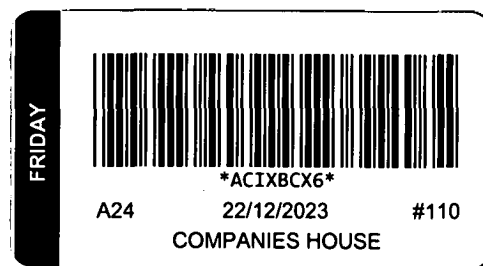


Registered Number: 03918171

# LEONI Wiring Systems UK Limited

Reports and Financial Statements

31 December 2022



## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

Registered Number	03918171
Directors	Mr G D Clowes (resigned 22 <sup>nd</sup> May 2023) Mr P J Onslow Mr G P Mills
Secretary	P J Onslow (resigned 30 August 2022) Mrs P J Davenport (appointed 30 August 2022)
Auditors	Deloitte LLP Four Brindleyplace Birmingham B1 2HZ
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 Staffordshire ST5 9BT United Kingdom

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Strategic report

The directors present their strategic report for the year ended 31 December 2022.

### 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

	2022	2021	Change	% Change
External sales (Note 3)	£254m	£225m	£29m	+12.9%
Operating loss from continuing operations	(£7.4m)	(£39.6m)	£32.2m	+81.3%
Operating loss / sales	(2.9%)	(17.6%)	(14.7%)	+14.7%
Employees as at 31/12	346	342	(4)	+1.2%

As shown above external sales increased by £29m which is due to ongoing customer sales and the semi-conductor shortages having less of an impact on the result compared to previous year. Operating loss has decreased by £32.2m, a decrease of 81.3%, this decrease is largely due to lower addition to the onerous contract provision in 2022. In 2021 £23,143,000 provision for onerous contracts were made on some specific projects while additional provision in 2022 was £6,888,000.

### 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.

Following on from another challenging year in 2021 caused by supply challenges it was hoped 2022 would see these problems resolved and normal supply resume. The challenges of the semi-conductor and global supply chain crises continued, but eased, throughout 2022 resulting in erratic customer demand and in turn associated disruption in the manufacturing plants and production schedules.

Although the business delivered a £29m (13%) increase in sales (see KPI table on page 3), the impacts of the erratic customer production schedules had negative effects on our operating costs, especially in the manufacturing plants.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **Strategic report (continued)**

In February 2023 significant contracts were secured with a key customer ensuring considerable future sales and being of great value not just to LEONI UK but also to the LEONI Group as a whole.

The results for the year also include a negative impact in the income statement of £6,888,000 (£23,143,000 in 2021), see note 20 and note 7, due to the provision for onerous contracts on some specific projects. This has arisen due to increased forecast costs for which at this stage recovery from the customer is uncertain. Due to the recent losses the company's net assets are negative at the end of 2022 however the forecast for 2023 is expected to return the company to positive equity by the end of the year.

We have continued to address all the Compliance priorities throughout the year via various different means, LEONI Data Protection lawyers carried out an audit on the processing of UK Personal Data and in September, we had a visit from LEONI Corporate Governance who performed training with our UK Managers on Compliance and Risk, Data Protection and Fraud. We look forward to welcoming the team back to the UK in 2023 for a Compliance Audit.

The Newcastle-under-Lyme site is TISAX Level 3 accredited which means that its processes and systems, across all areas of the business, demonstrate the very highest standards of keeping information secure and stand up to the most rigorous scrutiny. The site continues to be one of the leading locations in Information Security within the LEONI world. During the summer of 2023, a certification inspection took place with the accreditation being renewed until 2026.

We continued to work in a way that prioritised employee health and we formally adopted a Hybrid working policy into Contracts after carefully developing and testing the flexible working policy over a 2 year period. Our current approach matches many UK employers and also aligns with the approach in other parts of LEONI.

Every employee has had some form of health and safety training in 2022 and we are actively updating and providing mental health fitness support through the knowledge management system.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **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 principal 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.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

### *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 change is implemented. The company is also impacted by procurement risk experienced by customers as semiconductor shortages have caused production stoppages by customers, which in turn leads to a reduction in volumes sold by the company. The company manages this risk by considering customer demand outlook in its production planning. Where possible, the company also negotiates and receives claim income from customers to cover costs due to volume loss.

### *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.

### *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. For some customers, the company has entered into factoring arrangements to ensure prompt cash receipt and transfer of credit risk to the factor. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

### *Liquidity Risk*

Ultimate responsibility for liquidity risk management rests with the board of directors which ensures that the Company's short, medium and long-term funding and liquidity requirements are met. The Company manages liquidity risk by maintaining adequate reserves, participating in the Leoni Group cashpooling arrangement, and by continuously monitoring forecast and actual cash flows. The factoring arrangement in place for some customers also ensures that the maturity profiles of financial assets and liabilities are favourably matched.

### *VAT risk*

The Company has a growing VAT recoverability risk. The drive to meet erratic customer demands creates a need for complex purchase and supply flows across many overseas jurisdictions. This in conjunction with the continuous changes in global VAT legislation increases the likelihood of VAT refund rejections due to non-compliance. The Company actively monitors and strives to comply with all of the local VAT legislation to ensure the risk is minimised.

## STREAMLINED ENERGY AND CARBON REPORTING STATEMENT

### Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

### GHG emissions and energy usage

	UK (tonnes)	
	2022	2021
Emissions from combustion of gas (scope 1)	33	35
Emissions from combustion of fuel for transport purposes (scope 1)	17	5
Emissions from electricity purchased for own use, including for the purposes of transport (scope 2)	65	117
<b>Total gross CO<sub>2</sub>e based on above</b>	<b>115</b>	<b>157</b>
Energy consumption used to calculate emissions – MWh	517	629
Intensity ratio (tonnes of CO <sub>2</sub> e per £M revenue)	0.45	0.70

As a contribution to climate protection and 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 decreased during the year under report to 517 MWh (previous year 629 MWh).

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **Strategic report (continued)**

#### **STREAMLINED ENERGY AND CARBON REPORTING STATEMENT (continued)**

CO<sub>2</sub> 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 CO<sub>2</sub> emissions has increased to 17 tonnes (from 5 tonnes in 2021). The increase is mainly due to normal travel resuming as a result of all travel restrictions being lifted and normal practises resuming since the Covid-19 pandemic. There is also a continuing trend towards hybrid and electric vehicles which has reduced the average emissions of the car fleet by 12% over the year.

#### **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 and are in full compliance of section 172 and the requirements of the Companies' Acts.

#### **DIRECTORS OBLIGATIONS**

The director of the company is 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.

#### **Long Term Decisions**

When making decisions the Directors and senior management team are careful to consider both short and long term impacts. The semi-conductor shortage is a good example of this, where Directors are in constant discussion with customers and suppliers to mitigate the impact of the semiconductor shortage after considering short term supply disruption to customers and the long term sustainability of the business. In addition, the new flexible working policy has positioned the company well to deal with future challenges. The company has secured large new contracts in 2023 ensuring the future profitability of the company. The overall strategic direction of the company is managed in line with the vision outlined by the Leoni Group.

#### **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 directors hold 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. During the year, the directors also held and recorded quarterly total employee communication meetings.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

**Strategic Report (continued)**

**DIRECTORS OBLIGATIONS (continued)**

### **Business Relations**

In all dealings with customers and suppliers the directors ensure they act 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.

All of our product is purchased through intercompany suppliers and as such we maintain a mutually beneficial good working relationship.

### **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 CO<sub>2</sub> 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 CO<sub>2</sub> equivalent (CO<sub>2</sub>e) 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 CO<sub>2</sub> 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

The Company is currently working towards ISO 50001 certification. 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.

### **Standards of Business Conduct**

Maintaining high standards of business conduct is imperative to the Company. The Company is subject to a full range of compliance policies and procedures developed by the group and other policies by the Company itself. All the policies are regularly reviewed and updated and regular management and employee internal training is provided to reinforce our commitment to these high standards of conduct.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

**Strategic report (continued)**

**DIRECTORS OBLIGATIONS (continued)**

### **Acting Fairly Between Members of the Company**

The Company is a wholly owned subsidiary of LEONI Bordnetz-Systeme GmbH and is committed to open and regular engagement with the parent shareholder. In addition, regular routine communications and formal business review meetings take place throughout the year.

### **FINANCIAL RISK MANAGEMENT POLICY**

The Group enters into derivative transactions, primarily forward currency contracts, on the Company's behalf. 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 2022 and 2021 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, credit risk and liquidity risk. Further details on financial risks can be found under Note 27.

### **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:



Mrs P J Davenport  
Company Secretary

Date: 20<sup>th</sup> December 2023

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2022.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £7,925,000 (2021 loss: £43,089,000).

The directors have paid no dividend during the year and do not propose to pay one (2021: £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 and page 4.

#### **RESEARCH AND DEVELOPMENT**

This has been disclosed as part of the strategic report on page 10.

#### **ENGAGEMENT WITH EMPLOYEES**

This has been disclosed as part of the strategic report on pages 10.

#### **ENGAGEMENT WITH CUSTOMERS, SUPPLIERS AND OTHERS**

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

#### **ENERGY AND CARBON REPORTING**

This has been disclosed as part of the strategic report on page 7.

#### **INTERESTS IN SHARES**

At 31 December 2022 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 (resigned 22<sup>nd</sup> May 2023)

Mr P J Onslow

Mr G P Mills

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.

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

#### **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.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **Director's Report (continued)**

#### **Going Concern (continued)**

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 your attention to the Consolidated financial statements and annual report for Leoni AG, the ultimate parent of the Company for the year ended 31 December 2022, in which the Group's executive directors describe the uncertainties of the future business as the Group was compelled to launch restructuring based on applying the German Corporate Stabilisation and Restructuring Act. The previously agreed restructuring plan could not be implemented because, the buyer refused in December 2022 to close the sale of the automotive cables segment, which was an integral part of the refinancing. The group launched in-depth talks with the creditors to safeguard Leoni AG's continued existence with the restructuring plan first published on 29 March 2023. Part of this financial restructuring involves, among other things, the unavoidable reduction of Leoni AG's share capital to zero. This means exit of previous shareholders and the delisting of Leoni AG's shares. This restructuring plan was accepted with the required majorities during a discussion and ballot meeting held on 31 May 2023. On 17 July 2023, this restructuring plan was legally binding as the Regional Court of Nuremberg-Fürth dismissed all immediate appeals filed against the plan. The final implementation of the restructuring/refinancing concept took place in August 2023. Further uncertainties with regard to the financial situation of LEONI Group result from difficulty to predict risks associated with macroeconomic developments, including consequences of the war in the Ukraine and the semiconductor crisis.

Taking into account the uncertainty relating to the group's ability to continue as a going concern and that the Company is dependent upon support from its ultimate parent indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge liabilities in the normal course of business. However, given all risk mitigating measures and initiatives taken, management considers it appropriate to adopt the going concern basis of preparation.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

The directors have considered all post-year end transactions, information received and events, up to the date these accounts are signed, for anything that may be either an adjusting or non-adjusting post balance sheet event. There was nothing identified requiring adjustment to, or disclosure in the current year financial statements.

#### **FINANCIAL RISKS AND RISK MANAGEMENT POLICY**

This has been disclosed as part of the strategic report on pages 10.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Directors' Report (continued)

#### 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:



Mrs P J Davenport  
Company Secretary  
Date: 20<sup>th</sup> December 2023

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **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 have elected to prepare the 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 of the financial reporting framework 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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, 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards.

#### **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.

#### **Material uncertainty related to going concern**

We draw attention to note 2 in the financial statements, which indicates that uncertainties relating to the Leoni Group AG's ability to continue as a going concern and that the Company is dependent upon funding from its ultimate parent. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that 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.

### **Independent auditor's report (continued)**

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

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

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **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.

## **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](http://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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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 statements. These included UK Companies Act, pensions legislation and 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 and health and safety regulations.

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

## 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 procedures performed to address it are described below:

**1. Revenue recognition:** we considered a fraud risk relating to revenue, which is a key performance indicator. We pinpointed our revenue fraud risk to recognition of non-product sales due to the judgmental nature of meeting performance obligations and performed the following procedures:

- inspected the purchase order received from customers to assess the terms and conditions of the transactions; and
- tested invoices and proof of performance records such as staged payments, proof of delivery, for the selected samples of non-product sales transactions to check revenue has been recorded on meeting performance obligation criteria as per the terms agreed with customers.

**2. Onerous contract:** we also identified there is a potential for fraud in the recognition of onerous contract provisions as management is in a unique position to influence the assumptions used in the forecast model. We performed the following procedure:

- assessed forecast assumptions around volumes, inflation and wages and analysed forecast future performance against historical contract results, and where appropriate, bridged any expected improvement in performance to specific one-off events in the year and considered whether they would reoccur.

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;

### **Independent auditor's report (continued)**

- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **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.



Louise Clamp, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom  
20 December 2023

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

Registered Number: 03918171

### Income Statement

For the year ended 31 December 2022

	Notes	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
<b>REVENUE</b>	3	254,456	225,465
Cost of sales		(233,414)	(233,804)
<b>GROSS PROFIT/(LOSS)</b>		<u>21,042</u>	<u>(8,339)</u>
Administrative expenses		(11,033)	(9,282)
Distribution expenses		(7,458)	(13,253)
Research and development expenses		(15,736)	(12,415)
Other operating income	5	6,101	3,875
Other operating expense	6	(362)	(189)
<b>OPERATING LOSS FROM CONTINUING OPERATIONS</b>	7	<u>(7,446)</u>	<u>(39,603)</u>
Net finance expense	10	(479)	(887)
<b>LOSS BEFORE TAXATION</b>		<u>(7,925)</u>	<u>(40,490)</u>
Tax on loss	11	-	(2,599)
<b>LOSS FOR THE YEAR</b>		<u>(7,925)</u>	<u>(43,089)</u>
Attributable to:			
Equity holders		<u>(7,925)</u>	<u>(43,089)</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Statement of Comprehensive Income

For the year ended 31 December 2022

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
<b>Loss for the year</b>	<b><u>(7,925)</u></b>	<b><u>(43,089)</u></b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
(Loss)/Gain on cash flow hedges taken directly to equity	(441)	1,034
Income tax effect	-	(95)
Remeasurement (loss)/gain on defined benefit plans (Note 25)	(5,550)	23,026
Income tax effect	-	(694)
	<b><u>(5,991)</u></b>	<b><u>23,271</u></b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Cash flow hedges – sales	(287)	(720)
Cash flow hedges – cost of sales	28	187
	<b><u>(259)</u></b>	<b><u>(533)</u></b>
<b>Other comprehensive (loss)/income for the year net of tax</b>	<b><u>(6,250)</u></b>	<b><u>22,738</u></b>
<b>Total comprehensive loss for the year</b>	<b><u>(14,175)</u></b>	<b><u>(20,351)</u></b>
Attributable to:		
Equity holders	<b><u>(14,175)</u></b>	<b><u>(20,351)</u></b>

# LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

## Balance Sheet

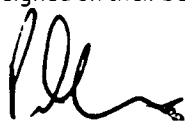
Company Registered Number 03918171

At 31 December 2022	Notes	31 December	31 December	1 January 2021
		2022	2021	2021
		£000	£000	£000
<b>Non Current Assets</b>			<b>Restated*</b>	<b>Restated*</b>
Tangible assets	13	2,568	3,019	3,025
Intangible assets	14	-	3	8
Deferred tax asset	11	-	-	3,424
Other non-current assets	16	8,258	5,650	2,813
		<u>10,826</u>	<u>8,672</u>	<u>9,270</u>
<b>Current Assets</b>				
Trade and other receivables	16	65,337	79,094	96,240
Inventories*	17	9,173	10,241	8,360
Cash and short term deposits	18	2,644	3,263	1,658
		<u>77,154</u>	<u>92,598</u>	<u>106,258</u>
<b>Total Assets</b>		<u><b>87,980</b></u>	<u><b>101,270</b></u>	<u><b>115,528</b></u>
<b>Current Liabilities</b>				
Trade and other payables*	19	31,504	32,438	22,699
Provisions	20	9,602	5,551	-
Lease liabilities	21	409	424	395
		<u>41,515</u>	<u>38,413</u>	<u>23,094</u>
<b>Non-Current Liabilities</b>				
Pension liability	25	38,003	36,939	63,777
Provisions	20	14,565	17,592	-
Lease liabilities	21	1,582	1,836	1,816
		<u>54,150</u>	<u>56,367</u>	<u>65,593</u>
<b>Total Liabilities</b>		<u><b>95,665</b></u>	<u><b>94,780</b></u>	<u><b>88,687</b></u>
<b>NET (LIABILITIES)/ASSETS</b>		<u><b>(7,685)</b></u>	<u><b>6,490</b></u>	<u><b>26,841</b></u>
<b>Capital and reserves</b>				
Equity share capital	22	30,000	30,000	30,000
Retained earnings		27,117	35,042	78,131
Cashflow hedges	23	(514)	186	(220)
Pension losses	23	(64,288)	(58,738)	(81,070)
<b>TOTAL EQUITY SHAREHOLDER (DEFICIT)/FUNDS</b>	23	<u><b>(7,685)</b></u>	<u><b>6,490</b></u>	<u><b>26,841</b></u>

Approved by the board and signed on their behalf by:

Mr P Onslow  
Director

Date: 20<sup>th</sup> December 2023



\*The comparative has been restated as a result of a prior period error. See Notes 17 & 19

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Statement of Changes in Equity

For the year ended 31 December 2022

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Other Comprehensive Income</u>		<u>Total Equity</u>
			<u>Cash flow Hedges</u>	<u>Pension Gains and Losses</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2021	30,000	78,131	(220)	(81,070)	26,841
Loss for the year	-	(43,089)	-	-	(43,089)
Other comprehensive income	-	-	406	22,332	22,738
At 31 December 2021	30,000	35,042	186	(58,738)	6,490
Loss for year	-	(7,925)	-	-	(7,925)
Other comprehensive expense	-	-	(700)	(5,550)	(6,250)
At 31 December 2022	30,000	27,117	(514)	(64,288)	(7,685)

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Cash Flow Statement

For the year ended 31 December 2022

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>Restated</u>
		<u>£000</u>
<b>Operating activities</b>		
Loss before tax	(7,925)	(40,490)
Net finance costs (Note 10)	479	887
Depreciation of property plant and equipment (Note 13)	635	649
Amortisation of intangible assets (Note 14)	3	5
Difference between pension contributions paid and amounts recognised in income statement	(5,162)	(4,571)
Increase in provisions	1,024	23,143
Decrease/(increase) in inventories	1,068	(1,881)
Increase to other non-current assets	(2,608)	(2,837)
Decrease in trade and other receivables	13,662	16,317
Movement in credit losses	95	827
(Gain)/loss on cash flow hedge included in movement in receivables	(700)	501
(Decrease)/increase in trade and other payables	(237)	9,781
Corporation tax payment	(673)	(4)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(339)</u>	<u>2,327</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment (Note 13)	(16)	(148)
<b>Net cash out flow from investing activities</b>	<u>(16)</u>	<u>(148)</u>
<b>Financing activities</b>		
Interest received (Note 10)	257	-
Interest paid (Note 10)	(84)	(128)
Repayment of leases – principal amount (Note 21)	(437)	(446)
<b>Net cash outflow from financing activities</b>	<u>(264)</u>	<u>(574)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	(619)	1,605
Cash and cash equivalents at beginning of year	3,263	1,658
<b>Cash and cash equivalents at the year end</b>	<u>2,644</u>	<u>3,263</u>

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **Notes to the Financial Statements**

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

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.

#### **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 2022.

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.

The Company is exempt under s400 of Companies Act 2006 from the preparation of consolidated financial statements, because it is included in the group financial statements of LEONI AG. Where required, equivalent disclosures are given in the group financial statements of LEONI AG. The group financial statements of LEONI AG are available to the public and can be obtained as set out in note 28.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Accounting Standards	<i>2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>

#### 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.

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 your attention to the Consolidated financial statements and annual report for Leoni AG, the ultimate parent of the Company for the year ended 31 December 2022, in which the Group's executive directors describe the uncertainties of the future business as the Group was compelled to launch restructuring based on applying the German Corporate Stabilisation and Restructuring Act. The previously agreed restructuring plan could not be implemented because, the buyer refused in December 2022 to close the sale of the automotive cables segment, which was an integral part of the refinancing. The group launched in-depth talks with the creditors to safeguard Leoni AG's continued existence with the restructuring plan first published on 29 March 2023. Part of this financial restructuring involves, among other things, the unavoidable reduction of Leoni AG's share capital to zero. This means exit of previous shareholders and the delisting of Leoni AG's shares. This restructuring plan was accepted with the required majorities during a discussion and ballot meeting held on 31 May 2023. On 17 July 2023, this restructuring plan was legally binding as the Regional Court of Nuremberg-Fürth dismissed all immediate appeals filed against the plan. The final implementation of the restructuring/refinancing concept took place in August 2023. Further uncertainties with regard to the financial situation of LEONI Group result from difficulty to predict risks associated with macroeconomic developments, including consequences of the war in the Ukraine and the semiconductor crisis.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### Going Concern (continued)

Taking into account the uncertainty relating to the group's ability to continue as a going concern and that the Company is dependent upon support from its ultimate parent indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge liabilities in the normal course of business. However, given all risk mitigating measures and initiatives taken, management considers it appropriate to adopt the going concern basis of preparation.

#### 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.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **Notes to the Financial Statements**

#### **2. Accounting Policies (continued)**

##### *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.

##### *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.

The granted payment terms are normally 30 to 90 days from the date of delivery.

##### **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.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### Derivative financial instruments and hedging (continued)

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:

##### *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.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### **Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### **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

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### Leases (continued)

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

This also applies to cases where a lease transfers ownership of the leased property or where the Company 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.

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

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### Leases (continued)

- 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 must 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 Company 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.

##### 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.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### 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.

Certain customers are subject to a factoring arrangement. Under this arrangement the Company has transferred relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. The amount repayable under the factoring agreement is netted against trade receivables in the statement of financial position.

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 company 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.

##### *(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### Trade and other receivables (continued)

- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) the financial instrument has a low risk of default;
- (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 120 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### Trade and other receivables (continued)

###### *(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the debtor;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization.

###### *(iv) Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### **Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

###### *(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party

substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expire.

#### *(ii) Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### *(iii) Hedge accounting*

The Company designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Company determines and documents causes for hedge ineffectiveness.

#### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends, except for the hedging of inventory purchases when the amount is reclassified from the hedging reserve and included in the cost of inventory at initial recognition.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

##### *(iii) Hedge accounting (continued)*

When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

##### **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.

##### **Cash and cash equivalents**

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.

##### **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.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **Notes to the Financial Statements**

#### **2. Accounting Policies (continued)**

##### **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.

##### **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

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

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 have been applied as part of preparation of these financial statements.

##### (i) Key Judgements

###### Revenue

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.

Agreements with customers for revenue to compensate for reduced volumes are recognised over the period to which the compensation relates. The revenue is discounted for expected recoverability and the time value of money.

##### (ii) Key estimates:

###### Defined Benefit Pension Plans

The cost of defined benefit pensions plans is derived from actuarial valuations. The actuarial valuation involves making assumptions about discount rates, inflation, 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.

###### Onerous Contracts

Present obligations that arise in connection with onerous contracts are recognised as provision. Measuring the provisions involves a substantial degree of estimation. The Company makes provision

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 2. Accounting Policies (continued)

for the present obligation arising under customer contracts and other related risks when the estimated total unavoidable costs exceed the revenues. The Company identifies the potential losses on customer contracts by means of ongoing control of the project's progress and updating of estimates. An extrapolation from business planning is also made to assess the extent to which there

may be an onerous customer contract and is made according to the principles described above as well as linked with the assumptions and estimates likewise presented above. The carrying amount of the provision as at 31 December 2022 was £24,167,000 (2021: £23,143,000). Future sales volume forecast constitutes a key estimate in determining the value of the onerous contract provision.

Estimation of future sales volumes involves assumptions and expectations of future conditions which are uncertain.

#### 3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Sales of goods	245,281	215,008
Design and development services	<u>9,175</u>	<u>10,457</u>
	<u>254,456</u>	<u>225,465</u>

No revenue was derived from the exchange of goods or services (2021: 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 2022 and 2021. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The largest two customers represent 52% of the Company's total revenue in the year.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

Year ended 31 December 2022	UK	Rest of the	Total
	<u>£000</u>	<u>World</u> <u>£000</u>	<u>£000</u>
<i>Revenue</i>			
Sales to external customers	193,606	60,220	253,826
Sales to group companies	-	343	343
Effect of hedging	287	-	287
Segment revenue	<u>193,893</u>	<u>60,563</u>	<u>254,456</u>

Year ended 31 December 2021			
<i>Revenue</i>			
Sales to external customers	168,628	55,684	224,312
Sales to group companies	-	433	433
Effect of hedging	720	-	720
Segment revenue	<u>169,348</u>	<u>56,117</u>	<u>225,465</u>

#### 5. Other operating income

	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
Foreign exchange gain/(loss)	46	(694)
Services recharged to other group companies	<u>6,055</u>	<u>4,569</u>
	<u>6,101</u>	<u>3,875</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.

#### 6. Other operating expense

	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
Group factoring charges	362	189
	<u>362</u>	<u>189</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the financial statements

#### 7. Loss from continuing operations / EBIT

This is stated after charging/(crediting):

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Amortisation of software and deferred development expenditure (note 14)	3	5
Depreciation of property, plant and equipment (note 13)	635	649
Net foreign currency differences (note 5)	(46)	694
Cost of inventories recognised as an expense	206,161	184,659
Including – write down of inventories to net realisable value	(163)	1,554
Release of onerous contract provision (Note 20)	(313)	-
Onerous contract provision (note 20)	6,888	23,143

Research and development costs of £15,736,000 (2021: £12,415,000) 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.

#### 8. Auditors' remuneration

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Audit of financial statements	121	99
	<u>121</u>	<u>99</u>

There were no fees paid to the auditors for non-audit services in either 2022 or 2021.

#### 9. Staff costs and directors' emoluments

##### a) Staff costs

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Wages and salaries	15,808	14,756
Social security costs	1,940	1,573
Defined benefit pension costs (note 25)	2,433	2,307
Defined contribution pension costs	1,786	1,634
	<u>21,967</u>	<u>20,270</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the financial statements

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

	<u>2022</u>	<u>2021</u>
	<u>No</u>	<u>No</u>
Management and Staff	348	340
Total employees	<u>348</u>	<u>340</u>

Note: All employees fall under the single category

#### b) Directors' emoluments

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Emoluments	<u>223</u>	<u>104</u>
	<u>No</u>	<u>No</u>
Members of Defined Benefit Pension Schemes	<u>2</u>	<u>1</u>

#### Remuneration of the highest paid director:

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Emoluments	146	104
Company contribution to money purchase schemes	<u>146</u>	<u>104</u>

The highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

#### 10. Net finance expense

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Loans to parent company	-	39
Interest received / cost	<u>(257)</u>	<u>27</u>
<b>Net finance (income)/expense from financial instruments at amortised cost</b>	<b>(257)</b>	<b>66</b>
Finance cost from lease liability	84	62
Net interest costs relating to pension obligation (note 25)	652	759
<b>Net Finance Expense</b>	<b><u>479</u></b>	<b><u>887</u></b>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the financial statements

#### 11. Taxation

##### (a) Tax on profit

##### Tax charged in income statement

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Current income tax charge	-	(35)
Deferred tax relating to the origination of temporary differences	-	2,634
Tax charge in the income statement	<u>-</u>	<u>2,599</u>

##### (b) Reconciliation of the total tax charge

The tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Accounting loss before tax	<u>(7,925)</u>	<u>(40,490)</u>
Accounting loss multiplied by the UK Standard rate of corporation tax of 19% (2021: 19%)	(1,506)	(7,693)
Expenses not deductible for tax purposes	196	6
Current tax charge from prior years	-	1,965
Release of provision for tax risk	-	(2,000)
Movement in deferred tax asset not recognised	1,310	10,321
Total tax expense reported in the income statement	<u>-</u>	<u>2,599</u>

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Movement in OCI before income tax	<u>6,250</u>	<u>(23,528)</u>
Movement in OCI multiplied by the UK Standard rate of corporation tax of 19% (2021: 19%)	1,188	(4,470)
Deferred tax valuation asset	-	5,259
Movement in deferred tax asset not recognised	(1,188)	-
Total tax (charge)/income reported in the statement of comprehensive income	<u>-</u>	<u>789</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the financial statements

#### 11. Taxation (continued)

##### (c) Deferred Tax

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

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
<b>Deferred tax liability</b>		
Effect of cash flow hedges	-	43
Deferred tax liability	-	43
<b>Deferred tax asset</b>		
Decelerated capital allowances	29	20
Effect of cash flow hedges	118	-
General bad debt provision	53	23
Deferred tax asset valuation allowance on assets	(200)	-
Losses carried forward	15,588	11,016
Deferred tax asset valuation allowance on losses	(15,588)	(11,016)
Pension timing difference	9,501	13,857
Deferred tax asset valuation allowance on pension	(9,501)	(13,857)
Deferred tax asset	-	43
<b>Net deferred tax asset</b>		
Deferred tax liability	-	(43)
Deferred tax asset	-	43
Net deferred tax asset	-	-

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 11. Taxation (continued)

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

	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances – tangible assets	-	(2)
Pension timing difference	-	(728)
Deferred tax on loss for the year	-	8,417
Deferred tax asset valuation allowance	-	(10,321)
Amount charged to the income statement	-	(2,634)
<b>Deferred tax in equity</b>		
Effect of cashflow hedges	-	(135)
General bad debt allowance	-	23
Pension timing difference	-	4,581
Deferred tax asset valuation allowance	-	(5,259)
Deferred tax asset at the start of the year	-	3,424
Deferred tax asset at the end of the year	-	-

#### 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 tax assets will not 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.

#### Unrecognised deferred tax asset

The entity has an unrecognised deferred tax asset of £25,089,000 as at 31 December 2022. (As at 31 December 2021- £24,873,000). This is split between a deferred tax asset on pension of £9,501,000 and a deferred tax asset on losses of £15,588,000.

#### Factors affecting future tax charges

The UK Government substantively enacted legislation on 24<sup>th</sup> May 2022 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 12. Dividends paid and proposed

A dividend of £Nil (2021: £Nil) has been declared and paid during the year.

No further dividend is proposed for the year (2021: £Nil).

#### 13. Tangible assets

	<u>Leasehold rights and buildings – right of use</u>	<u>Plant &amp; machinery</u>	<u>Plant &amp; machinery – right of use</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost				
At 1 January 2021	2,026	3,956	1,128	7,110
Additions	94	148	401	643
Disposals	(50)	(2,260)	(94)	(2,404)
At 31 December 2021	<u>2,070</u>	<u>1,844</u>	<u>1,435</u>	<u>5,349</u>
Additions	-	16	167	183
Disposals	-	(67)	(193)	(260)
At 31 December 2022	<u>2,070</u>	<u>1,793</u>	<u>1,409</u>	<u>5,272</u>
Depreciation				
At 1 January 2021	370	3,142	573	4,085
Charged during the year	171	187	291	649
Disposals	(50)	(2,260)	(94)	(2,404)
At 31 December 2021	<u>491</u>	<u>1,069</u>	<u>770</u>	<u>2,330</u>
Charged during the year	171	170	293	634
Disposals	-	(67)	(193)	(260)
At 31 December 2022	<u>662</u>	<u>1,172</u>	<u>870</u>	<u>2,704</u>
Net Book Value at 31 December 2022	<u>1,408</u>	<u>621</u>	<u>539</u>	<u>2,568</u>
Net Book Value at 31 December 2021	<u>1,579</u>	<u>775</u>	<u>665</u>	<u>3,019</u>

#### Assets held under finance leases

At 31 December 2022 no assets are held under finance leases (2021: Nil).

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 14. Intangible Assets

	<u>Software &amp; Licences</u> <u>£000</u>	<u>Development Costs</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Cost			
At 1 January 2021	667	998	1,665
Disposals	(630)	(998)	(1,628)
At 31 December 2021	37	-	37
At 31 December 2022	37	-	37
Amortisation			
At 1 January 2021	659	998	1,657
Charged during the year	5	-	5
Disposals	(630)	(998)	(1,628)
At 31 December 2021	34	-	34
Charged during the year	3	-	3
At 31 December 2022	37	-	37
Net Book Value at 31 December 2022	-	-	-
Net Book Value at 31 December 2021	3	-	3
Net Book Value at 1 January 2021	8	-	8

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.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 15. Investments

At 1 January 2021, 31 December 2021 and 31 December 2022 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

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 16. Trade and other receivables

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Trade receivables	27,266	17,709
Amounts owed by affiliated companies	27,514	53,617
Prepayments and other current assets	10,557	7,768
	<u>65,337</u>	<u>79,094</u>
Other non-current assets	8,258	5,650
	<u>73,595</u>	<u>84,744</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 26.

Other non-current assets relate to long term trade receivables.

On the balance sheet date, trade receivables were reduced by factoring amounting to £14,093,000 (2021: £12,666,000). In genuine factoring, the factoring company assumes the default risk of the receivables. The increase in factoring volume was due to expansion of our factoring programmes.

Trade receivables are denominated in the following currencies:

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Sterling	6,076	3,681
Euro	21,190	13,912
US Dollar	-	116
At 31 December	<u>27,266</u>	<u>17,709</u>

Out of the carrying amount of trade receivables, 56% (2021: 68%) is against two major debtors.

The allowances for trade receivables were as follows:

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
At 1 January	1,039	212
Additions (allowances recognised as an expense IFRS 9)	95	827
At 31 December	<u>1,134</u>	<u>1,039</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### 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>2022</u> <u>£000</u>	<u>2022</u> <u>£000</u>
	Size of exposure (gross)	Valuation allowance
<b>Risk rating</b>		
Low risk	1,620	8
Average risk	22,330	162
Above-average risk	2,606	42
High Risk	922	922
<b>Total</b>	<u>27,478</u>	<u>1,134</u>

	<u>2021</u> <u>£000</u>	<u>2021</u> <u>£000</u>
	Size of exposure (gross)	Valuation allowance
<b>Risk rating</b>		
Low risk	3,716	18
Average risk	15,688	131
Above-average risk	2,371	64
High Risk	826	826
<b>Total</b>	<u>22,601</u>	<u>1,039</u>

#### 17. Inventories

	<u>2022</u> <u>£000</u>	<u>12/2021</u> <u>£000</u>	<u>01/2021</u> <u>£000</u>
Finished goods and goods for resale	9,173	10,241	8,360
<b>Total</b>	<u>9,173</u>	<u>10,241</u>	<u>8,360</u>

The amount of inventories recognised as an expense is £206,161,000 (2021: £184,659,000). 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 £376,000 (2021: £809,000).

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 17. Inventories (continued)

The delivery terms for the company's related party purchases is Delivery at Place (DAP). This implies that the seller assumes all the risks associated with the purchased item until it is delivered to the company. Inventory should therefore only be recognised by the company when it is delivered. However, in prior years, the company recognised the purchased items upon dispatch as goods in transit (within inventories). As a consequence, inventory and related party liabilities were overstated.

The error has been corrected by restating each of the affected financial statement line items (inventories and trade and other payables) for the prior periods. The impact of this restatement on Inventories is as follows:

	<u>31</u> <u>December</u> <u>2021</u> <u>£000</u>	<u>1 January</u> <u>2021</u> <u>£000</u>
As previously reported	15,100	15,508
Impact	<u>(4,859)</u>	<u>(7,148)</u>
<b>As restated</b>	<b><u>10,241</u></b>	<b><u>8,360</u></b>

#### 18. Cash and short-term deposits

	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
Cash at bank and cash equivalent	<u>2,644</u>	<u>3,263</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 2022 the Company had a balance included in receivables of £27,514,000 (2021: £53,617,155).

At 31 December 2022 the Company had available £Nil (2021: £Nil) of undrawn committed borrowing facilities.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 19. Trade and other payables

	<u>2022</u>	<u>12/2021</u>	<u>01/2021</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Current</b>			
Trade payables	3,308	4,071	6,290
Amounts owed to parent and fellow subsidiary companies	14,553	19,855	10,793
Other payables	13,643	8,512	5,616
	<u>31,504</u>	<u>32,438</u>	<u>22,699</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 non-interest bearing and paid on the 15<sup>th</sup> of the month following the invoice.

The delivery terms for the company's related party purchases is Delivery At Place (DAP). This implies that the seller assumes all the risks associated with the purchased item until it is delivered to the company. Inventory should therefore only be recognised by the company when it is delivered. However, in prior years, the company recognised the purchased items upon dispatch as goods in transit (within inventories). As a consequence, inventory and related party liabilities were overstated.

The error has been corrected by restating each of the affected financial statement line items (inventories and trade and other payables) for the prior periods. The impact of this restatement on Trade and other payables is as follows:

#### Trade and other payables (balance sheet):

	<u>31 December 2021</u>	<u>1 January 2021</u>
	<u>£000</u>	<u>£000</u>
As previously reported	37,297	29,847
Impact	(4,859)	(7,148)
<b>As restated</b>	<u>32,438</u>	<u>22,699</u>

#### Amounts owed to parent and fellow subsidiary companies (Notes):

As previously reported	24,714	17,941
Impact	(4,859)	(7,148)
<b>As restated</b>	<u>19,855</u>	<u>10,793</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 20. Provisions

	<u>Onerous Contracts</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>
At 1 January 2021	-	-
Additions	23,143	23,143
At 31 December 2021	23,143	23,143
Additions	6,888	6,888
Usage	(5,551)	(5,551)
Releases	(313)	(313)
At 31 December 2022	24,167	24,167
Amounts due within 1 year	9,602	9,602
Amounts over 1 year	14,565	14,565
At 31 December 2021		
Amounts Due within 1 Year	5,551	5,551
Amounts Due over 1 Year	17,592	17,592

The Company makes provision for the present obligation arising under customer contracts and order related risks when the estimated total unavoidable costs exceed the revenues. The Company identifies the potential losses on customer contracts by means of ongoing control of the project's progress and updating of estimates. In estimating the liability, the directors have made assumptions regarding the following: future sales volumes, material prices, and production costs. An extrapolation from business planning is also made to assess the extent to which there may be an onerous customer contract and is made according to the principles described above as well as linked with the assumptions and estimates likewise presented above. Onerous provisions may change materially if actual volumes sold in the future differ from management's current assumptions. As at 31 December 2022, a provision for loss making contracts has been recognised of £24,167,000 (2021: £23,143,000). These provisions are expected to be fully settled by the end of the contracts to which they relate, expiring between 2025 and 2027.

#### 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.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 21. Leases (continued)

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.

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 &amp; Equipment</u> £000	Total £000
Net carrying amount on 01 January 2021	2,025	1,129	3,154
Additions	95	400	495
Disposals	(50)	(94)	(144)
At 31 December 2021	<u>2,070</u>	<u>1,435</u>	<u>3,505</u>
Additions	-	167	167
Disposals	-	(193)	(193)
At 31 December 2022	<u>2,070</u>	<u>1,409</u>	<u>3,479</u>
Accumulated amortisation on 01 January 2021	370	573	943
Increase in amortisation	171	291	462
Disposals	(50)	(94)	(144)
At 31 December 2021	<u>491</u>	<u>770</u>	<u>1,261</u>
Increase in amortisation	171	293	464
Disposals	-	(193)	(193)
At 31 December 2022	<u>662</u>	<u>870</u>	<u>1,532</u>
Net Book Value at 31 December 2022	1,408	539	1,947
Net Book Value at 31 December 2021	1,579	665	2,244
Net Book Value at 01 January 2021	1,655	556	2,211

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 21. Leases (continued)

The following amounts are recognised in the income statement:

	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
Amortisation of rights of use	464	461
Expenses for low-value leased items	35	35
Expenses for short-term leases	35	35
Total amount of leasing expenses classified to the income statement	<u>534</u>	<u>531</u>

Of the items presented in the income statement in connection with leasing, a sum of £521,000 (2021: £508,000) was cash effective.

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

	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
Carrying amount 01 January	2,260	2,211
Additions	167	495
Interest accrued	84	62
Repayment of principal amount	(436)	(446)
Repayment of finance cost	(84)	(62)
Carrying amount on 31 December	<u>1,991</u>	<u>2,260</u>
Short term	409	424
Long term	1,582	1,836

The maturity analysis of these lease obligations is as follows:

	<u>2022</u> <u>£000</u>	<u>2021</u> <u>£000</u>
Not later than one year	409	424
After one year but not more than five years	902	946
More than five years	680	890
	<u>1,991</u>	<u>2,260</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 22. Authorised and issued share capital

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
<i>Authorised</i>		
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>

#### 23. Statement of changes in equity

##### *Other comprehensive income*

Cash flow hedges and Pension gains losses have been shown on the face of the balance sheet. The Pension gains 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.

##### *Retained earnings*

This represents the accumulated profits and losses less any dividend payments to owners of the Company. Retained earnings is a distributable reserve.

#### 24. Capital commitments

At 31 December 2022, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to nil (2021: £Nil).

#### 25. 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 of the pension fund are required by law to act in the interest of the fund and of all the relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. 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 £38,003,198 and corresponds to 27% of the defined benefit obligation. The payments

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 25. Pensions and other post-retirement benefits (continued)

to reduce the current shortfall were agreed on 3<sup>rd</sup> November 2022 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 which are also risks to the value of the pension scheme in the Company's financial statements.

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 2021 and updated to 31 December 2022 by qualified actuaries.

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

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
<i>Plan assets at fair value</i>		
Equities	-	-
Corporate bonds and index-linked gilts	-	2,979
LDI portfolio (including active currency)	41,184	92,467
Infrastructure fund investment	11,895	10,198
Property fund investment	16,178	20,117
Diversified growth funds	8,102	25,990
Opportunistic credit fund	22,979	17,280
Net current liability to the company	1,085	861
Fair value of Plan assets	<u>101,423</u>	<u>169,892</u>
Present value of Plan liabilities	<u>(139,426)</u>	<u>(206,831)</u>
Pension liability	<u>(38,003)</u>	<u>(36,939)</u>

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:

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 25. Pensions and other post-retirement benefits (continued)

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
<b>Recognised in the Income Statement</b>		
Current service cost	1,506	1,570
Administrative expenses	927	737
Past service cost	-	-
	<hr/>	<hr/>
	2,433	2,307
Net interest cost	652	759
	<hr/>	<hr/>
Recognised in arriving at operating profit	3,085	3,066
	<hr/>	<hr/>
	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
<b>Recognised in the Statement of Comprehensive Income</b>		
Return on plan assets (excluding amounts included in net interest expense)	73,104	(11,176)
Actuarial changes arising from changes in demographic assumptions	2,546	-
Actuarial changes arising from changes in financial assumptions	(78,100)	(12,762)
Actuarial changes arising from experience adjustments	8,000	912
	<hr/>	<hr/>
Remeasurement losses/(gains) on defined benefit plans	5,550	(23,026)

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>2022</u>	<u>2021</u>
	<u>%</u>	<u>%</u>
<b>Main assumptions:</b>		
Rate of salary increases	3.27	3.35
Rate of increase in pensions in payment	3.17	3.24
Discount rate	4.79	1.94
Rate of inflation	2.62	2.70

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 21.2 years (2021: 21.1 years).

The total contributions to the defined benefit plan in 2023 are expected to be £6,400,000.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 25. Pensions and other post-retirement benefits (continued)

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

	<u>£000</u>
As at 1 January 2021	219,931
Current service cost	1,570
Contributions by plan participants	23
Interest cost	2,715
Benefits paid	(5,558)
Actuarial gain	(11,850)
As at 31 December 2021	<u>206,831</u>
Current service cost	1,506
Contributions by plan participants	24
Interest cost	3,961
Benefits paid	(5,342)
Actuarial gain	(67,554)
As at 31 December 2022	<u>139,426</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 25. 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 2021	156,154
Interest income	1,956
Actuarial gain	11,176
Company contributions	6,878
Contributions by participants	23
Benefits paid	(5,558)
Administration expenses	(737)
As at 31 December 2021	<u>169,892</u>
Interest income	3,309
Actuarial loss	(73,104)
Company contributions	7,571
Contributions by participants	24
Benefits paid	(5,342)
Administration expenses	(927)
As at 31 December 2022	<u>101,423</u>

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 25. Pensions and other post-retirement benefits (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 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	(17,000)	21,000	1,000	(1,000)

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	9,000	(8,000)	4,000	(4,000)

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	2,000	(2,000)	7,000	(7,000)

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fair value of plan assets	101,423	169,892	156,154	141,845
Present value of defined benefit obligation	(139,426)	(206,831)	(219,931)	(190,651)
Deficit in plan	(38,003)	(36,939)	(63,777)	(48,806)
Experience adjustments arising on plan liabilities	8,000	912	(1,883)	(467)
Experience adjustments arising on plan assets	(73,104)	11,176	11,517	10,282

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 26. 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>Purchases from related party</u>	<u>Amounts owed by related party</u>	<u>Amounts owed to related party</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
LEONI AG				
2022	33	2,110	26,125	-
2021	109	1,008	52,194	-
LEONI Wiring Systems Egypt S.A.E., Egypt				
2022	-	100,403	-	9,413
2021	131	77,885	-	7,896
LEONI Wiring Systems Arad s.r.l., Romania				
2022	-	19,408	-	2,319
2021	-	17,718	-	3,001
Leonische Portugal Lda., Portugal				
2022	18	29,864	-	1,982
2021	6	27,178	-	1,755
LEONI Bordnetz-Systeme GmbH, Germany				
2022	-	4,473	-	803
2021	-	4,420	-	229
LEONI Ukraine				
2022	-	8,122	-	933
2021	-	7,767	-	1,791
LEONI Wiring Systems, Serbia				
2022	-	37,978	-	1,276
2021	-	43,081	-	8,851
LEONI Wiring Systems, Tunisia				
2022	-	6,675	-	360
2021	-	13,429	110	115
LEONI Wiring Systems RO SRL				
2022	-	6,165	-	2,597
2021	-	605	-	834
Other group companies				
2022	325	4,807	1,359	694
2021	296	2,049	1,313	1,074

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 26. Related party transactions (continued)

In addition the Company meets the professional fees and other costs of administering the Company pension scheme in 2022 of £627,000 (2021: £501,000). The company also pays the PPF levy on behalf of the pension scheme, cost in 2022 of £300,000 (2021: £235,000).

#### 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. LEONI AG operates a cash netting system whereby cleared surplus cash is transferred to a group account and placed on interest bearing short term deposit.

The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2022, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2021: nil).

#### Compensation of key management personnel (including directors)

	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
Short term employee benefits	1,202	823
Post-employment benefits	-	-

#### 27. 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 2022 and 2021 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, liquidity 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.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 27. Financial risk management objectives and policies (continued)

Financial instruments by category

Financial assets (excluding cash and cash equivalents)	<u>Assets at fair value through OCI £000</u>	<u>Financial assets at amortised cost £000</u>	<u>Total £000</u>
<b>2022</b>			
Trade receivables (excl. prepayments)	-	27,266	17,709
Amounts owned by affiliated companies		27,514	53,617
Other current financial assets	-	3,384	3,384
Derivative financial instruments – forward foreign exchange contracts	470	-	470
<b>2021</b>			
Trade receivables (excl. prepayments)	-	17,709	17,709
Amounts owned by Affiliated companies		53,617	53,617
Other current financial assets	-	3,998	3,998
Derivative financial instruments – forward foreign exchange contracts	230	-	230
<b>Financial liabilities</b>			
		<u>Financial liabilities at amortised cost £000</u>	<u>Total £000</u>
<b>2022</b>			
Trade payables		3,308	3,308
Amounts owed to parent and fellow subsidiary companies		14,553	14,553
Other payables		1,065	1,065
<b>2021</b>			
Trade payables		4,071	4,071
Amounts owed to parent and fellow subsidiary companies		19,855	19,855
Other payables		-	-

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

#### **Foreign currency risk**

The company's management of exchange rate risk indicates that there is no significant impact of a reasonable rate change.

## LEONI Wiring Systems UK Limited

Report and Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements

#### 27. Financial risk management objectives and policies (continued)

##### *Year Ended 31 December 2022*

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

At 31 December 2022, the Company held 32 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 2022 to December 2022 were assessed to be highly effective. As at 31 December 2022, net unrealised gains of £470,000 with a related deferred tax effect of £118,000 were both recorded in equity.

##### *Year Ended 31 December 2021*

At 31 December 2021, the cash flow hedges of the expected future sales in each month from January 2021 to December 2021 were assessed to be highly effective. As at 31 December 2021, net unrealised losses of £230,000 with a related deferred tax effect of £43,000 were both recorded in equity.

##### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2022, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The company's principal financial assets are cash and short-term deposits, and trade and other receivables. The amounts presented in the balance sheet are net of allowances for expected credit losses. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit risk on amounts owed by affiliated companies is also negligible as there is no history of default.

##### *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.

##### *Liquidity Risk*

The company faces a liquidity risk relating to the group being able to repay its borrowings. This risk cannot be mitigated solely by the Company, but all entities within the group perform regular cash flow forecasts and take part in cash pooling agreements.

## **LEONI Wiring Systems UK Limited**

Report and Financial Statements for the year ended 31 December 2022

### **Notes to the Financial Statements**

#### **28. Parent undertaking**

The immediate parent undertaking of the Company is LEONI Bordnetz-Systeme 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. The parent undertaking of the largest and smallest group, which includes the Company and for which Group accounts are prepared, 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](http://www.leoni.com)