

**ZF International UK Limited**

**Strategic report, directors' report and financial statements  
for the year ended 31 December 2022**

Registered number: 00054802



**Strategic report, directors' report and financial statements  
for the year ended 31 December 2022**

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**Directors and advisers  
for the year ended 31 December 2022**

**Directors**

S M Batterbee  
A S Birk  
B Panaser

**Registered office**

The Hub  
Central Boulevard  
Shirley  
Solihull  
West Midlands  
B90 8BG

**Independent auditors**

Ernst & Young LLP  
No. 1 Colmore Square  
Birmingham  
B4 6HQ

**Strategic Report  
for the year ended 31 December 2022**

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

**Principal activities**

The company is a wholly owned subsidiary of LucasVarity, a company incorporated in the England and Wales.

The company operates as part of the ZF Friedrichshafen AG (ZF) group of companies, the ZF group. ZF Friedrichshafen AG ranks among the world's largest and most diversified suppliers of automotive systems, modules, and components to global automotive original equipment manufacturers (OEMs) and related aftermarket. The operations of the ZF group primarily encompass the design, manufacture, and sale of active and passive safety related products. The ZF group of companies are primarily Tier 1 suppliers, with a very large proportion of its end-customer sales made to major OEMs.

The company is an intermediate holding company within the ZF group of companies and will continue in this capacity for the foreseeable future.

**Review of business and future developments**

Both the level of business and the year end financial position were satisfactory, and the company will continue as an intermediate holding company.

**Principal risks and uncertainties**

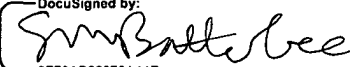
The principal risk for the company is the uncertainty associated with the results of its direct and indirect subsidiary undertakings. These vary, but as with any trading business are principally affected by the prevailing automotive climate.

For the company adverse economic conditions can materially affect the carrying value of the company's investment in its subsidiary undertaking. In the directors' opinion, having carried out an impairment review identified the carrying value of its subsidiary undertakings required an impairment of £25.8 million in the financial year just ended, the investment in its subsidiary undertakings is currently stated at a cost of £371.3 million (2021 - £397.1 million). This investment value is considered one of the key performance indicators of the company.

**Financial risk management**

The company's operations do not expose it to financial risks including the effects of changes in prices, credit risk, liquidity risk and interest rate risk.

By order of the board

DocuSigned by:  
  
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**S M Batterbee**

**Director**

26 September 2023

Registered in England and Wales

Registered number: 00054802

## Directors' report for the year ended 31 December 2022

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

### Results and dividends

The directors have carried out an impairment review of the fixed assets investments in accordance with IAS 36. The impairment review was carried out by comparing investment asset books values with the discount value of forecast future cash flows for all its trading subsidiary undertakings. The forecast future cash flows were arrived at using standard ZF group vehicle build assumptions, with appropriate sensitivities. The cash flows were discounted at a rate appropriate to the business. The review resulted in an impairment of £25,820,000 being recorded in the year.

The loss for the year is set out in the Statement of total comprehensive income on page 9. The operating profit for the year was £5,648,000 (2021 – loss £4,067,000).

During the year the company disposed of land buildings at the Pontypool site and in Cirencester amounting to proceeds of £4,400,000. The net gain on the transaction reflected in the profit and loss statement is £ 2,069,000.

In September 2022 Wabco Automotive UK Pension scheme merged with the ZF UK Pension Plan, the company received and made a distribution in specie amounting to £11,451,000 (2021 – nil) relating to the dilution of its subsidiary companies pension scheme asset.

Overall, the company made a profit after tax of £6,046,000 (2021 profit - £149,262,000) reflecting gains on the sale of buildings, dividends received from subsidiary undertakings offset by an investment impairment of the subsidiary investments and a tax credit. This profit has been transferred to reserves.

The directors propose to recommend a payment of a final dividend for the 2022 result of £ 150,000,000 amounting to £28.41 per share (2021 nil per share).

### Key performance indicators (KPIs)

	Year to 31 December 2022	Year to 31 December 2021	Change	
	£000	£000	£000	%
Operating profit/(loss)	1,295	(4,067)	5,362	131.8
Profit for the financial year	6,046	149,262	(143,216)	(95.9)
Investment in subsidiary undertakings	371,293	397,113	(25,820)	(6.5)

### Directors

The directors who held office during the year and up to the date of signing the financial statements are as follows:

S M Batterbee	
A M McQueen	(resigned 14 April 2022)
P R Lakie	(resigned 14 October 2022)
A S Birk	(appointed 4 April 2022)
B Panaser	(appointed 26 October 2022)

### Directors' interests

None of the directors had any declarable interests in shares of any group companies in the United Kingdom at 31 December 2022.

**Directors' report  
for the year ended 31 December 2022 (continued)****Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors against any claim arising from third parties.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern.

**Going Concern**

The principal activity of the Company is to act as the intermediate holding company of the main trading company ZF Automotive UK Limited in addition to a number of dormant companies, all UK based wholly owned subsidiaries. ZF International UK Limited also have investments in overseas subsidiaries. As of 31 December 2022, ZF International had net assets of £587.9 million (2021 - £593.3 million) and net current assets of £211.4 million (2021 net current assets £190.2 million). There are no business operations in the company and limited expected cash outflows from environmental costs, any audit fees are borne by another group company. Accordingly, no stress test has been performed in this relation.

Based on the financial position of the company and the nature of its operations, as detailed above, the directors have concluded it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

**Post balance sheet event**

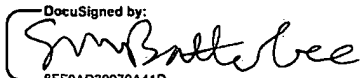
In July 2023, the company disposed of the shares in ZF Chassis Modules (Solihull) Limited (formerly Autocruise Limited) to ZF Lemforder UK Limited for the face value of £2.

**Disclosure of information to auditors**

Having made the requisite enquiries, so far as the directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the annual general meeting.

By order of the board

DocuSigned by:  
  
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**S M Batterbee**

**Director**

26 September 2023

Registered in England and Wales

Registered number: 00054802

## **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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

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

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 such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the members of ZF International UK Limited**

### **Opinion**

We have audited the financial statements of ZF International UK Limited for the year ended 31 December 2022 which comprise the Statement of total comprehensive income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 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.

### **Conclusions relating to going concern**

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.

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 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.



## **Independent auditors' report to the members of ZF International UK Limited (continued)**

### **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 directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

### **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.

#### ***Explanation as to what extent 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 irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## Independent auditors' report to the members of ZF International UK Limited (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas. This included reviewing Board of Directors meeting minutes to identify any instances of non-compliance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. We note the Company is an intermediate holding company with minimal transactions within the Company's financial statements during the year and accordingly we concluded there is no risk of material misstatement due to fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved verifying that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through our review of Board of Directors meeting minutes and inquiry of those charged with governance and management to identify any instances of non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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

DocuSigned by:

*Ernst & Young LLP*

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Stephen Kirk (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
Birmingham  
Date: 27<sup>th</sup> September 2023

**Statement of total comprehensive income  
for the year ended 31 December 2022**

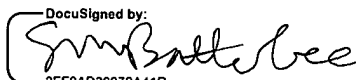
	Notes	2022 £'000	2021 £'000
Other operating Income		1,594	1,598
Operating expense		(299)	(5,665)
<b>Operating profit/(loss) - continuing operations</b>	4	<b>1,295</b>	<b>(4,067)</b>
Gain on disposal of fixed assets		2,069	-
Income from subsidiary undertakings	5	20,492	26,457
Impairment of Investments	11	(25,820)	(21,322)
Gain on disposal of investments		-	172,219
Interest receivable and similar income	6	2,329	4
Interest payable and similar charges	7	(5)	(3,998)
<b>Profit on ordinary activities before taxation</b>		<b>360</b>	<b>169,293</b>
Tax on profit	8	5,686	(20,031)
<b>Profit for the financial year</b>		<b>6,046</b>	<b>149,262</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>6,046</b>	<b>149,262</b>

All the activities of the company are classified as continuing

**Balance sheet**  
**as at 31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>Non current assets</b>			
Tangible Assets	10	3,724	6,055
Investments in subsidiary undertakings	11	371,293	397,113
Investments in associate undertakings	11	2,015	2,015
<b>Total non current assets</b>		<b>377,032</b>	<b>405,183</b>
<b>Current assets</b>			
Debtors amounts falling due in less than one year	12	219,743	200,548
Cash at bank and in hand	13	47	-
<b>Total current assets</b>		<b>219,790</b>	<b>200,548</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	14	(8,438)	(10,371)
<b>Net current assets</b>		<b>211,352</b>	<b>190,177</b>
<b>Total assets less current liabilities</b>		<b>588,384</b>	<b>595,360</b>
<b>Non current liabilities</b>			
Provisions for liabilities	15	(497)	(2,068)
<b>Net assets</b>		<b>587,887</b>	<b>593,292</b>
<b>Capital and reserves</b>			
Called up-equity share capital	16	105,591	105,591
Retained earnings		482,296	487,701
<b>Total equity shareholder's funds</b>		<b>587,887</b>	<b>593,292</b>

The financial statements were approved by the board of directors on 26 September 2023 and were signed on its behalf by:

DocuSigned by:  
  
 S M Batterbee  
 Director

**Statement of changes in equity  
for the year ended 31 December 2022**

	Share Capital	Retained Earnings	Total equity shareholders' funds
	£'000	£'000	£'000
<b>At 1 January 2021</b>	<b>105,591</b>	<b>338,439</b>	<b>444,030</b>
Profit for the financial year	-	149,262	149,262
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>149,262</b>	<b>149,262</b>
Equity dividends paid	-	-	-
<b>At 31 December 2021</b>	<b>105,591</b>	<b>487,701</b>	<b>593,292</b>
	Share Capital	Retained Earnings	Total equity shareholders' funds
	£'000	£'000	£'000
<b>At 1 January 2022</b>	<b>105,591</b>	<b>487,701</b>	<b>593,292</b>
Profit for the financial year	-	6,046	6,046
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>6,046</b>	<b>6,046</b>
Equity dividends paid	-	-	-
Distribution in specie	-	(11,451)	(11,451)
<b>At 31 December 2022</b>	<b>105,591</b>	<b>482,296</b>	<b>587,887</b>

**Notes to the financial statements  
for the year ended 31 December 2022****1 Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of ZF International UK Limited (the "company") for the year ended 31 December 2022 were authorised for issue by the board of directors on 26 September 2023 and the balance sheet was signed on the board's behalf by S M Batterbee. ZF International UK Limited is a private limited company by shares and is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards, and on the historical cost basis except where assets and liabilities are required to be stated at their fair value in accordance with FRS 101.

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

The principal accounting policies adopted by the company are set out in note 2.

**2 Principal accounting policies****Basis of accounting**

The accounting policies which follow set out these policies in preparing the financial statement for year ended 31 December 2022.

**Changes in Accounting policy and disclosures****New and amended standards and interpretations adopted by the company**

There are no changes to IFRS effective in 2022 which have a material impact on ZF International UK Limited.

**Judgement and key sources of estimation uncertainty**

The preparation of financial statement requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future profits together with an assessment of the effect of future planning strategies.

**Fixed asset investments**

The net realisable value of the investment in subsidiary undertakings is either based on net asset value of the subsidiary or the value in use of the subsidiary's cash inflows. The value in use calculation entails estimation of future performance.

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Principal accounting policies (continued)

#### Going Concern

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern.

The principal activity of the Company is to act as the intermediate holding company of the main trading company ZF Automotive UK Limited in addition to a number of dormant companies, all UK based wholly owned subsidiaries. ZF International UK Limited also have investments in overseas subsidiaries. As of 31 December 2022, ZF International had net assets of £587.9 million (2021 - £593.3 million) and net current assets of £211.4 million (2021 net current assets £190.2 million). There are no business operations in the company and limited expected cash outflows from environmental costs, any audit fees are borne by another group company. Accordingly, no stress test has been performed in this relation.

Based on the financial position of the company and the nature of its operations, as detailed above, the directors have concluded it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

#### Consolidation

These financial statements present information about the company as an individual undertaking and not about its group. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, ZF Friedrichshafen AG, a company incorporated in Germany. Copies of these consolidated financial statements can be obtained from Hauptverwaltung und, Zentrale Forschung und Entwicklung, DEU 88038 Friedrichshafen or the address set out on page 1.

#### Accounting convention

The company has taken advantage of the following disclosure exemptions available under FRS 101:

- (a) the requirements of IAS 7 Statement of Cash Flows;
- (b) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (c) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by such a member;
- (d) the requirements of IAS 8 disclosures in respect of new standards and interpretations that have been issued but are not yet effective; and
- (e) roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16) and intangible assets (IAS 38).

In addition and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of ZF Friedrichshafen AG.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)****2 Principal accounting policies (continued)****Fixed asset investments**

Investments in subsidiaries are held at historical cost less any applicable provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. When a review for impairment is conducted the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit, or disposal value if higher. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount.

**Foreign currencies**

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are converted into sterling at the rates of exchange ruling at the balance sheet date or where appropriate at the rates of matching forward contracts or transactions. The exchange differences arising are dealt with through the profit and loss account.

**Cash flow statement**

The company is a wholly-owned subsidiary of ZF Friedrichshafen AG and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of IAS 7 "Statement of cash flows".

**Investment properties**

Investment properties are measured initially at cost. Transaction costs shall be included in the initial measurement.

**Tangible Fixed Assets**

Land and buildings are recognised initially at cost and less depreciation and any provision for impairment.

Depreciation is provided on all property on a straight-line basis over its expected useful life as follows:

<b>Buildings</b>	<b>over 10 to 50 years</b>
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The carrying values of the property are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. An item of property is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the de-recognition of the asset is included in the income statement in the period of de-recognition.



## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Principal accounting policies (continued)

#### Impairment of non-financial assets

The company assess at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an assets or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement unless the asset is carried at a re-valued amount when it is treated as a revaluation increase.

#### Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of 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 re-imbursed, the re-imbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

#### Financial Instruments

##### Financial assets:

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit and loss, financial assets at amortised cost, or financial assets through other comprehensive income as appropriate. The company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (market trades) are recognised on the trade date i.e. the date that the company commits to purchase or sell the asset. The company's financial assets include cash and short-term deposits, trade and other receivables, loan notes, and derivative financial instruments.

##### Financial liabilities:

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Principal accounting policies (continued)

#### Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

#### Cash at bank and in hand

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.

#### Income 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 income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Deferred income 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 income 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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, 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.

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Principal accounting policies (continued)

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term.

Interest income is recognised as interest accrues using the effective interest rate method.

Dividend income is recognised when the company's right to receive payment is established.

#### Other operating income

Other operating income consists of third party and inter-group licence income, and annuity income.

### 3 Employee information

Other than the directors the company has no employees (2021: none). The directors are remunerated by other entities in the group. There was no remuneration paid to its directors by ZF International UK Limited. The directors' services do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the year ended 31 December 2022.

### 4 Operating Profit/(loss)

Operating profit/(loss) is arrived at after crediting / (charging) the following items;

	2022 £'000	2021 £'000
Royalty Income	126	123
Foreign exchange	332	(377)

### 5 Income from subsidiary undertakings

	2022 £'000	2021 £'000
ZF Autocruise SAS	-	10,110
LucasVarity Langzhong Brake Company Limited	8,112	12,047
ZF Automotive Malaysia (M) SDN BHD/ZF Aftermarket Malaysia SDN BHD	929	2,259
Brakes India Limited	-	2,041
Distribution in specie received	11,451	-
	<b>20,492</b>	<b>26,457</b>

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**6 Interest receivable and similar income**

	2022 £'000	2021 £'000
Interest receivable from group undertakings	2,329	-
Bank Interest Income	-	4
	<b>2,329</b>	<b>4</b>

**7 Interest payable and similar charges**

	2022 £'000	2021 £'000
Interest paid on inter-group and other borrowings	5	967
Foreign Exchange	-	1,909
Expenses in relation to management of securities	-	1,122
	<b>5</b>	<b>3,998</b>

**8 Taxation**

a) Analysis of tax (credit)/charge in the year	2022 £'000	2021 £'000
<b>Current tax:</b>		
UK corporation tax on profit at 19.00% (2021 :19.00%)	-	-
Foreign withholding taxes	411	20,345
<b>Total current tax charge</b>	<b>411</b>	<b>20,345</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(5,728)	(336)
Adjustment in respect of prior periods	(369)	34
Effect of changes in tax rates	-	(12)
<b>Total deferred tax</b>	<b>(6,097)</b>	<b>(314)</b>
<b>Tax on profit</b>	<b>(5,686)</b>	<b>20,031</b>

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**8 Taxation (continued)**

<b>b) Factors affecting tax charge for the year</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	<b>360</b>	169,293
Profit multiplied by standard rate of corporation tax in the UK 19.00% (2021: 19.00%)	<b>68</b>	32,166
Adjustment in respect of prior years	<b>(369)</b>	34
Expenses not deductible	<b>4,908</b>	4,617
Income not taxable	<b>(4,286)</b>	(37,891)
Group relief	<b>(103)</b>	680
Tax rate changes	-	(12)
Recognition of capital loss	<b>(6,315)</b>	-
Foreign withholding taxes	<b>411</b>	602
Irrecoverable withholding tax on disposal	-	19,743
Movement in unrecognised deferred tax	-	92
<b>Tax (credit)/charge for the year</b>	<b>(5,686)</b>	20,031

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

**9 Deferred Taxation**

	<b>2022</b>	<b>2021</b>
<b>Deferred tax asset/(liability)</b>	<b>£'000</b>	<b>£'000</b>
At 1 January	<b>51</b>	(263)
Credited/(charged) in the year	<b>6,097</b>	314
<b>31 December</b>	<b>6,148</b>	51

**The deferred tax asset/(liability) is made up as follows:**

Other timing differences	<b>124</b>	517
Freehold property	<b>(476)</b>	(471)
Losses	<b>6,500</b>	5
<b>31 December</b>	<b>6,148</b>	51

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 9 Deferred Taxation (continued)

#### Factors that may affect future tax charges

The Company's profits for this accounting period are taxed at an effective rate of 19.00% (2021 19.00%). An announcement in the March 2022 budget proposed to increase the main standard rate of corporation tax to 25% effective April 2023. The change has been substantively enacted and accordingly the rate has been applied at the balance sheet date.

### 10 Tangible Fixed Assets

	Freehold Land and buildings
	£'000
<b>Cost</b>	
At 1 January	16,141
Disposal	(3,411)
<b>At 31 December 2022</b>	<b>12,730</b>
<b>Depreciation</b>	
At 1 January 2022	(10,086)
Disposal	1,080
<b>At 31 December 2022</b>	<b>(9,006)</b>
<b>Net Book Value</b>	
<b>At 31 December 2022</b>	<b>3,724</b>
At 31 December 2021	6,055

Included within freehold property is £ 3,724,000 (2021 - £ 6,055,000) of land.

#### Investment Properties

Included within land are investment properties held at cost as follows

	2022	2021
	£'000	£'000
Land	470	470

The fair value of the investment properties has been determined to be £800,000 (2021 - £800,000).

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**11 Investments**

	Subsidiary Undertakings	Associated undertakings	Total
	£'000	£'000	£'000
<b>At 1 January and December 2022</b>	<b>418,685</b>	<b>2,015</b>	<b>420,700</b>
Accumulated Impairment			
<b>At 1 January 2022</b>	<b>(21,572)</b>	<b>-</b>	<b>(21,572)</b>
Impairment of Investment	(25,820)	-	(25,820)
<b>At 31 December 2022</b>	<b>(47,392)</b>	<b>-</b>	<b>(47,392)</b>
<b>Net book values</b>			
<b>At 31 December 2022</b>	<b>371,293</b>	<b>2,015</b>	<b>373,308</b>
At 31 December 2021	397,113	2,015	399,128

**Subsidiary undertakings**

The directors have carried out an impairment review of the fixed assets investments in accordance with IAS 36. The impairment review was carried out by comparing investment asset books values with the discount value of forecast future cash flows for all its trading subsidiary undertakings. The forecast future cash flows were arrived at using standard ZF group vehicle build assumptions, with appropriate sensitivities, and were discounted at a rate appropriate to the business. The impairment review identified the carrying value of its subsidiary undertakings required the investments in the subsidiary undertakings to be impaired by £25,820,000 (2021 - £21,322,000).

All subsidiary undertakings which are registered and incorporated in the United Kingdom share the same registered address of The Hub, Central Boulevard, Blythe Valley Park, Shirley, West Midlands, England B90 8BG.

The registered address of ZF Autocruise SAS is ZAC Technopole Brest Iroise, Secteur de la Pointe due Diable, Avenue du Technopole 29263, Plouzane, France.

The registered address of Lucas Varity Langzhong Brake Company Limited is No. 16 Xiangyun Road, Economic and Technology Development Zone, Hebei Province, China, 065001

The registered address of ZF Automotive Malaysia ((M) SDN BHD is First Avenue, Bandar Utama, 47800, Petaling Jaya, Selangor, Darul Ehsan, Malaysia.

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 11 Investments (continued)

#### Subsidiary undertakings

The registered address of ZF Aftermarket Malaysia SDN BHD is PLO 17, Senai Industrial Estate, Johor Darul, 81400 Senai, TAZIM, TAZIM Malaysia.

The following list includes unlisted subsidiary undertakings that currently trade. All undertakings are wholly owned, except where stated, and the company's interests are in ordinary shares or their equivalent. Interests in undertakings marked\* are held by intermediate undertakings. The nature of the business, the place of incorporation, and countries of operation are as shown below.

Details of the subsidiary company are as follows:

	Nature of business	Country of registration or incorporation	Percentage of ordinary shares held
ZF Automotive UK Limited	Automotive component supplier	England and Wales	100%
ZF Autocruise SAS	Automotive component supplier	France	100%
Lucas Varity Langzhong Brake Co Limited*	Automotive component supplier	China	70%
ZF Automotive Malaysia (M) SDN BHD (formerly Lucas Varity (M) SDN BHD)	Automotive component supplier	Malaysia	99.99%
ZF Aftermarket Malaysia SDN BHD (formerly Lucas Automotive SDN BHD)	Automotive component supplier	Malaysia	100%
ZF Chassis Modules (Solihull) Limited (formerly Autocruise Limited)	Dormant	England and Wales	100%
Girling Limited	Dormant	England and Wales	100%
Joseph Lucas Limited	Non Trading	England and Wales	100%
TRW Employees Benefit Trust Limited	Dormant	England and Wales	100%

The directors believe that the carrying value of the investments is supported by their underlying net assets or value in use projections.



## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 11 Investments (continued)

#### Associate undertakings

Details of the subsidiary company are as follows:

Name of company	Country of registration or incorporation	Percentage of ordinary shares held
British Sealed Beams Limited	England and Wales	40%
ZF Services Türk San. ve Tic. A.Ş.	Turkey	5.72%

### 12 Debtors

	2022	2021
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Amounts due from group undertakings	209,213	194,785
Corporation tax (note 8)	3,554	3,554
Deferred tax (note 9)	6,148	51
Other debtors	828	2,153
Prepayments and accrued income	-	5
	<b>219,743</b>	<b>200,548</b>

At 31 December 2022 the company has an intercompany receivable due from the parent undertaking ZF Friedrichshafen AG for £6,005,000 (2021 - £ 6,001,000). Amounts due from group undertakings are payable on demand, it is not expected to be recovered within 12 months of the year end.

### 13 Cash

	2022	2021
	£'000	£'000
Cash at bank and in hand	47	-

At 31 December 2022 the company has £ 1,493,000 (2021 - £1,493,000) deposited on escrow, this amount is held on behalf of third parties.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

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

	2022	2021
	£'000	£'000
Accruals and deferred income	11	-
Other liabilities	579	557
Amounts owed to other group undertakings	7,848	9,814
	<b>8,438</b>	<b>10,371</b>

**15 Provision for liabilities**

	Environ- mental	Total
	£'000	£'000
<b>Cost</b>		
At 1 January 2022	2,068	2,068
Utilised in the year	(1,846)	(1,846)
Allocated in the year	275	275
<b>At 31 December 2022</b>	<b>497</b>	<b>497</b>

**Environmental provisions**

A provision estimate for each environmental matter is established using standard engineering cost estimating techniques on an undiscounted basis. Environmental provisions will, in the main, be utilised after more than one year. Due to nature of the provision, there is a risk that costs will increase but at this point any additional costs are not estimable.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**16 Share capital**

	2022	2021
	£'000	£'000
<b>Authorised, Allotted, called up and fully paid</b>		
5,279,528 Ordinary shares of £20.00 each (2021 5,279,528 Ordinary shares of £20.00 each)	<b>105,591</b>	105,591
Share Premium	<b>105,591</b>	105,591

**17 Related party transactions**

The company has taken advantage of the FRS101 exemption from the requirements of paragraphs 17 and 18 of IAS 24 'Related Party Disclosures', which require disclosure of information about key management personnel compensation and related party transactions entered into between two or more members of the group.

**18 Ultimate parent company**

The company's immediate parent undertaking is LucasVarity, a company registered in England and Wales.

At 31 December 2022 the company's ultimate undertaking and controlling party is ZF Friedrichshafen AG, a company registered in the Federal Republic of Germany. This is the smallest and largest group in which the results of the company are consolidated and copies of the consolidated accounts of the company may be obtained from ZF Friedrichshafen AG, Loewentaler Strasse 20, 88046 Friedrichshafen, Germany.

**19 Post balance sheet event**

In July 2023, the company disposed of the shares in ZF Chassis Modules (Solihull) Limited (formerly Autocruise Limited) to ZF Lemforder UK Limited for the face value of £2.