

ZF International UK Limited

Strategic report, directors' report and financial statements  
for the year ended 31 December 2020

Registered number: 00054802



# **ZF International UK Limited**

## **Strategic report, directors' report and financial statements for the year ended 31 December 2020**

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# **ZF International UK Limited**

## **Directors and advisers for the year ended 31 December 2020**

### **Directors**

S M Batterbee  
J A Braithwaite  
A M McQueen

### **Registered office**

Stratford Road  
Solihull  
West Midlands  
B90 4GW

# **ZF International UK Limited**

## **Strategic Report for the year ended 31 December 2020**

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

### **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 no impairment was considered necessary in the financial year just ended, the investment in its subsidiary undertakings is currently stated at a cost of £667.8 million (2019 - £601.5 million). This investment value is considered one of the key performance indicators of the company.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses.

By order of the board



A M McQueen

**Director**

16 September 2021

Registered in England and Wales

Registered number: 00054802

## ZF International UK Limited

### Directors' report for the year ended 31 December 2020

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

#### 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 profit for the year is set out in the income statement on page 7. The operating loss for the year was £3.1 million (2019 – profit £2.3 million). Overall, the company made a profit after tax of £35.8 million (2019 - £46.3 million) reflecting dividends received from subsidiary undertakings which has been transferred to reserves.

The company have not paid any dividends in 2020 (2019 - £20,139,000). The directors do not propose to recommend the payment of a final dividend for 2020.

#### Key performance indicators (KPIs)

	Year to 31 December 2020	Year to 31 December 2019	Change	
	£000	£000	£000	%
Operating (loss)/profit	(3,091)	2,349	(5,440)	(231.6)
Profit for the financial year	35,779	46,294	(10,515)	(22.7)
Investment in subsidiary undertakings	667,672	601,538	66,134	10.9

#### 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  
J A Braithwaite  
A M McQueen  
D E Shattock (resigned 31 December 2020)

#### Directors' interests

None of the directors had any declarable interests in shares of any group companies in the United Kingdom at 31 December 2020.

#### 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.

## **ZF International UK Limited**

### **Directors' report for the year ended 31 December 2020 (continued)**

#### **Going Concern**

The company has obtained confirmations from its dormant subsidiary undertakings that the inter-company liabilities will not require cash settlement for a period of 12 months from the date of approval of these financial statements. A further £218.9 million of inter-company liabilities owed by the company at 31 December 2020 relate to amounts owed to ZF Friedrichshafen AG who operate the ZF Group's centralised cash management and financing agreement. On 7 April 2020, the company entered into an irrevocable, legally binding amendment to the cash management and financing agreement with ZF Friedrichshafen AG. This amendment confirmed that no amounts the company owes under the cash management and financing arrangement will be repayable until at least 30 April 2021.

As a result of the confirmations obtained above combined with the current cash resources of the company and the directors' forecasting of future cash flows into and out of the company, the directors have sufficient assurance that the company is able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In reaching this conclusion the directors have reverse stress tested the company's position, given the current uncertainty over cashflows as a result of COVID-19, noting that even if no dividend income was received from the date of approval of these financial statements for a period of 12 months the company would still be able to meet its liabilities as they fall due during this period.

In addition, the directors have secured a letter of financial support from ZF Friedrichshafen AG and are therefore satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

On this basis the directors have prepared the financial statements on a going concern basis which assumes the company will continue in operational existence for the foreseeable future.

#### **Post balance sheet events**

In connection with ZF's acquisition of global automotive supplier Wabco, for regulatory reasons ZF had the obligation to propose to buy the shares owned by the public.

On 24<sup>th</sup> March 2021, ZF International UK Limited entered into a share purchases agreement with T.V. Sundram Iyengar and Sons Private Limited ("TVS"), India Motor Parts & Accessories Limited ("IMPAL"), Flometallic India Private Limited ("Flometallic") and Sundaram Finance Holdings Limited ("SFHL") to transfer all the shares held by ZIU in Brakes India Private Limited (BIPL).

The book value of the associated investment in BIPL at 31 December 2020 is stated at £752,776 (note 11). On the 23<sup>rd</sup> June 2021 the disposal of the investment was concluded with proceeds of £193.0 million being received.

ZF International UK Limited transferred the shares of WABCO India Limited, which were acquired in 2020, back to public shareholders in India during the period March 2021 to August 2021. The book value of subsidiary undertaking investment at 31 December 2020 is stated at £249 million. The proceeds of the disposal are £204.6 million.

All the proceeds and any associated costs of this transaction will be recorded within the financial statements for the year ended 31 December 2021.

# **ZF International UK Limited**

## **Directors' report for the year ended 31 December 2020 (continued)**

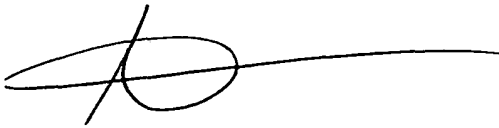
### **Audit exemption Statement**

For the year ending 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. No member required the Company to obtain an audit of its accounts for the year in question, in accordance with Section 476 of the Companies Act 2006.

### **Disclosure of requirement to appoint auditors**

The auditors Ernst & Young LLP will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

By order of the board

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a horizontal line extending to the right.

A M McQueen

**Director**

16 September 2021

Registered in England and Wales

Registered number: 00054802

## ZF International UK Limited

### 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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



## ZF International UK Limited

### Income statement for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Other operating Income		1,787	2,294
Release of onerous lease		-	1,301
Operating expense		(4,878)	(1,246)
<b>Operating loss - continuing operations</b>	4	<b>(3,091)</b>	2,349
Income from subsidiary undertakings	5	224,923	22,239
Disposal of investments	11	(183,104)	-
Gain on disposal of trademark rights		-	24,000
Interest receivable and similar income	6	1,209	222
Interest payable and similar charges	7	(1,796)	(217)
<b>Profit on ordinary activities before taxation</b>		<b>38,141</b>	48,593
Tax on profit	8	(2,362)	(2,299)
<b>Profit for the financial year</b>		<b>35,779</b>	46,294

All the activities of the company are classified as continuing

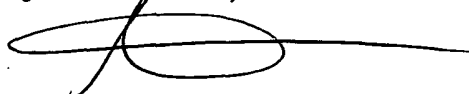
The company has no other comprehensive income other than the profits above and therefore no separate statement of comprehensive income has been presented.

**Balance sheet**  
**as at 31 December 2020**

	Notes	2020 £'000	2019 £'000
<b>Non current assets</b>			
Tangible Assets	10	6,792	7,777
Investments in subsidiary undertakings	11	667,672	601,538
Investments in associate undertakings	11	2,768	2,768
<b>Total non current assets</b>		<b>677,232</b>	<b>612,083</b>
<b>Current assets</b>			
Debtors amounts falling due in less than one year	12	83,523	83,858
Cash at bank and in hand	13	-	15,971
<b>Total current assets</b>		<b>83,523</b>	<b>99,829</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	14	(315,937)	(302,695)
<b>Net current liabilities</b>		<b>(232,414)</b>	<b>(202,866)</b>
<b>Total assets less current liabilities</b>		<b>444,818</b>	<b>409,217</b>
<b>Non current liabilities</b>			
Provisions for liabilities	15	(788)	(966)
<b>Net assets</b>		<b>444,030</b>	<b>408,251</b>
<b>Capital and reserves</b>			
Called up-equity share capital	16	105,591	105,591
Retained earnings		338,439	302,660
<b>Total equity shareholder's funds</b>		<b>444,030</b>	<b>408,251</b>

For the year ended 31 December 2020 the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006. No member required the Company to obtain an audit for the year in question, in accordance with Section 476 of the Companies Act 2006. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to maintaining appropriate accounting records for the preparation of the financial statements.

The financial statements were approved by the board of directors on 16 September 2021 and were signed on its behalf by:



A M McQueen  
Director

**Statement of changes in equity  
for the year ended 31 December 2020**

	Share Capital	Retained Earnings	Total equity shareholders' funds
	£'000	£'000	£'000
<b>At 1 January 2019</b>	<b>105,591</b>	<b>276,505</b>	<b>382,096</b>
Profit for the financial year	-	46,294	46,294
<b>Total comprehensive income for the year</b>	<b>105,591</b>	<b>322,799</b>	<b>428,390</b>
Equity dividends paid	-	(20,139)	(20,139)
<b>At 31 December 2019</b>	<b>105,591</b>	<b>302,660</b>	<b>408,251</b>
	Share Capital	Retained Earnings	Total equity shareholders' funds
	£'000	£'000	£'000
<b>At 1 January 2020</b>	<b>105,591</b>	<b>302,660</b>	<b>408,251</b>
Profit for the financial year	-	35,779	35,779
Total comprehensive income for the year	105,591	338,439	444,030
Equity dividends paid	-	-	-
<b>At 31 December 2020</b>	<b>105,591</b>	<b>338,439</b>	<b>444,030</b>

## Notes to the financial statements` - for the year ended 31 December 2020

### 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 2020 were authorised for issue by the board of directors on 16 September 2021 and the balance sheet was signed on the board's behalf by A M McQueen. 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 company has taken advantage of section 400 of the Companies Act 2006 which exempts the company from the obligation to prepare and deliver group financial statements as it is included in the consolidated accounts of ZF Friedrichshafen AG, a company registered in the Federal Republic of Germany. These accounts therefore present information about the company and not about its group.

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 2020.

In preparing these financial statements, the company has taken advantage of all disclosure exemptions conferred by FRS101. Therefore, these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS
- Certain disclosures regarding the company's capital
- A statement of cash flows
- The effect of future accounting standards not yet adopted
- The disclosure of remuneration of key management personnel; and
- Disclosure of related party transactions with wholly owned members of the group headed by ZF Friedrichshafen AG.

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

#### Changes in Accounting policy and disclosures

##### New and amended standards and interpretations adopted by the company

There are no other changes to IFRS effective in 2020 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.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 2 Principal accounting policies (continued)

#### 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.

#### Going Concern

The company has obtained confirmations from its dormant subsidiary undertakings that the inter-company liabilities will not require cash settlement for a period of 12 months from the date of approval of these financial statements. A further £218.9 million of inter-company liabilities owed by the company at 31 December 2020 relate to amounts owed to ZF Friedrichshafen AG who operate the ZF Group's centralised cash management and financing agreement. On 7 April 2020, the company entered into an irrevocable, legally binding amendment to the cash management and financing agreement with ZF Friedrichshafen AG. This amendment confirmed that no amounts the company owes under the cash management and financing arrangement will be repayable until at least 30 April 2021.

As a result of the confirmations obtained above combined with the current cash resources of the company and the directors' forecasting of future cash flows into and out of the company; the directors have sufficient assurance that the company is able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In reaching this conclusion the directors have reverse stress tested the company's position, given the current uncertainty over cashflows as a result of COVID-19, noting that even if no dividend income was received from the date of approval of these financial statements for a period of 12 months the company would still be able to meet its liabilities as they fall due during this period.

In addition, the directors have secured a letter of financial support from ZF Friedrichshafen AG and are therefore satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

On this basis the directors have prepared the financial statements on a going concern basis which assumes the company will continue in operational existence for the foreseeable future.

#### Post balance sheet events

In connection with ZF's acquisition of global automotive supplier Wabco, for regulatory reasons ZF had the obligation to propose to buy the shares owned by the public.

On 24<sup>th</sup> March 2021, ZF International UK Limited entered into a share purchases agreement with T.V. Sundram Iyengar and Sons Private Limited ("TVS"), India Motor Parts & Accessories Limited ("IMPAL"), Flometallic India Private Limited ("Flometallic") and Sundaram Finance Holdings Limited ("SFHL") to transfer all the shares held by ZIU in Brakes India Private Limited (BIPL).

The book value of the associated investment in BIPL at 31 December 2020 is stated at £752,776 (note 11). On the 23<sup>rd</sup> June 2021 the disposal of the investment was concluded with proceeds of £193.0 million being received.

ZF International UK Limited transferred the shares of WABCO India Limited, which were acquired in 2020, back to public shareholders in India during the period March 2021 to August 2021. The book value of subsidiary undertaking investment at 31 December 2020 is stated at £249 million. The proceeds of the disposal are £204.6 million.

All the proceeds and any associated costs of this transaction will be recorded within the financial statements for the year ended 31 December 2021.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 2 Principal accounting policies (continued)

#### 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).

#### 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.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 2 Principal accounting policies (continued)

#### 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:

Buildings	over 10 to 50 years
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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.

#### 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-imburement 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.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 2 Principal accounting policies (continued)

#### Financial Instruments (continued)

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.

#### 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 enforceable 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 2020 (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 (2019: 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 2020.

### 4 Operating profit

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

	2020	2019
	£'000	£'000
Royalty Income	228	883
Foreign exchange	(183)	(42)

### 5 Income from subsidiary undertakings

	2020	2019
	£'000	£'000
ZF Automotive Malaysia (M) SDN BHD	-	378
LucasVarity Langzhong Brake Company Limited	31,969	16,015
ZF Aftermarket Malaysia SDN BHD	2,013	1,696
Brakes India Limited	4,676	4,150
Bryce Berger Limited	81	-
Lucas Automotive Limited	752	-
Lucas Export Services Limited	1	-
Lucas Limited	3762	-

**7 Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

**5 Income from subsidiary undertakings (continued)**

	2020	2019
	£'000	£'000
Lucas Service UK Limited	714	-
Lucas Support Services Limited	250	-
TRW Investment Management Company Limited	3,038	-
Lucas Investments Limited	177,559	-
Cityday Limited	108	-
	<b>224,923</b>	<b>22,239</b>

**6 Interest receivable and similar income**

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	1,209	213
Bank Interest Income	-	9
	<b>1,209</b>	<b>222</b>

**7 Interest payable and similar charges**

	2020	2019
	£'000	£'000
Interest paid on inter-group and other borrowings	1,789	211
Interest paid	7	6
	<b>1,796</b>	<b>217</b>

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

**8 Taxation**

<b>a) Analysis of tax charge in the year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK corporation tax on profit at 19.00% (2019: 19.00%)	-	392
Adjustment in respect of prior periods	(66)	-
Foreign withholding taxes	2,406	1,763
<b>Total current tax (credit)/charge</b>	<b>2,340</b>	<b>2,155</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(55)	144
Adjustment in respect of prior periods	44	-
Effect of changes in tax rates	33	-
<b>Total deferred tax (note 15)</b>	<b>22</b>	<b>144</b>
<b>Tax on profit</b>	<b>2,362</b>	<b>2,299</b>

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

<b>b) Factors affecting tax charge for the year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	38,141	48,593
Profit multiplied by standard rate of corporation tax in the UK 19.00% (2019: 19.00%)	7,247	9,233
Income not taxable	(7,167)	(8,785)
Group relief	(136)	-
Other adjustments	12	88
Foreign withholding taxes	2,406	1,763
<b>Tax charge for the year</b>	<b>2,362</b>	<b>2,299</b>

The Company's profits for this accounting period are taxed at an effective rate of 19.00%. An announcement in the March 2021 budget proposed to increase the main standard rate of corporation tax to 25% effective April 2023. The change has not been substantively enacted and accordingly the rate has not been applied at the balance sheet date.

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

**9 Deferred Taxation**

	2020	2019
Deferred tax liability		
	£'000	£'000
At 1 January	(241)	(97)
Credited in the year	(22)	(144)
<b>31 December</b>	<b>(262)</b>	<b>(241)</b>
<b>The deferred tax liability is made up as follows:</b>		
Other timing differences	138	167
Freehold property	(400)	(408)
<b>31 December</b>	<b>(262)</b>	<b>(241)</b>

As a result of historic ZF group restructuring significant shadow ACT has been created, This reduces the possibility of utilising real ACT in the foreseeable future.

**Factors that may affect future tax charges**

The Company's profits for this accounting period are taxed at an effective rate of 19.00%. An announcement in the March 2021 budget proposed to increase the main standard rate of corporation tax to 25% effective April 2023. The change has not been substantively enacted and accordingly the rate has not been applied at the balance sheet date.

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

**10 Tangible Fixed Assets**

	Freehold Land and buildings
	£'000
<b>Cost</b>	
<b>At 1 January and 31 December 2020</b>	<b>16,141</b>
<b>Depreciation</b>	
At 1 January 2020	(8,364)
Charge for the year	(985)
<b>At 31 December 2020</b>	<b>(9,349)</b>
<b>Net Book Value</b>	
<b>At 31 December 2020</b>	<b>6,792</b>
At 31 December 2019	7,777

Included within freehold property is £ 6,055,000 (2019 - £ 6,055,000) of land.

**Investment Properties**

Included within land are investment properties held at cost as follows

	2020	2019
	£'000	£'000
Land	470	470

The fair value of the investment properties has been determined to be £800,000 (2019 - £800,000).

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

**11 Investments**

	Subsidiary Undertakings	Associated undertakings	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2020 and 31 December 2020	601,538	2,768	604,306
Acquisition	249,237	-	249,237
Disposals	(183,104)	-	(183,104)
<b>At 31 December 2020</b>	<b>667,671</b>	<b>2,768</b>	<b>667,671</b>
<b>Net book values</b>			
<b>At 31 December 2020</b>	<b>667,671</b>	<b>2,768</b>	<b>667,671</b>
At 31 December 2019	601,538	2,768	604,306

**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 did not identify the need to impair any of the investments in subsidiary undertakings (2019 - £nil).

All subsidiary undertakings which are registered and incorporated in the United Kingdom share the same registered address of Stratford Road, Solihull, West Midlands, England B90 4AX.

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 2020 (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:

Name of company	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 Autocruise Limited	Dormant	England and Wales	100%
Bryce Berger Limited	Dissolved	England and Wales	100%
Girling Limited	Dormant	England and Wales	100%
Joseph Lucas Limited	Dormant	England and Wales	100%
Lucas Automotive Limited	Dissolved	England and Wales	100%
Lucas Limited	Dissolved	England and Wales	100%
TRW Employees Benefit Trust Limited	Dormant	England and Wales	100%
Lucas Export Services Limited	Dissolved	England and Wales	100%
TRW Investment Management Co. Limited	Dissolved	England and Wales	100%
Lucas Support Services Limited	Dissolved	England and Wales	100%
Lucas Service UK Limited	Dissolved	England and Wales	100%
Lucas Investments Limited	Dissolved	England and Wales	100%
Cityday Limited	Dissolved	England and Wales	100%

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

**11 Investments (continued)**

**Subsidiary undertakings**

Details of the subsidiary company are as follows:

Name of company	Nature of business	Country of registration or incorporation	Percentage of ordinary shares held
ID Information Systems Limited	Dissolved	England and Wales	100%
TRW Lucas Varity Electric Steering Limited*	Dissolved	England and Wales	100%

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

**Associate undertakings**

Details of the subsidiary company are as follows:

Name of company	Country of registration or incorporation	Percentage of ordinary shares held
Brakes India Limited	India	49%
British Sealed Beams Limited	England and Wales	40%
ZF Services Türk San. ve Tic. A.Ş.	Turkey	5.72%

**12 Debtors**

	2020	2019
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Amounts due from parent undertakings	82,323	82,447
Other debtors	1,200	1,411
	<b>83,523</b>	<b>83,858</b>

At 31 December 2020 the company has an intercompany receivable due from the parent undertaking ZF Friedrichshafen AG for £6,005,000 (2019 - £ 6,001,000).

**13 Cash**

	2020	2019
	£'000	£'000
Cash at bank and in hand	-	15,971

At 31 December 2020 the company has £ 11 (2019 - £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 2020 (continued)**

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

	2020	2019
	£'000	£'000
Accruals and deferred income	1,918	18
Amounts owed to associate undertaking	-	543
Corporation tax (note 8)	332	392
Amounts owed to other group undertakings	313,687	301,742
	<b>315,937</b>	<b>302,695</b>

**15 Provision for liabilities**

	Deferred Taxation	Environ- mental	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2020	241	725	966
Charge in the year	22	(135)	(113)
Released in the year	-	(65)	(65)
<b>At 31 December 2020</b>	<b>263</b>	<b>525</b>	<b>788</b>

Deferred tax is disclosed within note 9

**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.

**16 Share capital**

	2020	2019
	£'000	£'000
<b>Authorised, Allotted, called up and fully paid</b>		
5,279,528 Ordinary shares of £20.00 each (2019 5,279,528 Ordinary shares of £20.00 each)	105,591	105,591
Share Premium	105,591	105,591

**Notes to the financial statements  
for the year ended 31 December 2020 (continued)**

**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 2020 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.