

**COMPANY REGISTRATION NO. 10208076 (England and Wales)**

**MERITOR HOLDINGS UK LTD.**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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**MERITOR HOLDINGS UK LTD.**

**COMPANY INFORMATION**

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<b>Directors</b>	Mr H James Mr M Lei Mr J Ramos
<b>Secretary</b>	NoRose Company Secretarial Services Limited Mr H James (appointed 24 February 2021)
<b>Company number</b>	10208076
<b>Registered office</b>	Grange Road Cwmbran Gwent UK NP44 3XU
<b>Auditor</b>	Deloitte LLP 5 Callaghan Square Cardiff Wales CF10 5BT United Kingdom

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## **MERITOR HOLDINGS UK LTD.**

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## **MERITOR HOLDINGS UK LTD.**

### **STRATEGIC REPORT**

**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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The directors present the strategic report for the year ended 27 September 2020.

#### **Fair review of the business**

The company's principal activity is that of a holding company for certain investments.

During the year the company increased its investment in its immediate subsidiary undertaking, Arvin European Holdings (UK) Limited by £57,901,562. The increase in investment was financed by the issue of 16,770,321 £1 ordinary shares to Brazil Holdings LLC for cash contribution of USD 20,667,240 and 41,131,241 £1 ordinary shares to Meritor Finance (Barbados) Limited for cash contribution of CAD 71,023,371.

#### **Principal risks and uncertainties**

The company is exposed to potential impairments of its underlying investments. The company's investment is in Arvin European Holdings (UK) Limited, if the value of that investment should become impaired because of its own trading results and/or losses on investments, then the company will also incur the risk of an impairment loss. For further details, refer to note 6 to the accounts.

In assessing the net worth of investment in Arvin European Holdings (UK) Limited the directors have used the latest available financial information together with any forecasts alongside other factors such as the overall economy and future prospects together with formal valuations of key indirect investments in determining whether any impairment is necessary.

The company does not use any financial instruments for risk management. As the company is a holding company with negligible purchasing activity, there is no exposure to purchase price risk. The intragroup current account balances are denominated in pounds sterling and are therefore not subject to exchange risk.

#### **Section 172 statement**

Meritor Holdings UK Limited is a holding company and the success of the company is intrinsically linked to the success of its subsidiary undertaking, Meritor Heavy Vehicle Braking Systems (UK) Limited. The s172 statement below is therefore heavily linked to the policies and procedures established in Meritor Heavy Vehicle Braking Systems (UK) Limited

Section 172 of the Companies Act 2006 requires that directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

The directors recognise their responsibilities under the Act and are satisfied they have met their duties regarding these matters. Typically, in large and complex companies such as ours, the directors fulfil their duties through a governance framework that delegates day-to-day decision making to employees of the company. The following paragraphs together with relevant cross-references to the financial statements summarise how the directors have fulfilled their duties.

#### **Our purpose, strategy and consideration of the consequences of decisions for the long term**

Our vision is to be the recognised leader in advanced braking solutions to the global commercial vehicle market which drives our mission of:

- Anticipating customer needs by developing innovative products that provide superior performance, energy efficiency and reliability.
- Provide a leading portfolio of differentiated services supporting our customers' products throughout their life cycle
- Distinguishing ourselves through our ability to consistently deliver on our commitments while also maximising value for our shareholders, customers and employees.

## **MERITOR HOLDINGS UK LTD.**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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Whilst Covid-19 impacted the company's performance in our third quarter, the long-term plans of the company remain unaffected and the approved business plan is focussed on driving product development with the primary aim of weight reduction. In addition to existing product development, the Board recognises the need to invest in emerging technologies such as electrification and elements of our research and development investment is focussed on this key area.

#### **Employees**

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests. Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

#### **Employee participation**

The Company is part of the wider Meritor Inc. Group and is therefore party to Group wide policies on procedures with regard employee participation. Both the Company and the wider Group is committed to investing heavily in its people and it is one of the key pillars of our M2022 strategy ensuring we have engaged, results-driven teams.

The Company is committed to recruiting, developing and retaining a high-performance and diverse workforce through strategic partnerships and collaboration within the business. The goal is to maximise individual and organizational potential within the workforce.

Both the Company and the Group recognise the need to communicate regularly and effectively with employees at all levels and this is conducted at both a Group and Company level.

Group communications include, but are not limited to:

##### *Quarterly All Employee meetings*

All employees are invited to a quarterly meeting where the group CEO and CFO, together with other members of the senior leadership of the Group provide an update on the group covering items such as financial and operational performance, new business wins, strategic update and employee engagement. In addition to being streamed live, these quarterly meetings are available to employees on our intranet site, Bulletin. In addition, on an annual basis this meeting is used to communicate to all employees the annual financial results of the group and how these compare to our stated targets and ultimately on the annual bonus % which all employees are eligible to receive.

##### *All Employee emails*

All employee emails are regularly distributed and cover a wide ranging number of matters including organisational changes, strategic announcements, employee initiatives, industry and company news. This information is also available on our intranet site, Bulletin.

##### *Bulletin*

This is the group's intranet site and is available to all employees and covers a wide range of areas including information about the group, employee development portals, and company and industry news. The intranet also provides access to a wide array of employee engagement and development tools such as e-learning, career opportunities, employee development, employee resources and employee discounts.

In addition to the Group communications, those employees who are employed by the Company also receive additional communications including:

##### *Quarterly all employee newsletters*

These all employee newsletters provide updates from each of the key functions within the Company including an update on the trading position of the company.

##### *Employee bulletin boards*

These boards are used to provide information to employees, particularly those operating on the factory floor and with limited access to the intranet. These cover a wide range of areas including operational and financial performance, employee updates together with any employee vacancies and training.

## **MERITOR HOLDINGS UK LTD.**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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#### *Trade Union*

All employees below management are part of the Trade Union which meets regularly with local leadership to ensure any employee views are considered as part of local decision making including items such as remuneration, working conditions and any other employee related matters.

#### *Disabled persons*

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### *Training and development*

The company encourages all employees to embrace continuous learning of new concepts, skills and behaviours. All employees are provided access to an employee development in addition to formal training programmes which are relevant to their roles.

#### *Health and safety*

Environment, health and safety (EH&S) risk management is a prerequisite for commercial success and forms an integral part of our business strategy. Meritor's commitments are guided by our EH&S Policy, which is global in scope and covers all company entities, affiliates and consolidated joint ventures.

We are committed to complying with all applicable environmental, health and safety laws and regulations and are building a performance-based culture that encourages employees to strive for best practices in EH&S performance. EH&S responsibility and performance are relevant factors in employment, retention, compensation and business decisions. We provide our employees with regular training on EH&S issues.

The operations team works closely with our legal group's environmental compliance experts to ensure we are aware of the latest trends in environmental compliance and sustainability.

More than 60 percent of our manufacturing and distribution facilities are in compliance with ISO 14001 certification. In addition to systematic management of environmental risks under normal operations, ISO certification also requires the adoption and regular verification of emergency plans and procedures and related staff training. These procedures define roles, responsibilities and responses when tackling emergency situations to protect people and the environment.

The environmental certification maintenance process includes a series of external third-party audits, carried out by accredited bodies. The audit process requires annual surveillance monitoring with certification renewal every three years.

#### **Business relationships**

Our mission is clearly focussed on anticipating our customers' needs and providing the highest levels of service. We have in place dedicated client service teams who are responsible for managing our customer relationships ensuring their needs are met. We hold regular meetings with our major customers focussing on key areas such as product quality, delivery times, cost savings plans and future development utilising a scorecard approach to monitor this.

We also recognise the key part that our suppliers play in our mission who are all supported by a dedicated procurement team. We value all our suppliers and have multi-year contracts with our key suppliers.

#### **Business conduct**

As noted above, the company invests heavily in maintaining strong customer and supplier relationships but the directors also recognise the need to ensure the company conducts its business to the highest standard and meets all regulatory and legal requirements. The directors have established appropriate legal, finance and operational teams to ensure that such matters are met.

**MERITOR HOLDINGS UK LTD.**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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**Community and Environment**

The Board recognises that the company is one of the largest employers in the region and a large proportion of our workforce live locally. The company contributes to a number of local initiatives and annually holds an open day for members of the local community to visit the site and view our operations. In addition, the company is a member of the Welsh Automotive Forum meeting regularly to develop a common approach in achieving sustainable continuous improvement for the Automotive Industry in Wales.

The directors' also recognise the impact large international manufacturing businesses have on the environment and the increasing need to assess and indeed address this. Whilst no formal policies or procedures exist with this regard the directors have identified key components of the business which could impact climate change including:

- Transportation of components from suppliers used in the manufacture of the Company's goods and the transportation of finished goods to end customers using both road, sea and freight
- Energy usage during the manufacture of goods and within the administrative offices
- Carbon emissions arising from employees travelling both domestically and internationally

The directors have taken steps to address these matters and will continue to do so in the future including:


- Optimising the utilisation of hauliers to limit the number of deliveries required both in terms of supplies received and shipped. In addition, the company seeks to minimise the use of air freight
- Use of modern technology such as motion sensor lighting to reduce energy usage
- Work with responsible utility providers
- Provision of modern technology such as video calling, webex and skype to reduce the requirement for frequent international and domestic air travel

The directors recognise that this is a continually evolving area and the Company is committed to ensuring it responds appropriately to climate risk.

**Shareholders**

The company is a wholly owned subsidiary of Meritor Inc, a global business listed on the New York Stock Exchange. The vision and mission of the company is aligned with that of Meritor Inc.

Approved by the board and signed on its behalf by



Mr H James

Director

24 June 2021

**MERITOR HOLDINGS UK LTD.**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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The directors present their annual report and audited financial statements for the year ended 27 September 2020.

**Principal activities**

The principal activity of the company is that of a holding company.

**Directors**

The directors who held office during the year and thereafter were as follows:

Mr H James

Mr M Lei

Mr J Ramos

**Results and dividends**

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

**Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date. These provisions apply to directors of parent and subsidiary entities also.

**Financial risk management objectives and policies**

The Company is a holding company of a group of companies and consequently the most significant financial risk is that associated with liquidity. The Company is however part of the Meritor Inc. group ("the Group") and is part of the Group's cash pooling scheme which ensures sufficient funds are available to maintain liquidity.

**Future developments**

The directors expect the general level of activity to remain consistent with 2020 in the forthcoming year.

**Auditor**

Deloitte LLP have expressed their willingness to be re-appointed as auditor and appropriate arrangements have been put in place for them to be deemed appointed as auditor in the absence of an Annual General Meeting.



**MERITOR HOLDINGS UK LTD.**

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

**Going concern**

The world continues to be impacted by the Coronavirus (Covid-19) pandemic and whilst positive developments in vaccinations provide some confidence that there is an end in sight, it is clear that the impact will be felt for the most part of 2021.


As a responsible organisation we continue to consider the impact of Covid-19 with particular regard to our customers, suppliers and employees. Production at the majority of our global manufacturing plants was temporarily suspended at the end of March 2020. Production however resumed in all areas by the end of our final quarter and volumes are now close to or at pre Covid-19 levels recognising that the Truck industry is a vital component of the global economy ensuring food, medical and other relevant supplies are delivered in a timely manner and the need therefore for ensuring trucks are on the road and continue to be manufactured is vital.

Whilst the company is not a manufacturing entity, the directors have considered the impact of Covid-19 on the wider Meritor group (the "Group") and thus the ability of this company to continue as a going concern. The directors have concluded that the company has sufficient resources to continue to trade for at least twelve months from the date of signing the financial statements and meet any liabilities as they fall due. In drawing this conclusion the directors note that:

- Meritor, Inc. group has cash and financing resource available to it exceeding \$1bn;
- The Group has taken appropriate actions to right size the business and reduce the cost base appropriately in light of lower volumes; and
- The company does not manufacture and has limited overheads which the directors are confident can be met as they fall due.

Whilst the company has made a small loss of £8,000 in the year it has net assets of £798,138,000 represented by its investments in fellow group undertakings. The company itself does not generate income but incurs modest professional service fees each year which are settled by fellow Meritor group companies. The directors are confident that this arrangement will continue for the foreseeable future and for at least twelve months from the date of signing the financial statements.

Approved by the board and signed on its behalf by



Mr H James

Director

Date: 24 June 2021

**MERITOR HOLDINGS UK LTD.**

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 the 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**MERITOR HOLDINGS UK LTD.**

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBER OF MERITOR HOLDINGS UK LTD.**

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**Report on the audit of the financial statements**

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- the financial statements of Meritor Holdings UK Ltd (the 'company') give a true and fair view of the state of the company's affairs as at 27 September 2020 and of its loss for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for qualified opinion**

With respect to the carrying value of the company's investment in Arvin European Holdings (UK) Limited ("AEH") of £798,167,000 as at 27 September 2020 and £740,265,000 as at 29 September 2019, the audit evidence available to us was limited because AEH owns a number of subsidiary companies which do not prepare publicly available audited accounts. We were unable to obtain sufficient appropriate audit evidence regarding the investment carrying values as at 27 September 2020 and 29 September 2019 by using other audit procedures.

Consequently, we were unable to determine whether any adjustments to these amounts were necessary. In addition, were any adjustment to the carrying amount of investment be required, the strategic report and directors' report would also need to be amended.

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

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

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **MERITOR HOLDINGS UK LTD.**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF MERITOR HOLDINGS UK LTD.**

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#### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the carrying amount of company's investment in Arvin European Holdings (UK) Limited as at 27 September 2020 and 29 September 2019. We have concluded that where the other information refers to the carrying amount of investment, it may be materially misstated for the same reason.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, based on the work undertaken in the course of the audit:

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

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**MERITOR HOLDINGS UK LTD.**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBER OF MERITOR HOLDINGS UK LTD.**

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

Arising solely from the limitation on scope of our work relating to investment in subsidiary, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept by the company.

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

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

**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.

*David Hedditch*

**David Hedditch (Senior statutory auditor)  
for and on behalf of Deloitte LLP**

**Chartered Accountants  
Statutory Auditor**

Cardiff  
Wales  
United Kingdom

25 June 2021  
**Date** .....

**MERITOR HOLDINGS UK LTD.**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

	Notes	2020 £ 000	2019 £ 000
Administrative expenses		(8)	(12)
Loss before taxation		(8)	(12)
Tax on loss	5	-	-
Loss for the financial year		(8)	(12)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

**MERITOR HOLDINGS UK LTD.**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Loss for the year</b>	<b>(8)</b>	<b>(12)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive expense for the year</b>	<b>(8)</b>	<b>(12)</b>

**MERITOR HOLDINGS UK LTD.****BALANCE SHEET****AS AT 27 SEPTEMBER 2020**

		2020	2019
	Notes	£ 000	£ 000
<b>Fixed assets</b>			
Investments	6	798,167	740,265
<b>Creditors: amounts falling due within one year</b>	8	(29)	(21)
<b>Net current liabilities</b>		(29)	(21)
<b>Total assets less current liabilities, being net assets</b>		<u>798,138</u>	<u>740,244</u>
<b>Capital and reserves</b>			
Called up share capital	9	811,118	753,216
Profit and loss reserves		(12,980)	(12,972)
<b>Total equity</b>		<u>798,138</u>	<u>740,244</u>

The financial statements were approved by the board of directors and authorised for issue on 24 Sep 2021 and are signed on its behalf by:

  
.....  
Mr H James  
Director

Company Registration No. 10208076



**MERITOR HOLDINGS UK LTD.**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

	Notes	Share capital £ 000	Profit and loss reserves £ 000	Total £ 000
<b>Balance at 1 October 2018</b>		753,216	(12,960)	740,256
<b>Year ended 29 September 2019:</b>				
Loss and total comprehensive expense for the year		-	(12)	(12)
<b>Balance at 29 September 2019</b>		753,216	(12,972)	740,244
<b>Year ended 27 September 2020:</b>				
Loss and total comprehensive expense for the year		-	(8)	(8)
Issue of share capital	9	57,902	-	57,902
<b>Balance at 27 September 2020</b>		811,118	(12,980)	798,138

## **MERITOR HOLDINGS UK LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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#### **1 Accounting policies**

##### **Company information**

Meritor Holdings UK Ltd. is a private company limited by shares registered in England and Wales. The registered office is Grange Road, Cwmbran, Gwent, UK, NP44 3XU. The principal activity for the company is stated in the strategic report (page 1).

##### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £ 000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Meritor Inc. These consolidated financial statements are available from its registered office, 2135 West Maple Road, Troy, Michigan, 48064-7186 USA.

The company has taken the exemption provided by Section 401 of the Companies Act 2006 and has not prepared consolidated financial statements on the basis that the company is included in the consolidated financial statements of a larger group and those consolidated financial statements meet the criteria set out in section 401 (2) of the act. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company's accounting reference date is 30 September; the company has taken advantage of the provisions of the Companies Act 2006 (s390(2b)) so that its actual financial year end was 27 September (2019: 29 September).

**MERITOR HOLDINGS UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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**1 Accounting policies**

**(Continued)**

**1.2 Going concern**

The world continues to be impacted by the Coronavirus (Covid-19) pandemic and whilst positive developments in vaccinations provide some confidence that there is an end in sight, it is clear that the impact will be felt for the most part of 2021.

As a responsible organisation we continue to consider the impact of Covid-19 with particular regard to our customers, suppliers and employees. Production at the majority of our global manufacturing plants was temporarily suspended at the end of March 2020. Production however resumed in all areas by the end of our final quarter and volumes are now close to or at pre Covid-19 levels recognising that the Truck industry is a vital component of the global economy ensuring food, medical and other relevant supplies are delivered in a timely manner and the need therefore for ensuring trucks are on the road and continue to be manufactured is vital.

Whilst the company is not a manufacturing entity, the directors have considered the impact of Covid-19 on the wider Meritor group (the "Group") and thus the ability of this company to continue as a going concern. The directors have concluded that the company has sufficient resources to continue to trade for at least twelve months from the date of signing the financial statements and meet any liabilities as they fall due. In drawing this conclusion the directors note that:

- Meritor, Inc. group has cash and financing resource available to it exceeding \$1bn;
- The Group has taken appropriate actions to right size the business and reduce the cost base appropriately in light of lower volumes; and
- The company does not manufacture and has limited overheads which the directors are confident can be met as they fall due.

**1.3 Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

**1.4 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**1.5 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

**MERITOR HOLDINGS UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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**1 Accounting policies**

**(Continued)**

**Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

**Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

**Classification of financial liabilities**

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

**Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**MERITOR HOLDINGS UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

**1 Accounting policies**

**(Continued)**

**Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

**Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.6 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Critical judgements**

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

**Impairment of fixed asset investments**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit or loss as follows: for financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

The carrying amount of the fixed asset investments at the balance sheet date was £798,167,000. No impairment was considered necessary in 2020.

The directors believe that owing to the straightforward nature of the business there are no key sources of estimation uncertainty.

**MERITOR HOLDINGS UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 27 SEPTEMBER 2020**

**3 Operating loss**

	2020	2019
	£ 000	£ 000
Operating loss for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	5	5

**4 Directors' remuneration**

The company has no employees other than the directors (2019: none). The directors are remunerated by other group companies for their services to the group as a whole. It is not practical to allocate their remuneration between the services to the company and other entities in the group.

**5 Taxation**

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£ 000	£ 000
Loss before taxation	(8)	(12)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(2)	(2)
Group relief	2	2
Taxation charge for the year	-	-

The company has £1,944 of tax losses carried forward; no deferred tax asset has been recognised because there is insufficient certainty when the asset will reverse.

As announced in the March 2021 Budget, the tax rate will remain at 19%. The future corporation tax rate from April 2023 is due to increase to 25%. The directors have calculated the deferred tax on the current 19% rate, but do not consider this change to have a material impact on any deferred tax balances held.

**6 Fixed asset investments**

		2020	2019
	Notes	£ 000	£ 000
Investments in subsidiaries	7	798,167	740,265

**MERITOR HOLDINGS UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

**6 Fixed asset investments (Continued)**

**Movements in fixed asset investments**

	<b>Shares in subsidiary undertakings £ 000</b>
<b>Cost or valuation</b>	
At 30 September 2019	753,216
Additions	57,902
	<hr/>
At 27 September 2020	811,118
	<hr/>
<b>Impairment</b>	
At 30 September 2019 & 27 September 2020	12,951
	<hr/>
<b>Carrying amount</b>	
At 30 September 2019 & 27 September 2020	798,167
	<hr/> <hr/>

During the year the company increased its investment in its immediate subsidiary undertaking, Arvin European Holdings (UK) Limited by £57,901,562.

# **MERITOR HOLDINGS UK LTD.**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 27 SEPTEMBER 2020**

### **7 Subsidiaries**

Details of the company's subsidiaries at 27 September 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Arvin European Holdings (UK) Limited	4	Holding company	Ordinary	100.00	-
ArvinMeritor Holdings France SNC	1	Holding company	Arvin European Holdings (UK) Limited 356,365,555 equity interest	-	100.00
Fonderie Venissieux SAS	2	Manufacture of castings	Meritor Holdings France SNC 1,353,110 A shares	-	51.00
Meritor Aftermarket France SAS	1	Aftermarket	ArvinMeritor Holdings France SNC 2,600 ordinary shares	-	100.00
Meritor Axles France SAS	1	Manufacture and supply of truck axles	Meritor Holdings France SAS 32,096,347 ordinary shares	-	100.00
Meritor France SNC	1	Holding company	ArvinMeritor Holdings France SNC 138,018,767 equity interest	-	100.00
Meritor Heavy Vehicle Braking System (UK) Limited	3	Manufacture and supply of braking systems	Meritor Heavy Vehicle Braking Systems (UK) Limited 285,087,156 ordinary shares	-	100.00
Meritor Holdings France SNC	1	Holding company	ArvinMeritor Holdings France SNC 38,499 common shares/Arvin European Holdings (UK) Ltd. 1 ord share	-	100.00
Wilmot Breedon (Holdings) Limited	3	Holding company	Wilmot Breedon (Holdings) Ltd 210,886,349 ordinary shares	-	100.00

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**MERITOR HOLDINGS UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 27 SEPTEMBER 2020**

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

	2020 £ 000	2019 £ 000
Amounts owed to group undertakings	22	11
Accruals and deferred income	7	10
	<u>29</u>	<u>21</u>

**9 Share capital**

	2020 £ 000	2019 £ 000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
811,117,758 (2019 - 753,216,196) ordinary shares of £1 each	<u>811,118</u>	<u>753,216</u>

**Reconciliation of movements during the year:**

At 30 September 2019	753,216
Issue of fully paid shares	57,902
	<u>811,118</u>
At 27 September 2020	<u>811,118</u>

During the year the company issued 57,901,562 ordinary shares for cash consideration of £57,901,562.

**10 Parent company and controlling party**

The immediate parent company of Meritor Holdings UK Ltd is Meritor Brazil Holdings LLC, a company registered in the USA.

The ultimate parent company and ultimate controlling party of Meritor Holdings UK Ltd is Meritor, Inc., incorporated in the United States of America. Meritor, Inc. is also the parent undertaking of the smallest and largest group which includes the company and for which group financial statements are prepared. Copies of the group financial statements of Meritor, Inc. are available from the company's registered address: 2135 West Maple Road, Troy, Michigan, 48064-7186 USA. They can also be downloaded from the website [www.meritor.com](http://www.meritor.com).