiring Systems UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December, 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and
- International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB)

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the cashflow statement;
- the statement of changes in equity; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT (continued)

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statement which indicates that material uncertainty exists due to the Covid-19 pandemic and consequently impacts the earnings, sales and liquidity of the group as a whole.

Further the company relies on support from its parent Leoni AG which has a material uncertainty over its ability to continue as a going concern. A material uncertainty exists at a Group level regarding uncertainties of the future business development due to the Covid-19 pandemic as well as the expiration of significant parts of the current financing at the end of the financial year 2022 as risk relating to the Group's ability to continue as a going concern.

As stated in note 2, these events or conditions, along with the other matters as set forth in notes 2 and 30 to the financial statements indicate that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

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

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

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020
INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statement. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included environmental regulations, Health and safety regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Revenue transaction have not been recorded appropriately and in the correct period.

In order to address the presumed fraud risk on revenue which has been considered as key performance indicator we performed the following procedure:

- We verified the invoices, despatch records for the selected samples to ensure that revenue has been recorded on meeting performance obligation criteria as per terms agreed with customers.
- We reviewed the terms and condition for sale and ensured that sales are recorded post completion of performance obligation as per the terms of sale.
- We also reviewed the completeness of revenue recognition by selecting samples from despatch register and tracing it back to revenue register to ensure completeness of revenue being recorded.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management for instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

22AFA05F393B47A...

Peter Gallimore, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

23 April 2021 | 21:32:26 BST

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Registered Number: 03918171

Income Statement

For the year ended 31 December 2020

	<u>2020</u>		<u>2019</u>
	<u>£000</u>	Notes	<u>£000</u>
REVENUE	192,666	3	280,939
Cost of sales	(174,002)		(241,146)
GROSS PROFIT	<u>18,664</u>		<u>39,793</u>
Administrative expenses	(8,128)		(9,943)
Distribution expenses	(14,583)		(13,737)
Research and development expenses	(11,295)		(14,094)
Other operating income	3,953	5	4,136
Other operating expense	(266)	6	(386)
OPERATING PROFIT FROM CONTINUING OPERATIONS	<u>(11,655)</u>	7	<u>5,769</u>
Net finance expense	(1,113)	10	(1,320)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(12,768)</u>		<u>4,449</u>
Tax on profit	325	11	(1,803)
PROFIT FOR THE YEAR	<u>(12,443)</u>		<u>2,646</u>
Attributable to:			
Equity holders	(12,443)		2,646

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Statement of Comprehensive Income

For the year ended 31 December 2020

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
<i>Income and expense recognised directly in equity</i>		
Gain/(loss) on cash flow hedges taken directly to equity	(1,761)	651
Income tax effect	151	(111)
Remeasurement (loss)/gain on defined benefit plans	(17,947)	(5,521)
Income tax effect	2,665	937
Valuation allowance on deferred tax asset on pension	(8,598)	
<i>Transfers to income statement</i>		
Cash flow hedges – sales	819	(115)
Cash flow hedges – cost of sales	86	97
Income tax effect	-	3
	<hr/>	
<i>Net (expense)/income recognised directly in equity</i>	(24,585)	(4,059)
<i>Profit for the year</i>	(12,443)	2,646
	<hr/>	
<i>Total recognised (expense)/income for the year</i>	(37,028)	(1,413)
Attributable to:		
Equity holders	(37,028)	(1,413)

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Balance Sheet**Company Registered Number 03918171**

At 31 December 2020

	<u>2020</u> <u>£000</u>	Notes	<u>2019</u> <u>£000</u>
<i>Non Current Assets</i>			
Tangible assets	3.025	13	3.207
Intangible assets	8	14	20
Deferred tax asset	3.424	11	8.272
Other non-current assets	2.813	16	3.279
	<u>9.270</u>		<u>14.778</u>
<i>Current Assets</i>			
Trade and other receivables	96.240	16	124.281
Inventories	15.508	17	15.129
Cash and short term deposits	1.658	18	-
	<u>113.406</u>		<u>139.410</u>
Total Assets	<u>122,676</u>		<u>154,188</u>
<i>Current Liabilities</i>			
Trade and other payables	29.847	19	38.942
Provisions	-	20	270
Lease liabilities	395	21	395
	<u>30.242</u>		<u>39.607</u>
<i>Non-Current Liabilities</i>			
Pension liability	63.777	26	48.806
Lease liabilities	1.816	21	1.906
	<u>65.593</u>		<u>50.712</u>
Total Liabilities	<u>95,835</u>		<u>90,319</u>
NET ASSETS	<u>26,841</u>		<u>63,869</u>
<i>Capital and reserves</i>			
Equity share capital	30.000	22	30.000
Retained earnings	78.131	23	90.574
Other comprehensive income	(81.290)	23	(56.705)
TOTAL EQUITY SHAREHOLDER FUNDS	<u>26,841</u>	23	<u>63,869</u>

Approved by the board and signed on their behalf by:
 Mr G D Clowes
 Director
 Date: 23rd April 2021

clgo1001

Digitally signed by
 clgo1001
 Date: 2021.04.23
 18:54:13 +01'00'



LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Statement of Changes in Equity

For the year ended 31 December 2020

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>OCI- Cash flow Hedges</u>	<u>OCI- Pension Gains and Losses</u>	<u>Total Equity</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2019	30,000	87,928	(40)	(52,606)	65,282
Total recognised income and expense for the year	-	2,646	525	(4,584)	(1,413)
At 31 December 2019	30,000	90,574	485	(57,190)	63,869
Total recognised income and expense for the year	-	(12,443)	(705)	(23,880)	(37,028)
At 31 December 2020	30,000	78,131	(220)	(81,070)	26,841

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Cash Flow Statement

For the year ended 31 December 2020

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
<i>Operating activities</i>		
(Loss)/profit before tax	(12,768)	4,449
Net finance costs	1,113	1,320
Depreciation of property plant and equipment	654	702
Amortisation of intangible assets	12	22
Difference between pension contributions paid and amounts recognised in income statement	(3,940)	(3,668)
(Decrease)/increase in provisions	(270)	270
(Increase)/decrease in inventories	(379)	458
Decrease to other non-current assets	466	998
Decrease/(increase) in trade and other receivables	28,041	(1,065)
(Gain)/loss on cash flow hedge included in movement in receivables	(856)	633
Decrease in trade and other payables	(9,408)	(1,570)
Corporation tax payment	(296)	(2,011)
<i>Net cash inflow from operating activities</i>	<u>2,369</u>	<u>538</u>
<i>Investing activities</i>		
Sale of intangibles, property, plant and equipment	-	-
Purchase of property, plant and equipment	(76)	(9)
<i>Net cash out flow from investing activities</i>	<u>(9)</u>	<u>(9)</u>
<i>Financing activities</i>		
Interest received	(42)	61
Interest paid	(107)	(133)
Repayment of leases – principal amount	(486)	(457)
<i>Net cash inflow from financing activities</i>	<u>(635)</u>	<u>(529)</u>
<i>Increase in cash and cash equivalents</i>	1,658	-
Cash and cash equivalents at beginning of year	-	-
<i>Cash and cash equivalents at the year end</i>	<u>1,658</u>	<u>-</u>

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

1. Authorisation of financial statements and compliance with International Financial Reporting Standards (IFRSs)

The financial statements of LEONI Wiring Systems UK Limited for the year ended 31 December 2020 were authorised for issue by the board of directors on 23rd April 2021 and the balance sheet was signed on behalf of the board by Mr G D Clowes.

LEONI Wiring Systems UK Limited is a private company incorporated in the UK and registered in England and Wales. Its registered address is as follows;

Lower Milehouse Lane
Newcastle-Under-Lyme
Staffordshire
ST59BT

The principal activities of LEONI Wiring Systems UK Limited are detailed in the Strategic Report on page 3.

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB. The principal accounting policies adopted by the Company are set out in note 2.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

The Company's financial statements are presented under the historical cost convention in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Fundamental accounting concept

The financial statements have been prepared using the going concern basis of accounting as based on internal cash flow projections and funds available with the entity directors of the company believe that they will have sufficient fund to carry on the operation based using **going concern approach. Thus, the Company's directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.**

The Company has financial backing from LEONI Group together with long term contracts with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

Based on the latest projection, the Company is not expected to generate positive cash flows on its activities in early 2021 considering the impact due to Covid-19 pandemic but this is expected to improve later with the Company generating positive cash flows. The Company has strong relationships with the wider LEONI Group, who have a number of customers and suppliers across different geographic areas and industries. The Company also participates in the LEONI Group's centralised Treasury arrangements and expects to maintain availability to sufficient cash to **continue to operate as a going concern. Thus, the Company's directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.**

However, we draw attention to the Consolidated Financial statements and annual report for LEONI AG ultimate parent for LEONI Wiring Systems UK Limited for the year ended 31st December 2020, in which the **group's** executive directors describe the uncertainties of the future business development due to the Covid-19 pandemic as well as the expiration of significant parts of the current financing at the end of the financial year 2022 as risk relating to the **Group's** ability to continue as a going concern.

The group has planned, initiated and largely implemented measures to secure short and medium-term liquidity in the financial years 2019 and 2020. However, to ensure the ability to refinance at the end of the financial year 2022 and to secure long-term liquidity, the timely and successful implementation of further planned measures is necessary, in particular sale of selected units of the WCS division (Wiring and Cable solutions division). The timely implementation of the measures is one assumption underlying the **group's** executive director's current multi-year plan.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Further considering the fact that group's financial management is handled centrally by LEONI AG, holding company as explained in section "Financial and Liquidity management" of group financials. Hence, LEONI Wiring systems UK Limited depends on the group for funding and thus the conclusion reached at group level over appropriateness of going concern assumption applies to LEONI Wiring systems UK Limited as well.

The liquidity and financial risks described in Section "Principles" and Section 6.5 "Opportunity and risk situation" to the consolidated financial statement for LEONI AG and the negative impact and uncertainty surrounding covid impacts the earnings, sales and liquidity of the group as a whole and points to material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

New accounting requirements applied for the first time in the financial year

There are no new and amended accounting standards or interpretations that were to be applied to the 2020 financial year for the first time that will have material effect on the financial statements and are for this reason not specifically explained.

Future, new accounting requirements

The IASB issued some amendments during the 2020 financial year. Based on current assessment, these will not be relevant to LEONI UK and are not mentioned for this reason.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

2.2 Summary of significant accounting policies

Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed intangible assets excluding development costs is taken to the income statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only when its technical feasibility and commercial viability can be clearly demonstrated.

Intangible assets with a finite life not directly connected to a customer contract are amortised on a straight line basis over their useful lives as follows:

- Software - 5 years
- Development expenditure - 7 years

Intangible assets with a finite life directly connected to a customer contract are amortised over the life of that contract. There are no intangible assets with an infinite useful life. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Revenue

Revenue, which is stated net of value added tax, represents amounts invoiced to third parties. The revenue is attributable to one principal activity, the design, manufacture and supply of automotive wiring systems. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when the performance obligation is satisfied as per the contract and significant risks and rewards of ownership for the goods have passed to the buyer. Provisions for customer rebates and discounts as well as for returns and other adjustments are provided for in the same period the related sales are recognised. Price adjustments are spread over the unit numbers planned over the term of the series to which the adjustment applies.

Nomination fees

Nomination fees that have a direct, causal link with obtaining of the contract and represent an anticipated discount for future business volume are capitalised and presented under other assets. The capitalised amount is recognised based on the ratio of the unit numbers accepted versus the unit numbers planned over the term of the series to reduce revenue.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Sale of design and development services

Design and development revenue represents amounts chargeable to customers for services provided during the year including recoverable expenses but excluding Value Added Tax. Services provided to customers, which at the balance sheet date have not been billed, have been recognised as revenue. Revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Revenue is only recognised where the Company has a contractual right to receive consideration for work undertaken. Sales revenues are generated from development work performed prior to supplying customers in the car and commercial vehicle industry and subsequent series production and supply, each of which represent separate performance obligations.

Translation of Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except where hedge accounting is applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Derivative financial instruments and hedging

The Company uses derivative financial instruments, specifically forward currency contracts to hedge its risks associated with foreign currency fluctuations. All hedge transactions are taken out with the ultimate parent company, LEONI AG.

At the inception of a hedge relationship the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged items fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict reporting criteria and effectiveness for hedge accounting are accounted for as follows:

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Derivative financial instruments and hedging (continued)

Cash flow hedges

Cash flow hedges are the hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss in the hedging instrument is recognised directly in equity.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or expense is recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the forecast transaction is not expected to occur, the amount is taken to the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Leasehold improvements	-	over the lease term
Plant and machinery	-	over 3 to 15 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leases

LWS UK assesses at the inception of a contract whether it establishes or involves a lease. This is the case when the contract grants the right to control the use of an identified asset for a certain time against payment of a fee. On the date of provision, LWS UK recognises an asset for the granted right of use as well as a leasing liability on its balance sheet.

The rights of use are at first measured based on the amount at which the lease liability is initially measured, adjusted for lease payments made upon or before provision plus possibly incurred, initial, direct costs, less any included lease incentives. Subsequent measurement is at cost less accumulated depreciation and impairment. Rights of use refer mainly to land, leasehold rights and buildings, machinery, motor vehicles as well as factory and office equipment and are depreciated on a straight-line basis over the shorter of the two periods of the term and the expected useful life of the lease as follows:

Land, leasehold rights and buildings	1 – 50 years
Machinery, motor vehicles as well as factory and office equipment	1 – 15 years

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Leases (continued)

This also applies to cases where a lease transfers ownership of the leased property or where the Group rates exercise of a purchase option agreed under the lease as sufficiently assured and the exercise price has thereby already been considered in the costs of the right of use accordingly. If ownership of the underlying asset is transferred or it is sufficiently assured that the purchase option will be exercised, the corresponding right of use must be depreciated over the useful life of the underlying asset. LWS UK applies IAS 36 to determine whether a right of use is impaired and recognises the identified impairment expense accordingly. The rights of use are presented under property, plant and equipment on the consolidated balance sheet and there under the items concerned. The lease liability is initially measured at the present value of the lease payments, discounted by the interest rate underlying the lease. As the interest rate underlying the lease cannot be determined, LWS UKI uses the incremental borrowing rate according to the term of the underlying lease as prescribed in the Standard.

Measurement of the lease includes the following payments:

- Fixed lease payments (including de facto fixed payment), less incentive payments to be received
- Variable lease payments that are based on an index or a rate, initially measured by the index or rate at the time the lease starts
- Payments expected from the lessee due to residual value guarantees
- Exercise prices of purchase options if the lessee is sufficiently sure of exercising these and
- Penalty payments for premature termination of the lease if exercise of the termination right is according to the term of the lease.

Variable lease payments that do not depend on an index or rate are not included in measurement of the lease liability and the right of use. These payments are expensed in the period in which the triggering event or the triggering condition occurs and recognised under other operating expenses in the income statement. The lease liability is subsequently measured by an increase in the carrying amount to account for the interest expense for the lease liability (using the effective interest rate method) and by reducing the carrying amount to account for lease payments made. Lease liabilities are recognised within financial debt.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Leases (continued)

The Group remeasures the lease liabilities and accordingly adjusts the corresponding rights of use in the following cases:

- The term of the lease has changed or there are material events or material change in circumstances that lead to a changed assessment with respect to exercising a purchase option. In such a case, the lease liability is remeasured by discounting the adjusted lease payments with an updated interest rate. This involves the right of use being adjusted for the amount resulting from remeasurement of the lease liability, down to a carrying amount of as little as nil. Any adjustments beyond that much be recognised through profit or loss.
- Lease payments will change due to index or rate changes, or due to a change in the payment expected to be made based on a residual value guarantee. In such cases, the lease liability is remeasured by discounting the adjusted lease payments with an unchanged discount rate (unless the change in lease payments is attributable to a change in a variable rate of interest, in which case an updated interest rate must be used).
- A lease is changed and the change to the lease is not recognised as a separate lease. In that case, the lease liability is remeasured based on the term of the changed lease by discounting the changed lease payments using an updated interest rate at the time the change becomes effective. The right of use is adjusted accordingly.

IFRS 16 permits the lessee to dispense with separating between leasing and non-leasing components and to account for leases with associated non-leasing components as a single contract pursuant to IFRS 16. The Group has not used this exemption provision. In the case of leases that contain a leasing component and one or several additional leasing and non-leasing components, the Group allocates the consideration in the contract to each contract component based on the relative stand-alone selling price of the leasing component and the aggregated stand-alone selling prices of the non-leasing components. LWS has exercised the option of not recognising rights of use and lease liabilities for short-term leases (with a term of twelve months or less) and for leases of low value (new value of the asset being lower than EUR 5,000). The corresponding lease payments are expensed in the functional areas of the income statement.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- | | |
|---|---|
| Raw materials, consumables and goods for resale | - Purchase cost on an average cost basis. |
| Work in progress and finished goods | - Average cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs. |

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

The Company applies the simplified approach under IFRS 9 to impairment of trade receivables and contract assets, and recognises the expected losses over the full lifetime. The Group therefore does not follow up changes in the credit risk, instead recognising a risk provision based on the full lifetime expected credit losses on each reporting date.

The expected losses are determined using an impairment matrix by grouping the principal types of receivables according to their risk ratings, which represent the ability of customers to settle amounts due as contracted. The allocations to the default risk categories are made principally based on external ratings of the key customers that consider forward-looking estimates. The data on the external rating and the probabilities of default is updated quarterly and annually on the respective reporting dates.

Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Operating profit

Operating profit as referred to in the income statement is defined as being profit generated from normal trading activities before finance costs and revenues, and before taxation.

Government Grants

Government grants, including non-monetary grants at fair value, are not to be recognised until there is reasonable assurance that:

- a. the entity will comply with the conditions attaching to them; and
- b. the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Corporate taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except that deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

Issued share capital

Ordinary shares are classified as equity, as they do not contain an obligation to transfer cash or another financial asset.

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

Pensions

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plans is determined separately using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Key judgements and estimates

Estimates and assumptions or judgements must be made in some cases in order to prepare the financial statements in accordance with IFRS. These have an influence on the amounts of assets, liabilities and contingent liabilities stated on the balance sheet date as well as when reporting expenses and income. Actual results could differ from such estimates. Key assumptions concerning the future as well as other key sources of estimation uncertainty at the balance sheet date, which present a risk of material adjustment to the carrying amounts of the assets and liabilities subsequently. We have noted that the following key judgements and estimates has been applied as part of preparation of this financial statement.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting Policies (continued)

(i) Key Judgements

Revenue in relation to the wiring harnesses sold by LEONI Wiring Systems UK Limited (LWS UK) is recognised at a point in time, either upon despatch or delivery to the customer depending on the specific contract terms. These items do not have an alternative use to LWS UK. However, although there are customary practices that involve some reimbursement being paid to LWS UK in the event that the contract is cancelled, the directors have assessed that this does not represent an enforceable right to payment, as the amounts payable will not always be sufficient to cover costs plus a reasonable margin as per IFRS 15.35(c). Accordingly, the contracts are not considered to meet the criteria for recognition of revenue over time.

(ii) Key estimates:

The cost of defined benefit pensions plans is derived from actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to uncertainty. Further details are given in Note 25.

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Sales of goods	185,900	266,785
Design and development services	<u>6,766</u>	<u>14,154</u>
	<u>192,666</u>	<u>280,939</u>

No revenue was derived from the exchange of goods or services (2019: Nil).

4. Segment information

The primary segment reporting format is determined to be the business segments as the Company's risks and rates of return are affected predominantly by the products and services provided. Secondary segment information is reported geographically.

The Company has one primary business segment, the design and supply of automotive wiring systems. The revenue for this is shown below.

The Company's geographical segments are based on the location of the Company's customers and is shown below.

The following tables present revenue regarding the Company's geographical segments for the years ended 31 December 2020 and 2019. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**4. Segment information (continued)****Year ended 31 December 2020**

	<u>UK</u>	<u>Rest of the</u> <u>World</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<i>Revenue</i>			
Sales to external customers	135,072	58,040	193,112
Sales to group companies	-	373	373
Effect of hedging	(819)	-	(819)
Segment revenue	<u>134,253</u>	<u>58,413</u>	<u>192,666</u>

Year ended 31 December 2019

	<u>UK</u>	<u>Rest of the</u> <u>World</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<i>Revenue</i>			
Sales to external customers	212,400	68,108	280,508
Sales to group companies	-	316	316
Effect of hedging	115	-	115
Segment revenue	<u>212,515</u>	<u>68,424</u>	<u>280,939</u>

5. Other operating income

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Foreign exchange gain	(182)	164
Services recharged to other group companies	4,135	3,952
Settlement of liquidation	-	20
	<u>3,953</u>	<u>4,136</u>

Services are recharged to other group companies when the Company bears the initial cost but other group companies receive the benefit of the service.

Settlement of liquidation relates to a dividend payout from insolvency proceedings against a customer that entered liquidation in 2005.

6. Other operating expense

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Group factoring charges	266	386
	<u>266</u>	<u>386</u>

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements

7. Operating Profit

This is stated after charging/(crediting):

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Amortisation of software and deferred development expenditure	12	22
Depreciation of property, plant and equipment	654	702
Net foreign currency differences (note 5)	182	(164)
Cost of inventories recognised as an expense	149,105	220,648
Including – write down of inventories to net realisable value	702	3
Coronavirus Job Retention Scheme Income (note 7b)	1,786	-
Operating lease payments		
- minimum lease payments	483	587

- a) Research and development costs of £11,295,000 (2019: £14,094,000) have been incurred during the year. To the extent that these are recoverable from customers, the associated income has been included within Revenue. Other costs have been expensed in full to the income statement. All research and development costs are presented separately in the income statement for clarity of the nature of costs incurred.
- b) During the year the company applied and received support of £1,768,000 from the UK government under Coronavirus Job Retention Scheme (CJRS) and has recorded the support as a reduction to payroll expense as per accounting policy choice available under IAS 20. The company has complied with the following conditions attached to the scheme:
- communicated to affected employees in writing that they were furloughed
 - maintained the affected employees under contracts of employment
 - ensured that those employees were not providing any services to the employer or otherwise made money on behalf of the employer during the furlough period.

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**8. Auditors' remuneration**

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Audit of financial statements	90	66
Other fees to auditors		
- Other professional services (VAT and personal tax advice)	-	-
	<u>90</u>	<u>-</u>

9. Staff costs and directors' emoluments**a) Staff costs**

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Wages and salaries	14,155	17,297
Social security costs	1,511	1,727
Defined benefit pension costs (note 26)	2,171	1,983
Defined contribution pension costs	1,288	1,127
	<u>19,125</u>	<u>22,134</u>

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

	<u>2020</u>	<u>2019</u>
	<u>No</u>	<u>No</u>
Management and Staff	349	382
Total employees	<u>349</u>	<u>382</u>

Note: All employees fall under the single category

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements**9. Staff costs and directors' emoluments (continued)****b) Directors' emoluments**

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Emoluments	<u>98</u>	<u>141</u>
Members of Defined Benefit Pension Schemes	<u>No</u> <u>1</u>	<u>No</u> <u>2</u>

One of the directors who served during the year was also a director of other group companies and did not receive any remuneration from the Company in respect of their services as a director of LEONI Wiring Systems UK Limited. This director was remunerated by LEONI Bordnetz-Systeme GmbH. This director considers that the level of their qualifying services provided to the Company for the years ended 31 December 2020 and 31 December 2019 is inconsequential.

10. Net finance expense

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Loans to parent company	42	(62)
Interest cost	63	88
Finance cost from lease liability	44	45
Net interest costs relating to pension obligation (note 26)	964	1,249
	<u>1,113</u>	<u>1,320</u>

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements**11. Taxation****(a) Tax on profit****Tax charged in income statement**

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Current income tax charge	605	1,395
Deferred tax relating to the origination of temporary differences	(930)	408
Tax charge in the income statement	<u>(325)</u>	<u>1,803</u>

(b) Reconciliation of the total tax charge

The tax (income)/expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Accounting (loss)/profit before income tax	<u>(12,768)</u>	<u>4,449</u>
Accounting (loss)/profit multiplied by the UK Standard rate of corporation tax of 19% (2019: 19%)	(2,426)	845
Expenses not deductible for tax purposes	6	4
Tax rate changes	400	(46)
Provision for tax risk	1,000	1,000
Unrecognised deferred tax asset	695	-
Total tax (income)/expense reported in the income statement	<u>(325)</u>	<u>1,803</u>

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Movement in OCI before income tax	<u>(18,803)</u>	<u>(4,888)</u>
Movement in OCI multiplied by the UK Standard rate of corporation tax of 19% (2019: 19%)	(3,572)	(929)
Tax rate changes	756	100
Unrecognised deferred tax asset	8,598	-
Total tax charge/(credit) reported in the statement of comprehensive income	<u>5,782</u>	<u>(829)</u>

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**11. Taxation (continued)****(c) Deferred Tax**

The deferred tax included in the balance sheet is as follows:

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Deferred tax liability		
Effect of cash flow hedges	-	99
Deferred tax liability	<u>-</u>	<u>99</u>
Deferred tax asset		
Decelerated capital allowances	22	38
Effect of cash flow hedges	92	-
General bad debt provision	-	36
Losses carried forward	2,599	-
Pension timing difference	10,004	8,297
Deferred tax asset valuation allowance on pension	(8,598)	-
Deferred tax asset valuation allowance on losses	(695)	-
Deferred tax asset	<u>3,424</u>	<u>8,371</u>
Net deferred tax asset		
Deferred tax liability	-	(99)
Deferred tax asset	3,424	8,371
Net deferred tax asset	<u>3,424</u>	<u>8,272</u>
Net deferred tax asset		
Decelerated capital allowances	22	38
Effect of cash flow hedges	92	-
General bad debt provision	-	36
Losses carried forward	1,904	-
Pension timing difference	1,406	8,297
Deferred tax asset	<u>3,424</u>	<u>8,371</u>

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**11. Taxation (continued)**

The deferred tax included in the income statement is as follows:

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Deferred tax in the income statement		
Accelerated capital allowances – tangible assets	(16)	1
Pension timing difference	(957)	(409)
Deferred tax on loss for the year	2,598	-
Deferred tax asset valuation allowance	(695)	-
Amount credited/(charged) to the income statement	<u>930</u>	<u>(408)</u>
Deferred tax in equity		
Effect of cashflow hedges	191	(108)
General bad debt allowance	(36)	(18)
Other effects	-	17
Pension timing difference	2,665	936
Deferred tax asset valuation allowance	(8,598)	-
Deferred tax asset at the start of the year	8,272	7,853
Deferred tax asset at the end of the year	<u>3,424</u>	<u>8,272</u>

Recognition of deferred tax asset

Based on management's forecasting of the future business performance of LWS UK there is a strong indication that the recognised tax assets will be realised and management has recorded an asset only to the extent that future taxable income is probable as per IAS 12. This assessment is in turn based on experience as well as the currently available information and forecasts. Accordingly, a deferred tax asset of £3,424,000 has been recognised, which includes a deferred tax asset on losses carried forward of £1,904,000 (previous year £Nil).

Unrecognised deferred tax asset

The entity has an unrecognised deferred tax asset of £9,293,000 as at 31 December 2020. (As at 31 December 2019- Nil). This is split between a deferred tax asset on pension of £8,598,000 and a deferred tax asset on losses of £695,000.

Factors affecting future tax charges

In the March 2021 Budget the UK Government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

As the changes had not been substantively enacted at the balance sheet date, the deferred tax balances as at 31 December 2020 are measured at a rate of 19%.

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements

12. Dividends paid and proposed

A dividend of £Nil (2019: £Nil) has been declared and paid during the year.

No further dividend is proposed for the year (2019: £Nil).

13. Tangible assets

	<u>Land leasehold rights and buildings – right of use £000</u>	<u>Plant & equipment £000</u>	<u>Plant & equipment – right of use £000</u>	<u>Total £000</u>
Cost				
At 1 January 2019	–	3,871	–	3,871
Adjustment for IFRS 16	2,026	–	474	2,500
Additions	–	9	258	267
Disposals	–	–	–	–
At 31 December 2019	2,026	3,880	732	6,638
Additions	–	76	396	472
Disposals	–	–	–	–
At 31 December 2020	2,026	3,956	1,128	7,110
Depreciation				
At 1 January 2019	–	2,729	–	2,729
Provided during the year	185	251	266	702
At 31 December 2019	185	2,980	266	3,431
Provided during the year	185	162	307	654
At 31 December 2020	370	3,142	573	4,085
Net Book Value at 31 December 2020	1,656	814	555	3,025
Net Book Value at 31 December 2019	1,841	900	466	3,207
Net Book Value at 1 January 2019	–	1,142	–	1,142

Assets held under finance leases

At 31 December 2020 no assets are held under finance leases (2019: Nil).

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**14. Intangible Assets**

	<u>Licences</u>	<u>Development</u>	<u>Total</u>
	<u>£000</u>	<u>Costs</u>	<u>£000</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost			
At 1 January 2019	3,139	5,536	8,675
Disposals	(2,472)	(4,538)	(7,010)
At 31 December 2019	667	998	1,665
At 31 December 2020	667	998	1,665
Amortisation			
At 1 January 2019	3,097	5,536	8,633
Provided during the year	22	-	22
Disposals	(2,472)	(4,538)	(7,010)
At 31 December 2019	647	998	1,645
Provided during the year	12	-	12
At 31 December 2020	659	998	1,657
Net Book Value at 31 December 2020	8	-	8
Net Book Value at 31 December 2019	20	-	20
Net Book Value at 1 January 2019	42	-	42

The Company has been granted licences for new business and incurred certain costs developing that new business. These intangibles are measured at cost and have finite useful lives. Licences and Development costs are amortised over the life of the contract to which they relate. These contracts do not exceed 7 years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

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Notes to the Financial Statements

15. Investments

At 1 January 2019, 31 December 2019 and 31 December 2020 the Company had an investment of £2 in LEONI Pension Trustees Limited.

The company has taken advantage of the section of IFRS10 which exempts the company from the obligation to prepare and deliver group financial statements as it is included in the consolidated IFRS compliant financial statements of Leoni AG, a company registered in the Federal Republic of Germany.

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows (All holdings are ordinary shares):

<u>Undertaking</u>	<u>Country of Incorporation</u>	<u>Percentage of voting rights and shares held</u>	<u>Principal Activity</u>
LEONI Pension Trustees Limited	United Kingdom	100%	Administration of Pension scheme

The registered address of LEONI Pension Trustees Limited is as follows:

Lower Milehouse Lane
Newcastle Under Lyme
Staffordshire
ST5 9BT

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**16. Trade and other receivables**

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Trade receivables	29,320	20,977
Amounts owed by affiliated companies	60,895	98,056
Prepayments and other current assets	6,025	5,248
	<u>96,240</u>	<u>124,281</u>
Other non-current assets	2,813	3,279
	<u>99,053</u>	<u>127,560</u>

Trade receivables are non-interest bearing and generally on 30 to 90 day terms. For terms and conditions relating to related party transactions, refer to note 27.

Trade receivables are denominated in the following currencies:

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Sterling	1,583	2,529
Euro	27,672	18,235
US Dollar	65	213
At 31 December	<u>29,320</u>	<u>20,977</u>

Out of the carrying amount of trade receivables, 61% (2019: 60%) is against two major debtors.

The allowances for trade receivables were as follows:

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
At 1 January	212	319
Additions (allowances recognised as an expense IFRS 9)	-	-
Write back	-	(107)
At 31 December	<u>212</u>	<u>212</u>

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**16. Trade and other receivables (continued)**

The gross carrying amounts of and valuation allowances for trade receivables as well as contract assets break down as follows by default risk category:

	<u>2020</u> <u>£000</u>	<u>2020</u> <u>£000</u>
	Size of exposure (gross)	Valuation allowance
Risk rating		
Low risk	3,000	1
Average risk	22,166	124
Above-average risk	4,366	87
Increased and high risk	-	-
Very high risk	-	-
Exposures at default	-	-
Total	<u>29,532</u>	<u>212</u>

	<u>2019</u> <u>£000</u>	<u>2019</u> <u>£000</u>
	Size of exposure (gross)	Valuation allowance
Risk rating		
Low risk	4,429	14
Average risk	15,156	166
Above-average risk	1,604	32
Increased and high risk	-	-
Very high risk	-	-
Exposures at default	-	-
Total	<u>21,189</u>	<u>212</u>

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Notes to the Financial Statements**17. Inventories**

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Finished goods and goods for resale	<u>15,508</u>	<u>15,129</u>

The amount of write down of inventories recognised as an expense is £149,105,000 (2019: £220,647,766). This expense is included in the cost of sales as a cost of inventories recognised as an expense.

The carrying amount of inventories carried at fair value less costs to sell is £Nil (2019: £Nil).

18. Cash and short term deposits

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Cash at bank and in hand	<u>1,658</u>	<u>-</u>

The parent company operates a cash netting system whereby cleared surplus cash is transferred to a group account and placed on short term deposit. At 31 December 2020 the Company had a balance included in receivables of £60,894,803 (2019: £98,055,624).

At 31 December 2019 the Company had available £Nil (2019: £Nil) of undrawn committed borrowing facilities.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 31 December:

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Cash at bank and in hand	1,658	-
Cash and cash equivalents	<u>1,658</u>	<u>-</u>

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Notes to the Financial Statements

19. Trade and other payables

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Current		
Trade payables	6,290	3,561
Amounts owed to parent and fellow subsidiary companies	17,941	23,678
Other payables	5,616	11,703
	<u>29,847</u>	<u>38,942</u>

Trade payables are non-interest bearing and are normally on 30 day terms. Other payables are non-interest bearing and are normally settled on 30 day terms. Amounts owed to parent and fellow subsidiary companies are paid on the 15th of the month following the invoice.

20. Provisions

	<u>Restructuring</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>
Opening Balance	270	270
Provided for	-	550
Utilised	(270)	(280)
Closing Balance	<u>-</u>	<u>270</u>

As at 31 December 2020, a restructuring provision of £Nil (2019: £270,000) has been recognised for the rationalisation of the business to achieve a competitive cost base for the future. The full amount is expected to be utilised within 1 year.

21. Leases

The Company has leases for land, leasehold rights and buildings, machinery, motor vehicles as well as factory and office equipment. Calculation of the lease liabilities as at the reporting date for land, leasehold rights and buildings was based on residual terms of between one and twenty years, whereas liabilities for rental of machinery, motor vehicles as well as factory and office equipment was based on residual terms of between one and eight years. There are no lease extension options or termination options attached to the lease contracts committed at the start of the contracts.

Expenses for leases that had terms of less than 12 months were recognised during the year under report. These leases involved mostly motor vehicles. Expenses were furthermore recognised for leases where the new value of the asset is less than €5,000. The latter concerns mostly office and business equipment.

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements**21. Leases (continued)**

The progression broken down by asset class of the rights of use during the year under report as well as their amount on the reporting date is presented hereinafter:

	<u>Land leasehold rights and buildings</u> £000	<u>Plant & Equipment</u> £000	Total £000
Net carrying amount on 01 January 2020	2,026	732	2,758
Additions	-	396	396
Disposals	-	-	-
At 31 December 2020	<u>2,026</u>	<u>1,128</u>	<u>3,154</u>
Accumulated amortisation on 01 January 2020	185	266	451
Increase in amortisation	-	-	-
Increase in impairment	185	307	492
Disposals	-	-	-
At 31 December 2020	<u>370</u>	<u>573</u>	<u>943</u>
Net Book Value at 31 December 2020	<u>1,656</u>	<u>555</u>	<u>2,211</u>

The following amounts are recognised in the income statement:

	<u>2020</u> £000	2019 £000
Amortisation of rights of use	492	451
Expenses for low-value leased items	36	46
Expenses for short-term leases	35	90
Total amount of leasing expenses classified to the income statement	<u>563</u>	<u>587</u>

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements

21. Leases (continued)

Of the items presented in the income statement in connection with leasing, a sum of £530,000 (2019: £587,000) was cash effective.

The lease liabilities recognised under financial liabilities developed as follows during the reporting period:

	2019 <u>£000</u>
Carrying amount 01 January	2,301
Additions	396
Interest accrued	44
Repayment	<u>(530)</u>
Carrying amount on 31 December	<u>2,211</u>
Short term	395
Long term	1,816

The maturity analysis of these lease obligations is as follows:

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Not later than one year	395	395
After one year but not more than five years	867	801
More than five years	949	1,105
	<u>2,211</u>	<u>2,301</u>

22. Authorised and issued share capital

	<u>2020</u> <u>£</u>	<u>2019</u> <u>£</u>
<i>Authorised</i>		
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements**23. Statement of changes in equity**

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Cash flow Hedges</u>	<u>Pension Gains and Losses</u>	<u>Total Equity</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2019	30,000	87,928	(40)	(52,606)	65,282
Total recognised income and expense for the year	-	2,646	525	(4,584)	(1,413)
At 31 December 2019	30,000	90,574	485	(57,190)	63,869
Total recognised income and expense for the year	-	(12,443)	(705)	(23,880)	(37,028)
At 31 December 2020	30,000	78,131	(220)	(81,070)	26,841

Other comprehensive income

Cash flow hedges and Pension gains and losses have been shown as "Other comprehensive income" on the face of the balance sheet. The Pension gains and losses form part of the distributable reserves.

Share Capital

The balance classified as share capital includes the total net proceeds on issue of the Company's equity share capital, comprising £1 ordinary shares.

Cash flow hedges

This represents the gain or loss on a hedging instrument in a cash flow hedge which is determined to be an effective hedge.

24. Additional cash flow information***Analysis of net Company debt***

	<u>1 January 2020</u>	<u>Inflow/ (Outflow)</u>	<u>31 December 2020</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cash and cash equivalents	-	1,658	1,658
	<u>1 January 2019</u>	<u>Inflow/ (Outflow)</u>	<u>31 December 2019</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cash and cash equivalents	-	-	-

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

25. Capital commitments

At 31 December 2020, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to nil (2019: £Nil).

26. Pensions and other post-retirement benefits

The Company operates a final salary defined benefit pension plan in the United Kingdom. The scheme is funded by the payment of contributions to a separately administered trust fund. The pension scheme was established in 2000 and replaced the hitherto applicable pension plan. It was closed to new members from 1 September 2008.

The fund has the legal form of a foundation and it is governed by the Board of Trustees who are appointed from representatives of the employer and employees. The trustees are supported by qualified actuaries and asset management experts. The trustees agree with the Company the sums to be paid as contributions and agree the amount payable as additional contributions in the event of underfunding. The deficit at the end of the financial year amounted to £63,777,000 and corresponds to 29% of the defined benefit obligation. The payments to reduce the current shortfall were agreed on 20th June 2019 between the trustees and the Company to eliminate the deficit in 10 years.

The pension payable on retirement depends on final salary, number of years' service and any additional contributions. The pensions in payment are increased in line with inflation.

The key risks to the scheme are around the discount rate, inflation and mortality rates and the performance of the investments.

The trustees provide the investment strategy with the objectives to reduce the short term investment risk but achieve a good long term return on investments. This assumption is that at any time, pensions in payment are backed by a portfolio of bonds (consisting of a mixture of gilts and corporate bonds) and that all other benefits are backed by a portfolio of return-seeking assets, including equities. The assets are managed so that there is always cash available to make payments as they fall due.

A full actuarial valuation was carried out as of 31 March 2019 and updated to 31 December 2020 by qualified actuaries.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements**26. Pensions and other post-retirement benefits (continued)**

The assets and liabilities of the scheme at 31 December are:

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
<i>Plan assets at fair value</i>		
Equities	35,316	33,547
Corporate bonds and index-linked gilts	3,081	-
LDI portfolio (including active currency)	57,899	49,216
Infrastructure fund investment	10,779	11,716
Property fund investment	18,813	19,059
Diversified growth funds	29,738	28,072
Net current liability to the company	528	235
	<hr/>	<hr/>
Fair value of Plan assets	156,154	141,845
Present value of Plan liabilities	(219,931)	(190,651)
	<hr/>	<hr/>
Pension liability	(63,777)	(48,806)

The pension plan has not invested in the Company nor in properties or other assets used by the Company.

The amounts recognised in the Income Statement are analysed as follows:

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
<i>Recognised in the Income Statement</i>		
Current service cost	1,386	1,348
Administrative expenses	755	635
Past service cost	30	-
	<hr/>	<hr/>
Net interest cost	964	1,249
	<hr/>	<hr/>
Recognised in arriving at operating profit	3,135	3,232

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
<i>Recognised in the Statement of Comprehensive Income</i>		
Return on plan assets (excluding amounts included in net interest expense)	(11,517)	(10,282)
Actuarial changes arising from changes in demographic assumptions	-	(4,304)
Actuarial changes arising from changes in financial assumptions	31,347	20,574
Actuarial changes arising from experience adjustments	(1,883)	(467)
	<hr/>	<hr/>
Remeasurement(losses) on defined benefit plans	17,947	5,521

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements**26. Pensions and other post-retirement benefits (continued)**

Pension contributions are determined with the advice of independent qualified actuaries, Lane Clark and Peacock, on the basis of triennial valuations using the projected unit credit method. Scheme assets are stated at their market bid values at the respective balance sheet dates.

	<u>2020</u>	<u>2019</u>
	%	%
<i>Main assumptions:</i>		
Rate of salary increases	2.85	2.91
Rate of increase in pensions in payment	2.81	2.81
Discount rate	1.25	2.09
Rate of inflation	1.85	2.11

The post retirement mortality assumptions allow for future improvements in mortality. The mortality table used implies that a 65 year old man currently has an expected future lifetime of 21.0 years (2019: 20.9 years).

The total contributions to the defined benefit plan in 2021 are expected to be £5,500,000.

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	<u>£000</u>
As at 1 January 2019	175,079
Current service cost	1,348
Contributions by plan participants	14
Interest cost	4,966
Benefits paid	(6,559)
Actuarial gain	15,803
Past service cost	-
As at 31 December 2019	<u>190,651</u>
Current service cost	1,386
Contributions by plan participants	20
Interest cost	3,927
Benefits paid	(5,547)
Actuarial loss	29,494
Past service cost	-
As at 31 December 2020	<u>219,931</u>

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements**26. Pensions and other post-retirement benefits (continued)**

Changes in the fair value of plan assets are analysed as follows:

	<u>£000</u>
As at 1 January 2019	129,375
Interest income	3,717
Actuarial loss	10,282
Company contributions	5,651
Contributions by participants	14
Benefits paid	(6,559)
Administration expenses	(635)
As at 31 December 2019	<u>141,845</u>
Interest income	2,963
Actuarial gain	11,517
Company contributions	6,111
Contributions by participants	20
Benefits paid	(5,547)
Administration expenses	(755)
As at 31 December 2020	<u>156,154</u>

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements**26. Pensions and other post-retirement benefits (continued)**

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 is as shown below:

Assumptions	Discount rate		Salary increase / salary inflation	
	1% increase	1% decrease	0.5% increase	0.5% decrease
Sensitivity Level	£'000	£'000	£'000	£'000
Impact on defined benefit obligation	(35,000)	46,000	2,000	(2,000)

Assumptions	Pension increase / pension inflation		Mortality	
	0.5% increase	0.5% decrease	1 year increase	1 year decrease
Sensitivity Level	£'000	£'000	£'000	£'000
Impact on defined benefit obligation	15,000	(13,000)	7,000	(7,000)

Assumptions	Deferred revaluation		RPI & CPI (and related assumptions)	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Sensitivity Level	£'000	£'000	£'000	£'000
Impact on defined benefit obligation	3,000	(3,000)	15,000	(14,000)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

History of experience gains and losses:

	<u>2020</u> £000	<u>2019</u> £000	<u>2018</u> £000	<u>2017</u> £000
Fair value of plan assets	156,154	141,845	129,375	130,417
Present value of defined benefit obligation	(219,931)	(190,651)	(175,079)	(189,534)
Deficit in plan	(63,777)	(48,806)	(45,704)	(59,117)
Experience adjustments arising on plan liabilities	(1,883)	(467)	(889)	25
Experience adjustments arising on plan assets	11,517	10,282	(3,987)	(5,923)

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

27. Related party transactions

During the year the Company entered into transactions with other related parties. Transactions entered into and balances outstanding at 31 December with other related parties are as follows:

	<u>Sales to related party</u> <u>£000</u>	<u>Purchase s from related party</u> <u>£000</u>	<u>Amounts owed by related party</u> <u>£000</u>	<u>Amounts owed to related party</u> <u>£000</u>
LEONI AG				
2020	132	1,810	59,958	-
2019	35	2,034	97,255	-
LEONI Wiring Systems Egypt S.A.E., Egypt				
2020	88	72,124	-	2,912
2019	157	90,576	-	6,546
LEONI Wiring Systems Arad s.r.l., Romania				
2020	-	15,470	-	1,093
2019	7	24,083	-	2,797
Leonische Portugal Lda., Portugal				
2020	21	19,384	-	2,189
2019	227	25,929	-	1,274
LEONI Bordnetz-Systeme GmbH, Germany				
2020	209	5,320	-	1,776
2019	243	9,118	-	4,111
LEONI Ukraine				
2020	-	10,903	-	1,011
2019	20	17,068	-	1,983
LEONI Wiring Systems, Serbia				
2020	103	37,026	-	8,153
2019	-	52,866	-	6,330
LEONI Wiring Systems, Tunisia				
2020	-	7,471	-	188
2019	-	2,709	-	114
Other group companies				
2020	915	2,633	937	618
2019	474	4,257	801	523

In addition the Company meets the professional fees and other costs of administering the Company pension scheme in 2020 of £532,000 (2019: £485,000). The company also pays the PPF levy on behalf of the pension scheme, cost in 2020 of £173,000 (2019 £150,000).

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

27. Related party transactions (continued)

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at market prices. Outstanding balances are unsecured, interest free and cash settlement is expected in line with normal trading terms. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2020, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2019: nil).

Compensation of key management personnel (including directors)

	<u>2020</u> <u>£000</u>	<u>2019</u> <u>£000</u>
Short term employee benefits	553	591
Post employment benefits	-	-

28. Financial risk management objectives and policies

The Company enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations and its sources of finance. It is and has been throughout 2020 and 2019 the Company's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Company's financial instruments are foreign currency risk and credit risk. The Head of Group Corporate Finance reviews and agrees policies for managing these risks which are summarised in the Strategic Report.

Financial instruments by category	<u>Assets at</u> <u>fair value</u> <u>through</u> <u>equity</u> <u>£000</u>	<u>Financial</u> <u>assets at</u> <u>amortised</u> <u>cost</u> <u>£000</u>	<u>Total</u> <u>£000</u>
2020			
Trade and other receivables (excl. prepayments)	-	90,486	90,486
Derivative financial instruments – forward foreign exchange contracts	(271)		(271)
Cash and cash equivalents	1,658	-	1,658
2019			
Trade and other receivables (excl. prepayments)	-	118,448	118,448
Derivative financial instruments – forward foreign exchange contracts	585		585
Cash and cash equivalents	-	-	-

The fair values of the financial instruments disclosed above are all allocated to valuation hierarchy level 2.

LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

28. Financial risk management objectives and policies (Continued)

Foreign currency risk

The following table demonstrates the sensitivity to a reasonable possible change in the euro exchange rates with all other variables held constant, of the Company's profit before tax (due to changes in the fair values of monetary assets, liabilities and forward currency contracts) and the Company's equity (due to changes in the fair value of forward currency hedges). The company's management of exchange rate risk indicates that there is no significant impact of a reasonable rate change.

	<u>Increase/ decrease in the euro rate</u>	<u>Effect on profit before tax £000</u>	<u>Effect on equity £000</u>
2020			
Euro	+5%	-	-
	-5%	-	-
2019			
Euro	+5%	-	-
	-5%	-	-

Year Ended 31 December 2020

Foreign currency risk continues to be minimised by active management of the Company's currency portfolio.

At 31 December 2020, the Company held 16 forward currency contracts designated as hedges of expected future sales to customers in the United Kingdom. The forward currency contracts are being used to hedge the foreign currency risk of the income from future sales.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. These forecast transactions are highly probable. The cash flow hedges of the expected future sales in each month from January 2020 to December 2020 were assessed to be highly effective. As at 31 December 2020, net unrealised gains of £271,000 with a related deferred tax effect of £52,000 were both recorded in equity.

Year Ended 31 December 2019

At 31 December 2019, the cash flow hedges of the expected future sales in each month from January 2019 to December 2019 were assessed to be highly effective. As at 31 December 2019, net unrealised losses of £585,000 with a related deferred tax effect of £99,000 were both recorded in equity.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business. The capital of the Company is monitored and provided by the Group which would provide additional debt or equity finance to the Company as necessary. The Company is currently funded by equity only with no long term financing loans or debentures. As the Company has no external borrowings, it is not exposed to external interest rate risk.

LEONI Wiring Systems UK Limited

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Notes to the Financial Statements

29. Parent undertaking

The immediate parent undertaking of the Company is LEONI Bordnetze Holding GmbH, which is registered in Germany.

The ultimate parent undertaking of the group of undertakings for which the only group accounts are drawn up and of which the Company is a member is LEONI AG.

LEONI AG is incorporated in Germany.

Copies of the Group accounts for LEONI AG are available from its registered address:

LEONI AG
Marienstrasse 7
90402 Nurnberg
Germany

Or from www.leoni.com

30. Events after the balance sheet date

At the end of 2020, the UK government announced a further national lockdown. However, given the lessons learned over the previous year (e.g remote working), this has had little impact on the running of the business and operations have continued to operate as normal. We have considered the impact of this on our projection for going concern and concluded that this has no material impact on our conclusion. Hence no adjustment has been made to the assets and liabilities as at 31st December 2020 due to this.