

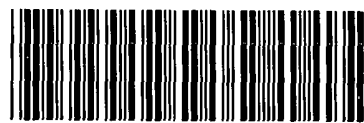
MAHLE Powertrain Limited

Annual report and financial  
statements

Registered number 03565155

31 December 2021

THURSDAY



\*ABDKR00Q\*

A27

29/09/2022

#209

COMPANIES HOUSE

<b>Contents</b>	<b>Page</b>
Directors and other information	1
Strategic report	2
Directors' report	5
Statement of directors' responsibilities in respect of the financial statements	7
Independent auditors' report to the members of MAHLE Powertrain Limited	8
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14

## **Directors and Other Information**

### **Directors**

F Tuerk  
M Berger  
S Reader

### **Independent Auditors**

PricewaterhouseCoopers LLP  
One Chamberlain Square  
Birmingham B3 3AX

### **Bankers**

HSBC  
Level 37  
Canada Square  
London E14 5HQ

### **Solicitors**

Greenwoods Legal LLP  
1 Bedford Row  
London WC1R 4BZ

### **Registered Office**

Costin House  
St James Mill Road  
Northampton  
NN5 5TZ

## Strategic report

The directors present their strategic report for the year ended 31 December 2021.

### Principal activities

The principal activity of the company is the engineering and manufacture of components for the automotive industry to meet the specialist needs of vehicle manufacturers with:

- Engine and powertrain design and development
- Vehicle information products and diagnostic systems
- Low volume engine manufacture and assembly

### Review of the business

The loss for the financial year amounted to £2,476,000 (2020: loss of £558,000).

The net asset position of the company is £63,402,000 at 31 December 2021 (2020: £56,260,000).

The directors paid a final dividend of £nil (2020: £1,500,000).

The company continues to be the sponsoring company of the MAHLE Powertrain Limited defined benefit pension scheme (the MAHLE Powertrain Pension Scheme, MPPS). The year-end accounting figures for the Defined Benefit Pension scheme presented in 31 December 2021 a total surplus of £41,346,000 versus £26,330,000 in December 2020. This scheme is closed to future benefit accrual and MAHLE Powertrain Limited will continue to contribute to the scheme should a future deficit arise.

### Operational review

2021 continued to see significant disruption in the automotive industry due to the coronavirus pandemic. This was coupled with a shortage of silicon chips affecting all OEM's ability to sell vehicles and their volume of outsource R&D activities. There was also further pressure from legislation to accelerate automotive towards pure electrification in the UK and Europe. MAHLE Powertrain has therefore increased investments into these respective areas of the business to enable us to support customers.

During 2021 an extension of the existing vehicle test facility was started with completion due in early 2022. This will allow testing of Electric, and Hydrogen powered vehicles. Alongside this, a new facility focused on battery testing has also been approved and building is in progress. This will enable the business to deliver complete battery pack design, development, build and test.

Whilst developing new Electrification facilities, MAHLE Powertrain has also strengthened its offer in Internal Combustion Engine (ICE) development with facilities enabling alternative fuels including Hydrogen.

Of equal importance, MAHLE Powertrain has also implemented various initiatives to ensure the employees have the necessary skills to compliment the new facilities. Investment in training continues to be high to enable this.

Working in conjunction with academic institutions, vehicle Original Equipment Manufacturers and government bodies, Research and Development activities have also continued into new areas. Technical papers reporting the results of this work have been presented at major global automotive conferences with the majority being virtual. The marketing activities have increasingly used digital media and webinars.

With reference to the ongoing events in Ukraine, the company has no direct sales activity with Ukraine but it may be impacted due to supply chain and logistical issues faced by our customers.

## **Strategic report (continued)**

### **Operational review (continued)**

The company has KPI's for Employee Fluctuation based on employee retention and Health & Safety training. Continuous improvement remains a key focus.

### **Financial review**

The business' key financial indicators which deal with sales, margin, inventories, capital employed, overheads and employees have been identified and are monitored monthly as part of the company's internal and group reporting structure. These measures are all reported in the financial statements.

### **Key performance indicators**

<b>Key Performance Indicator</b>	<b>2021</b>	<b>2020 Restated</b>	<b>Reason for Movement</b>
<i>Return on Sales (ROS)</i>	<i>(17.3%)</i>	<i>(3.1%)</i>	The reduction in ROS and ROCE, continues to reflect both the impact of the COVID pandemic and the downturn in demand for internal combustion engines (ICE) development.
<i>Return on Capital Employed (ROCE)</i>	<i>(3.9%)</i>	<i>(1.9%)</i>	

### **Principal risks and uncertainties**

#### **Market risk**

As outlined in the business review, the competitive nature of the global automotive market poses significant risks for the company. Diverging technical direction from within the customer base is also causing some uncertainty and opportunities. The company aims to minimise the risk with its focus on business development activity and invest in new capabilities.

#### **Operational risk**

The company utilises machinery, electronic equipment and a uses variety of fuels in its processes, the company takes its health and safety responsibilities very seriously with a high focus on employee training. Further efforts are focused on developing and improving processes to support new and existing projects and services. The company makes sure internal and external sign off procedures are in place for all contractual processes.

#### **Financial risk management**

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The policies set by the board of directors are implemented by the company's finance department.

#### **Credit risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Debt finance is not utilised.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Liquidity risk

The company retains sufficient cash to ensure it has sufficient funds available for operations. The company participates in a UK cash pooling arrangement with other UK related companies, guaranteed by the ultimate parent undertaking. In addition, the company would have access to longer term funding from its ultimate parent if required. The directors pay close attention to the collection of monies due from customers.

#### Interest rate risk

The company is exposed to interest rate risk. The interest charged on any overdrafts within the UK Group cash-pooling arrangement is SONIA plus 2.5%. The rate for credit balances is currently SONIA.

The interest charged on any overdrafts within the EUR cash pooling arrangement with MAHLE GmbH is 1.599%. The rate for credit balances is currently 0.6%

#### Foreign exchange rate risk

The company is exposed to some foreign exchange rate risk as a result of its operations. The company has a policy of hedging this risk and places forward contracts from time to time to manage this risk. Forward contracts placed by a related company on the net UK exposure were in place at the statement of financial position date.

On behalf of the board

F Tuerk  
Director



Date 27 September 2022

S Reader  
Director



Date 27 September 2022

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

### Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

F Tuerk  
M Berger  
J Stratmann (resigned 31<sup>st</sup> March 2021)  
S Ferguson (resigned 25<sup>th</sup> January 2021)  
S Reader (appointed 25<sup>th</sup> January 2021)  
M Weidlich (appointed 26<sup>th</sup> April 2021, resigned 31<sup>st</sup> December 2021)  
M Arleth (appointed 1<sup>st</sup> January 2022, resigned 14<sup>th</sup> April 2022)

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Dividend

The company paid a final dividend for the year of £nil (2020: £1,500,000).

### Review of the business and principal risks and uncertainties

The review of the business for 2021 and disclosures regarding principal risks and uncertainties are reported within the Strategic Report.

### Research and development

The company continues to invest in research and development of new products. This amounted to £619,000 in 2021 (2020: £491,000) of which £nil (2020: £nil) has been capitalised during the year with all costs being written off to the statement of comprehensive income. The directors regard the investment in research and development as integral to the continuing success of the company and ensuring that the company provides its customers with high quality products.

### Future developments

During 2021, MAHLE Powertrain Limited continued the expansion project in the vehicle test facility. This will allow more focus testing for electric, hybrid and fuel cell vehicles. This project will complete in early 2022.

A new battery build and test facility project was started during 2021. This will allow build of prototype battery packs and the subsequent required testing. This will complement the existing battery facility for cells and modules. This is due for completion in 2022.

### Events since the statement of financial position date

The disclosures regarding events since the financial position date are reported within the Strategic Report under the heading Operational review.

### Financial instruments

The company is exposed to foreign exchange rate risk as a result of some of its operations. The company has a policy of hedging this risk using derivative financial instruments in the form of forward exchange rate contracts. Forward contracts were in place with MAHLE Industries UK Limited at the statement of financial position date.

## Directors' report (continued)

### Going concern

In 2022 the company has experienced further sales reduction compared to the same period in 2021. The business continues to be impacted by COVID19 and strong market shift towards vehicle electrification. However, following significant investment in 2021, in July 2022 the company announced the completion of two new facilities in Northampton which delivers much-needed testing capability as the automotive industry accelerates its transition towards decarbonised propulsion. The company is already experiencing high levels of interest from automotive manufacturers across the globe, keen to capitalise on the new facility's capabilities and the company's expertise in developing innovative solutions

The Company participates in and operates a UK cash pooling arrangement with other related UK companies, guaranteed by the ultimate parent undertaking. The directors have assessed the ability of the company to continue as a going concern as part of their annual strategic review and assessment of future cash flows within the company and the related UK companies.

The company has access to longer term funding from the ultimate parent undertaking if required and also has a letter of support issued by the ultimate parent company. The directors are satisfied that the ultimate parent company is in a financial position to provide the letter of support.

The directors believe that given the financing available the Company can meet its liabilities as they fall due and the financial statements have been prepared on a going concern basis.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

### Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and the Company as a whole. There is communication with all employees through electronic mail, notice boards, newsletters, team briefing groups and presentations.

### Disclosure of information to the auditors

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

### Re-appointment of auditors

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

On behalf of the board

F Tuerk  
Director



Date 27 September 2022

S Reader  
Director



Date 27 September 2022

## Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors 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 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.


### **Directors' confirmations**

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

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

On behalf of the board

**F Tuerk**  
Director



Date 27 September 2022

**S Reader**  
Director



Date 27 September 2022

## Independent auditors' report to the members of MAHLE Powertrain Limited

# Report on the audit of the financial statements

### Opinion

In our opinion, MAHLE Powertrain Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2021; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **Independent auditors' report to the members of MAHLE Powertrain Limited** *(continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

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

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

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with health and safety legislation, employment legislation applicable to the company,

## Independent auditors' report to the members of MAHLE Powertrain Limited (continued)

and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of unusual journals to revenue. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Reviewing legal expense accounts, board minutes and in-house legal counsel documentation;
- Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- Substantive testing of journal entries, particularly focused around the year end and journals which have unexpected account relationships;
- Incorporating elements of unpredictability; and
- Reviewing management assessment of key estimates including contract accounting and the company's defined benefit pension scheme.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Matthew Walker (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors, Birmingham  
27 September 2022

## Statement of comprehensive income

for the year ended 31 December 2021

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000 As restated
<b>Revenue</b>	3	<b>14,280</b>	18,201
Cost of sales		<b>(15,473)</b>	(18,547)
		<hr/>	<hr/>
<b>Gross loss</b>		<b>(1,193)</b>	(346)
Distribution costs		<b>(876)</b>	(839)
Administrative expenses		<b>(1,077)</b>	(446)
Exceptional administrative income/(expenses)	4	<b>252</b>	461
		<hr/>	<hr/>
<b>Operating loss</b>	4	<b>(2,894)</b>	(1,170)
Interest receivable and similar income	7	<b>369</b>	473
Interest payable and similar expenses	8	<b>(3)</b>	(16)
		<hr/>	<hr/>
<b>Loss before taxation</b>		<b>(2,528)</b>	(713)
Tax on loss	9	<b>52</b>	155
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(2,476)</b>	(558)
		<hr/> <hr/>	<hr/> <hr/>
<b>Other comprehensive Income</b>			
Recognition of defined benefit pension scheme surplus	16	<b>14,863</b>	5,135
Deferred tax on defined benefit scheme		<b>(5,245)</b>	(1,350)
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>7,142</b>	3,227
		<hr/> <hr/>	<hr/> <hr/>

The above results all relate to continuing operations.

## Statement of financial position

as at 31 December 2021

	Note	2021 £000	£000	2020 £000 As restated	£000 As restated
<b>Fixed assets</b>					
Tangible assets	10	17,068		15,407	
			17,068		15,407
<b>Non-current assets</b>					
Defined benefit pension asset	16	41,346		26,330	
			41,346		26,330
<b>Current assets</b>					
Stocks	11	206		158	
Debtors	12	23,921		26,298	
Cash at bank and in hand		-		246	
<b>Creditors: amounts falling due within one year</b>	13	24,127 (8,797)		26,702 (7,044)	
<b>Net current assets</b>			15,330		19,658
<b>Total assets less current liabilities</b>			73,744		61,395
<b>Creditors: amounts falling due after more than one year</b>	14	(6)		(1)	
Provisions for liabilities	15/17	(10,336)		(5,134)	
			(10,342)		(5,135)
<b>Net assets</b>			63,402		56,260
<b>Capital and reserves</b>					
Called up share capital	18	10,000		10,000	
Retained earnings		53,402		46,260	
<b>Total equity</b>		63,402		56,260	

The financial statements on pages 11 to 34 were approved by the Board of Directors on 27 September 2022 and signed on its behalf by:

F Tuerk  
Director



S Reader  
Director



Company registered number: 03565155.

**Statement of changes in equity**  
*for the year ended 31 December 2021*

	Called up share capital £000	Retained earnings £000	Total equity £000
As restated for the period ended 31 December 2020:			
Balance reported as at 1 January 2020	10,000	27,098	37,098
Prior period adjustment (note 2)	-	17,435	17,435
	<hr/>	<hr/>	<hr/>
As restated	10,000	44,533	54,533
	<hr/>	<hr/>	<hr/>
Loss for the financial year (as restated)	-	(558)	(558)
Other comprehensive income (as restated)	-	3,785	3,785
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year (as restated)	-	3,227	3,227
Dividends paid	-	(1,500)	(1,500)
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2020 and 1 January 2021 (as restated)</b>	<b>10,000</b>	<b>46,260</b>	<b>56,260</b>
Loss for the financial year	-	(2,476)	(2,476)
Other comprehensive income	-	9,618	9,618
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	7,142	7,142
Dividends paid	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2021</b>	<b>10,000</b>	<b>53,402</b>	<b>63,402</b>

## Notes to the financial statements

### 1 Accounting policies

MAHLE Powertrain Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK.

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

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The functional and presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

The Company's ultimate parent undertaking, MAHLE GmbH includes the Company in its consolidated financial statements. The consolidated financial statements of MAHLE GmbH are prepared in accordance with German GAAP and are available to the public and may be obtained from MAHLE GmbH, Pragstrasse 26-46, 70376 Stuttgart, Germany. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes (FRS 102 paragraph 1.12(b)); and
- Key Management Personnel compensation (FRS 102 paragraph 33.7).

#### *Prior period error*

See note 2 for more details of the prior period error which has been corrected in these financial statements.

#### **1.1 Foreign currency**

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement account.

#### **1.2 Basic financial instruments**

The company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *1.2.1 Basic financial instruments*

###### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

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

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

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.2 Basic financial instruments (continued)

##### 1.2.2 Other financial instruments

###### Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

##### 1.2.3 Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 1.3 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible assets have different useful lives, they are accounted for as separate items of tangible assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the income statement account on a straight-line basis over the useful economic lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The useful economic lives are as follows:

- buildings 10 to 40 years
- plant and equipment 5 to 15 years
- office and other equipment 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

### 1.4 Government grants

Government capital grants are included within accruals and deferred income in the statement of financial position and credited to the income statement account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Government revenue grants are credited to the profit and loss account and matched with the expenditure to which they relate.

### 1.5 Amounts recoverable on contracts

Amounts recoverable on contracts represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the revenue accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable, and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable, and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.5 Amounts recoverable on contracts (continued)

Amounts recoverable on contracts are presented as part of debtors in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as payments received on account (note 13) in the statement of financial position.

#### 1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on moving average basis.

#### 1.7 Employee benefits

##### *Defined contribution plans and other long-term employee benefits*

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

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The net deficit/surplus in the scheme is recorded as a non-current asset/liability on the balance sheet.

Changes in the net defined benefit asset/liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

##### *Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.8 Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

#### 1.9 Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

##### *Recognition for time and expense contracts*

Revenue is recognised on a monthly basis and is determined by actual hours worked on specific customer projects plus expenses incurred.

##### *Recognition for long-term contracts*

Revenue associated to the completion of engineering contracts is recognised as the contract activity progresses to reflect the partial performance of the contractual obligations. The amount of revenue recognised will reflect the value of the work performed. This can be based upon achievement of customer milestones, engineer hours booked or use of facilities. Where contracts are assessed as loss making, provisions are recognised immediately as they occur.

#### 1.10 Expenses

##### *Operating lease*

Payments made under operating leases are recognised in the income statement account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in income statement over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest income and interest payable are recognised in profit or loss as they occur, and any accrual is calculated using the effective interest method.

#### 1.11 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.11 Taxation (continued)

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### 1.12 Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The company participates in a UK cash pooling arrangement with other related UK companies, guaranteed by the ultimate parent undertaking. In addition, it has access to longer term funding from the ultimate parent undertaking if required and also has a letter of support issued by the ultimate parent company. The directors are satisfied that the ultimate parent company is in a financial position to provide the letter of support.

The company's forecasts and projections, taking account of reasonably possible changes in performance, show that the company should be able to operate within the level of its current facilities. The directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### 1.13 Share capital and distributions to equity holders

Ordinary shares are classified as equity. Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

#### 1.14 Related party transactions

The company discloses transactions with related parties which are not wholly owned by the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### 1.15 Exceptionals

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

#### 1.16 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

##### *Revenue recognition*

Where the company's sales are generated from long term contracts, before profit can be recognised, managerial judgement is applied with regard to contractual performance and estimation of the final outcome of the contract. Estimates are also necessary to determine total contract costs and whether any loss provisions are to be made.

##### *Deferred Tax Asset Recovery (note 9)*

Deferred tax assets are recognised only to the extent that recovery is probable. This assessment is based upon 5 year forecast projections that have been approved by UK and group management.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.16 Critical accounting judgements and estimation uncertainty (continued)

##### *Useful economic lives of tangible assets (note 10)*

The annual depreciation charge for tangible assets is sensitive to changes in the estimate useful economic lives and residual values of the assets. The carrying values of tangible fixed assets are reviewed annually for impairment or when events and changes in circumstances indicate that the carrying values may not be recoverable. Impairment calculations are performed on the company's carrying value of its assets. The value in use of the company's assets are reviewed using a discounted cash flow model that is applied to 5 year forecast projections. The projections are approved by group management as they contain estimates and assumptions concerning future business operations. See note 10 for the carrying amount of the property, plant and equipment and note 1.3 for the useful economic lives of each class of assets.

##### *Accruals and deferred income (note 13) and Provisions (note 17)*

Accruals are established for short-term liabilities that are known and for those risks that are identifiable at the statement of financial position date. The values of the accruals can be based on an expectation of actual cost but can also be estimated on the basis of experience. Examples include restructuring costs, utility charges and personnel costs.

##### *Defined benefit pension scheme (note 16)*

The Trust Deed provides MAHLE Powertrain Limited with an unconditional right to a refund of surplus assets assuming the gradual settlement of the plan liabilities until all members have left the plan. Based on these rights, any net surplus in the UK scheme is recognised in full.

The company has an obligation to pay pension benefits to members of the closed defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. These factors are estimated in determining the net pension obligation in the balance sheet. Assumptions made reflect historical experience and current trends.

## Notes to the financial statements (continued)

### 2 Prior period adjustment

During 2021 the Directors identified that the Trustee Deed of the Defined Benefit Pension Scheme, provides MAHLE Powertrain Limited with an unconditional right to a refund of surplus assets assuming full settlement of plan liabilities in the event of a plan wind-up. Based on these rights, any net surplus in the scheme is recognised in full as a non-current asset. The correction of this error includes the recognition of the related deferred tax provision.

At 1 January 2020, the understatement of net assets was £17,435,000.

#### Changes to the statement of financial position

	As previously reported £000	Adjustment at 1 Jan 2020 £000	Adjustment at 31 Dec 2020 £000	As restated at 31 Dec 2020 £000
Non-current assets				
Defined benefit pension asset	-	21,006	5,324	26,330
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Provisions for liabilities deferred tax	(2)	(3,571)	(1,431)	(5,004)
Capital and reserves				
Retained earnings	24,932	17,435	3,893	46,260
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### Changes to the statement of comprehensive income

	As previously reported £000	Adjustment at 31 Dec 2020 £000	As restated £000
Interest receivable and similar income	44	429	473
	<u>          </u>	<u>          </u>	<u>          </u>
Tax on loss		236	155
	<u>          </u>	<u>          </u>	<u>          </u>
Loss for the financial year		(906)	(558)
Other comprehensive income		240	3,785
	<u>          </u>	<u>          </u>	<u>          </u>
Total comprehensive income for the year		(666)	3,227
	<u>          </u>	<u>          </u>	<u>          </u>

### Notes to the financial statements (continued)

#### 3 Revenue

	2021 £000	2020 £000
Engineering contracts – sales of services	14,280	18,201
<b>Total turnover</b>	<b>14,280</b>	<b>18,201</b>
	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
By geographical market		
United Kingdom	10,829	14,566
Europe (excluding United Kingdom)	1,986	2,920
USA	963	547
Rest of the world	502	168
	<b>14,280</b>	<b>18,201</b>

As noted above, company has customers in different geographical markets however the turnover is originated in the UK.

#### 4 Operating loss

This is stated after charging/(crediting)

	2021 £000	2020 £000
Auditors' remuneration:		
- Audit of financial statements	46	45
- Expat services	7	9
Depreciation of tangible assets (note 10)	1,629	1,729
Foreign exchange loss	4	41
Research and development expenditure	619	491
Operating lease rentals	145	299
Government grants:		
- Capital	(379)	(220)
- Revenue	(220)	(1,043)
Restructuring costs	(32)	582

The Government capital grant relates to the HYPACE hybrid engine project which is funded by Innovate UK and The REAL Drive Emissions Facility (RDE) which is funded by SEMLEP. The conditions of the grant have been satisfied; however, monitoring will continue throughout the life of these projects.

The Government revenue grant relates to the Coronavirus Job Retention Scheme.

**Notes to the financial statements (continued)**

**5 Staff numbers and costs**

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

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Production	146	160
Selling and distribution	3	3
Administration	14	13
Development	8	10
	<b>171</b>	<b>186</b>
	<b>171</b>	<b>186</b>

The aggregate payroll costs of these persons were as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	8,307	9,075
Social security costs	1,072	1,221
Defined contribution costs	729	787
	<b>10,108</b>	<b>11,083</b>
	<b>10,108</b>	<b>11,083</b>

**6 Directors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Directors' remuneration	146	-
Company contributions to money purchase pension plans	19	-
	<b>165</b>	<b>-</b>
	<b>165</b>	<b>-</b>

Directors of the company who served during the year were employed by other group companies within the MAHLE Group and did not receive emoluments from MAHLE Powertrain Limited. F Tuerk and J Stratmann are employed by MAHLE GmbH. M Berger is employed by MAHLE Powertrain GmbH and M.Weidlich is employed by MAHLE Filtersysteme GmbH. These directors did not receive any emoluments from any other party specifically for services as a director of MAHLE Powertrain Limited and it is not possible to make an accurate apportionment of the directors' emoluments received from other group companies in respect of their services to MAHLE Powertrain Limited. Accordingly, these financial statements include £nil emoluments for these directors (2020: £nil).

## Notes to the financial statements (continued)

### 7 Interest receivable and similar income

	2021 £000	2020 £000 As restated*
Interest received - group companies	11	44
Interest received – third parties	4	-
Interest received – defined benefit pension scheme	354	429
	<hr/>	<hr/>
Total other interest received and similar income	<b>369</b>	<b>473</b>
	<hr/> <hr/>	<hr/> <hr/>

\*See note 2

Restated amount includes defined benefit pension scheme interest income in excess of interest cost.

### 8 Interest payable and similar expenses

	2021 £000	2020 £000
Interest payable - group companies	3	16
	<hr/>	<hr/>
Total other interest payable and similar expenses	<b>3</b>	<b>16</b>
	<hr/> <hr/>	<hr/> <hr/>

### 9 Tax on loss

Total current tax expense recognised in the statement of comprehensive income

	2021 £000	£000	2020 £000 As restated*	£000 As restated*
<i>Current tax</i>				
Current tax on income for the year (see note 2)	(231)		(304)	
	<hr/>		<hr/>	
Total current tax		<b>(231)</b>		<b>(304)</b>
<i>Deferred tax (see note 15)</i>				
Origination and reversal of timing differences	135		337	
Changes in tax rates	280		-	
Prior year movement	(132)		122	
	<hr/>		<hr/>	
Total deferred tax		<b>283</b>		<b>459</b>
		<hr/>		<hr/>
Total tax		<b>52</b>		<b>155</b>
		<hr/> <hr/>		<hr/> <hr/>

\* See note 2

## Notes to the financial statements (continued)

### 9 Tax on loss (continued)

#### Reconciliation of effective tax rate

The UK corporation tax rates substantively enacted at the statement of financial position date are 19% from 1 April 2017 and 25% from 1 April 2023.

Deferred tax has been recognised in the financial statements at the rate at which it is expected to reverse.

	2021 £000	2020 £000 As restated*
Loss for the year	(2,476)	(558)
Total tax credit	52	155
	<u>          </u>	<u>          </u>
Loss before taxation	(2,528)	(713)
Tax using the UK corporation tax rate of 19% (2020: 19%)	480	136
Non-deductible expenses	166	156
Group relief given	(369)	-
Non-UK income tax	(28)	(2)
Movement in unrecognised deferred tax	(179)	(36)
Change in rate on deferred tax balances	37	-
Tax on R&D credit received	(203)	(221)
Effect of changes in tax rate	280	-
Prior year deferred tax movement	(132)	122
	<u>          </u>	<u>          </u>
Total tax credit included in loss	52	155
	<u>          </u>	<u>          </u>

\* See note 2

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £000	2020 £000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	5,245	1,350
	<u>          </u>	<u>          </u>

**Notes to the financial statements (continued)**

**10 Tangible assets**

	Land and buildings £000	Plant and equipment £000	Office and other equipment £000	Under construction £000	Total £000
<b>Cost</b>					
Balance at 1 January 2021	8,077	24,425	4,514	2,014	39,030
Additions	-	7	75	3,208	3,290
Transfers	-	198	-	(198)	-
<b>Balance at 31 December 2021</b>	<b>8,077</b>	<b>24,630</b>	<b>4,589</b>	<b>5,024</b>	<b>42,320</b>
<b>Accumulated depreciation</b>					
Balance at 1 January 2021	(2,339)	(16,928)	(4,356)	-	(23,623)
Depreciation charge for the year	(191)	(1,358)	(80)	-	(1,629)
<b>Balance at 31 December 2021</b>	<b>(2,530)</b>	<b>(18,286)</b>	<b>(4,436)</b>	<b>-</b>	<b>(25,252)</b>
<b>Net book value</b>					
At 31 December 2020	5,738	7,497	158	2,014	15,407
<b>At 31 December 2021</b>	<b>5,547</b>	<b>6,344</b>	<b>153</b>	<b>5,024</b>	<b>17,068</b>

*Land and Buildings*

The net book value of land and buildings comprises:

	2021 £000	2020 £000
Freehold	1,336	1,336
	<b>1,336</b>	<b>1,336</b>

**Notes to the financial statements (continued)**

**11 Stocks**

	2021	2020
	£000	£000
Raw materials and consumables	206	158
	206	158
	206	158

There is no significant difference between the replacement cost of stock and their carrying amounts.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £1,470,000 (2020: £1,650,400).

Inventories are stated after provisions for impairment of £nil (2020: £nil).

**12 Debtors**

	2021	2020
	£000	£000
Trade debtors	1,825	1,545
Amounts owed by group undertakings – trade	945	1,423
Amounts owed by group undertakings – loan	17,531	20,851
Other debtors	191	69
Deferred tax assets (note 15)	2,080	1,709
Derivative financial instruments (note 19)	-	9
Amounts recoverable on contracts	1,049	359
Prepayments and accrued income	300	333
	23,921	26,298
	23,921	26,298
Due within one year	-	26,295
Due after more than one year	-	3
	23,921	26,298
	23,921	26,298

Trade debtors are stated after provisions for impairment of £nil (2020: £nil).

Amounts owed by group undertakings - trade are unsecured, interest free and repayable on demand.

Amounts owed by group undertakings - loan are unsecured, interest bearing and repayable on demand.

Amounts owed by group undertakings - loan is a multi-currency net-nil facility and cash pooling arrangement with HSBC plc plus a EUR cash pooling arrangement with MAHLE GmbH. The other participants in these arrangements are MAHLE Filter Systems UK Limited, MAHLE Industries UK Limited, MAHLE Engine Systems UK Limited and MAHLE Aftermarket Limited.

The interest received on loans made to MAHLE Industries UK Limited within the UK Group cash-pooling arrangement is SONIA. The interest received on loans made to MAHLE GmbH within the EUR cash pooling arrangement is currently 0.6%

**Notes to the financial statements (continued)**

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

	2021 £000	2020 £000
Payments received on account	2,291	1,548
Trade creditors	2,201	318
Amounts owed to group undertakings - trade	181	291
Other taxation and social security	340	1,105
Derivative financial instruments (note 19)	33	6
Accruals and deferred income	3,751	3,776
	8,797	7,044
	8,797	7,044

Amounts owed to group undertakings - trade are unsecured, interest free and repayable on demand.

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

	2021 £000	2020 £000
Derivative financial instruments (note 19)	6	1
	6	1
	6	1

## Notes to the financial statements (continued)

### 15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Accelerated capital allowances	2,061	1,565	-	-	2,061	1,565
Arising on provisions	12	13	-	-	12	13
Losses carried forward	-	130	-	-	-	130
Derivatives	7	2	-	(2)	7	-
Defined benefit scheme	-	-	(10,336)	(5,002)	(10,336)	(5,002)
<b>Tax assets / (liabilities)</b>	<b>2,080</b>	<b>1,710</b>	<b>(10,336)</b>	<b>(5,004)</b>	<b>(8,256)</b>	<b>(3,294)</b>
<b>Net tax assets / (liabilities)</b>	<b>2,080</b>	<b>1,710</b>	<b>(10,336)</b>	<b>(5,004)</b>	<b>(8,256)</b>	<b>(3,294)</b>

\* See note 2

The following further deferred tax assets have not been recognised due to the uncertainty of their recovery in the foreseeable future. These potential deferred tax assets would be deemed recoverable in the event that sufficient taxable profits are generated.

	2021 £000	2020 £000
Accelerated capital allowances	2,238	1,643
Losses carried forward	103	-
<b>Unrecognised deferred tax assets</b>	<b>2,341</b>	<b>1,643</b>

The amount of the net reversal of deferred tax expected to occur next year is £635,000 relating to the reversal of existing timing differences on tangible fixed assets, derivatives and other accruals allowed when paid.

The unrecognised deferred tax asset associated to the pension scheme at year end is £nil (2020: £nil).

## Notes to the financial statements (continued)

### 16 Pensions and similar obligations

#### *Defined benefit scheme*

The company operates a pension scheme, The MAHLE Powertrain Pension Scheme. This is an approved funded pension scheme. The assets of the scheme are held separately from the assets of the company in trustee administered funds. The scheme provides benefits on a defined benefit basis and the following disclosures relate to the defined benefit scheme alone. Contributions to the scheme are assessed in accordance with the advice of a qualified actuary. The last actuarial calculation was 30 September 2020. Financial assumptions are updated to 31 December 2021 in accordance with market conditions as at that date.

The amount recognised in the statement of comprehensive income is as follows:

	2021 £000	2020 £000 Restated*
Defined benefit scheme		
- Past service cost	-	(100)
- Scheme administration expenses	(201)	(140)
	<hr/>	<hr/>
Total charge in operating profit	(201)	(240)
Defined benefit scheme		
- Net interest income	354	429
	<hr/>	<hr/>
Total credit	153	189
	<hr/> <hr/>	<hr/> <hr/>

\* See note 2

#### *Main assumptions*

The following assumptions have been used to value on the retirement benefit obligations of the company:

	2021 %	2020 %
Rates assumed per annum:		
Liability discount rate	1.80	1.35
Price inflation (RPI)	3.15	2.85
Price inflation (CPI)	2.45	2.00
Rate of increase in pensions in payment	2.55	2.35
Male life expectancy at age 65	20.6	21.9
Female life expectancy at age 65	23.0	24.0

## Notes to the financial statements (continued)

### 16 Pensions and similar obligations (continued)

The company's net pension liability recognised in the company's statement of financial position at 31 December is as follows:

	2021 £000	2020 £000 Restated*
Diversified growth fund	20,980	21,042
Bonds	89,785	86,218
Diversified credit fund	13,784	13,647
Asset-backed securities	14,345	13,772
Cash and other investments	977	665
	<hr/>	<hr/>
Total market value of assets	139,871	135,344
Present value of liabilities	(98,525)	(109,014)
	<hr/>	<hr/>
Net surplus	41,346	26,330
	<hr/> <hr/>	<hr/> <hr/>

\* See note 2

The expected return on equities is related to gilt yields. The expected return on bonds is a weighted average of gilt and corporate bond returns. The expected return on cash is based on the Bank of England base rate.

A guarantee exists provided by the parent company MAHLE GmbH, to secure up to £4.1m of any future deficit. As a result of the scheme being closed to future accrual no current year service cost has been incurred during the year.

An analysis of the amount recognised in other comprehensive income is as follows:

	2021 £000	2020 £000 Restated*
Actuarial gains/(losses) arising from changes in financial assumptions	2,296	(15,781)
Actuarial gains from changes in demographic assumptions	8,266	3,049
Actuarial (losses) on experience adjustment	(1,075)	-
Experience gains on assets	5,376	17,867
	<hr/>	<hr/>
	14,863	5,135
	<hr/> <hr/>	<hr/> <hr/>

\* See note 2

## Notes to the financial statements (continued)

### 16 Pensions and similar obligations (continued)

An analysis of the change in the present value of plan assets in the year is as follows:

	2021 £000	2020 £000 Restated*
Fair value of plan assets at beginning of the year	135,344	117,133
Interest income	1,809	2,380
Return on scheme assets excluding interest income	5,376	17,867
Benefits paid	(2,457)	(1,896)
Scheme administration expenses	(201)	(140)
	<hr/>	<hr/>
Fair value of plan assets at end of the year	<b>139,871</b>	<b>135,344</b>
	<hr/> <hr/>	<hr/> <hr/>

\* See note 2

	2021 £000	2020 £000
Actual return on pension scheme assets	7,185	20,247

An analysis of the change in the present value of plan liabilities in the year is as follows:

	2021 £000	2020 £000
Present value of plan liabilities at beginning of the year	109,014	96,127
Interest on pension liabilities	1,455	1,951
Changes in assumptions underlying the plan liabilities	(2,296)	15,781
Benefits paid	(2,457)	(1,896)
Actuarial gains from changes in demographic assumptions	(8,266)	(3,049)
Actuarial loss on experience adjustment	1,075	-
Past service cost	-	100
	<hr/>	<hr/>
Present value of plan liabilities at end of the year	<b>98,525</b>	<b>109,014</b>
	<hr/> <hr/>	<hr/> <hr/>

The past service cost includes of equalisation of pension benefits for men and women in relation to guaranteed minimum pension benefits.

#### *Employer contributions*

The company contributed £nil to the pension plan in 2021 (2020: £nil).

#### *Defined contribution scheme*

The company also operates a defined contribution scheme via a stakeholder arrangement:

	2021 £000	2020 £000
Amount recognised in the statement of comprehensive income	729	787
Employer's contributions	333	539
	<hr/>	<hr/>
Contributions outstanding at statement of financial position date	<b>93</b>	<b>101</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements (continued)**

**17 Provisions for liabilities and charges**

	Restructuring £000	Deferred Tax £000	Total £000
Balance at 1 January 2021 (as restated*)	130	5,004	5,134
Provisions made during the year	-	5,334	5,334
Provisions used during the year	(98)	(2)	(100)
Provisions released during the year	(32)	-	(32)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>10,336</b>	<b>10,336</b>
	<u>          </u>	<u>          </u>	<u>          </u>

\* See note 2

**18 Called up share capital**

*Share capital*

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
10,000,000 (2020: 10,000,000) ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>
	<b>10,000</b>	<b>10,000</b>
	<u>          </u>	<u>          </u>
Shares classified in shareholders' funds	10,000	10,000
	<u>          </u>	<u>          </u>
	<b>10,000</b>	<b>10,000</b>
	<u>          </u>	<u>          </u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes to the financial statements (continued)

### 19 Financial instruments

The company has the following financial instruments:

	2021 £000	2020 £000
Financial assets at fair value through profit or loss		
- Derivative financial instruments	-	9
	<hr/>	<hr/>
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	1,825	1,545
- Other debtors	191	69
- Amounts owed by group undertakings	18,476	22,274
- Amounts recoverable on contracts	1,049	359
	<hr/>	<hr/>
	<b>21,541</b>	<b>24,247</b>
	<hr/>	<hr/>
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments falling due within one year	33	6
- Derivative financial instruments falling due after more than one year	6	1
	<hr/>	<hr/>
Financial liabilities measured at amortised cost		
- Trade creditors	2,201	318
- Amounts owed to group undertakings	181	291
- Accruals and deferred income	3,751	3,776
- Payments received on account	2,291	1,548
	<hr/>	<hr/>
	<b>8,424</b>	<b>5,933</b>
	<hr/>	<hr/>

#### *Derivative financial instruments*

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for foreign currency payables and receivables. At 31 December 2021, the outstanding contracts all mature within 23 months of the year end. The company committed to buy €1,281,000 (2020: €1,314,000) and pay a fixed sterling amount.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The key assumption used in valuing the derivatives is the forward exchange rate for GBP:EUR.

## Notes to the financial statements (continued)

### 20 Operating leases

Non-cancellable operating lease future minimum lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	4	33
Between one and five years	14	17
More than five years	-	1
	<u>18</u>	<u>51</u>

During the year £145,000 was recognised as an expense in the income statement account in respect of operating leases (2020: £299,000).

### 21 Commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £1,435,000 (2020: £2,138,000).

### 22 Related parties

During the year, the company sold £1,800 (2020: £4,000) of goods to MAHLE Behr GmbH & Co. KG which is 74.46% owned by MAHLE GmbH. At the year-end £nil (2020: £nil) was outstanding and included in Debtors. The receivable is unsecured and due in 60 days.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

### 23 Ultimate parent company and parent company of larger group

The immediate parent Company is MAHLE Industries UK Limited which is incorporated in Great Britain and registered in England and Wales.

The Company's ultimate parent Company and controlling party is MAHLE GmbH, a Company incorporated in Germany. Copies of the ultimate parent's group financial statements may be obtained from MAHLE GmbH, Pragstrasse 26-46, 70376 Stuttgart, Germany. MAHLE GmbH is also the smallest and largest Company in which MAHLE Powertrain Limited is consolidated.