Company Registration Number 12434702

HIGHLY MARELLI UK LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2021

ArmstrongWatson®

Accountants, Business & Financial Advisers

HIGHLY MARELLI UK LIMITED

COMPANY INFORMATION

Director	Mr K Kikuchi (appointed 12 October 2023)
Company secretary	LDC Nominee Secretary Limited
Registered number	12434702
Registered office	Highly Marelli UK Limited Units 2 And 3 Stephenson Road Stephenson Industrial Estate Washington Tyne And Wear NE37 3HR
Independent auditor	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors First Floor One Strawberry Lane Newcastle Upon Tyne NE1 4BX
Bankers	JP Morgan Chase Bank 25 Bank Street Canary Wharf London E14 5JP
Solicitors	Eversheds 1 Callaghan Square Cardiff CF10 5BT

HIGHLY MARELLI UK LIMITED

CONTENTS

The following pages do not form part of the statutory financial statements:

HIGHLY MARELLI UK LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The director presents his strategic report for the period ended 31 December 2021.

Principal activities

The principal activity of the company is the design, manufacture, process and assembly of heating and air conditioning (HVAC) units for the automotive industry. The company operates from its main production facility and offices in Sunderland, Tyne & Wear along with an R&D design facility in Llanelli, Wales. The company also operates a small branch office covering R&D and Sales in Guyancourt, France.

Business review

The company was incorporated on 31 January 2020 as a subsidiary of Marelli Automotive Systems UK Limited. The company was incorporated to acquire the heating, ventilation and air conditioning business of Marelli Automotive Systems UK Limited during the period ended 31 December 2020, prior to its disposal to Highly Marelli Shanghai on 31 January 2021, a joint venture owned 40% by Marelli Holdings Limited (a company incorporated in Japan) and 60% by Highly Shanghai (a company incorporated in China).

The company commenced trading on 1 December 2020. These accounts reflect twelve months of operations for the new standalone business as a subsidiary of Marelli Automotive Systems UK Limited.

In the run up to the transfer of the HVAC business from Marelli Automotive Systems UK Limited and the commencement of trading activities of the company, major activity centred around the carve out of the standalone entity. This included sales and purchase contracts (including those of a service nature such as banking), an employee TUPE process, hiring additional employees and establishing long-term and temporary service agreements with Marelli to cover a transitional period.

The loss for the period, after taxation, amounted to £12.3m.

Principal risks and uncertainties

The principal risk for the company is the dependence upon one major customer, although this is mitigated by a long-term contract agreement and further opportunities to expand to new customer business through the strategy of the joint venture.

The company considers the individual company's exposure to price risk, credit risk, liquidity risk and cash flow risk to be low given the support of the Highly Marelli Parent organisation and the Joint Venture owners. It also considers information relating to the company's financial risk management objectives and policies to be immaterial for the assessment of assets, liabilities, financial position and profit and loss of the company. The BREXIT transition period ended in December 2020, has brought with it, additional red tape and import costs in the supply chain used in the UK business.

The company has been impacted in the twelve months of trading and the following financial period by the effect of the COVID-19 global pandemic. Although lockdown restrictions have eased, compared to earlier in the period, global supply chains remain volatile with an expectation that this will take until the end of 2023 to be resolved. The company also has the added problem of operating as a standalone company with the teething problems that this can bring. However, the director is confident that these issues can be overcome where opportunities are maximised and risks are mitigated where possible. The company has since continued to experience lower than usual production volumes subsequent to the end of the financial period as a result of continued supply issues following the COVID-19 pandemic and also the Russia / Ukraine conflict.

Financial key performance indicators

The principal KPI's for 2021 relate to turnover, gross profit and operating profit, as disclosed in the financial statements.

Promoting the success of the company

Under section 172 of the Companies Act 2006 the director has a duty to act in good faith, in a way that is most likely to promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long-term, the interests of the company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the company.

Key decisions made by the director during the financial period, concerned the successful carve out of the former Marelli HVAC business unit to become the standalone entity of Highly Marelli UK Limited (HMUK). As per the business review section, this has included sales and purchase contracts (including those of a service nature such as banking), an employee TUPE process, hiring additional employees and establishing long-term and temporary service agreements with Marelli to cover a transitional period. HMUK has also moved into dedicated offices and work space under a long-term rental agreement with Marelli. Actions were taken to also move HMUK dedicated staff from the Nissan plant into the dedicated work space to allow focus on automation of processes and operating to its own shift patterns.

Additionally, the director has ensured that the company operates under the successful operating process of Marelli, ensuring established trading and supply routes are maintained and business continuity is not impacted by the joint venture carve out process. This being at the same time as beginning a process of operating under the strategic guidance of new ownership and managing the expectations that are emerging.

The director has an unique understanding of the business being a former established senior leader within the Marelli group. The company also continues to leverage expertise from the wider group in order to achieve its objectives.

The company successfully ran a TUPE process to transition the HVAC business unit employees of Marelli Automotive Systems UK Limited into the new organisation. Formal consultation took place with no major issues encountered. Ongoing consultation has taken place also since operating day 1. The senior management team communicate key issues affecting the company via a weekly communication brief and also a works council. Global monthly 'Town Hall' meetings take place to cover the wider group. There are a full range of company policies and procedures available for employees to consult. Under the new joint venture arrangement, these are being developed to suit the needs of the new organisation.

Apart from the joint venture shareholding and the company employees, the company's main stakeholder is Nissan for which it has several commercial agreements across much of their range produced from the Sunderland plant. The company will continue to supply parts to Nissan both directly and indirectly, including Nissan's recent model update to the highly successful Qashqai. The focus for the standalone entity is to maintain an established and excellent working relationship with the Nissan group.

As a company in a key supply chain area within the automotive sector, the director ensures that the business acts ethically towards its customers, suppliers and employees. The move to a dedicated workspace and backing of new part owners has allowed the company to invest in equipment to operate more effectively and in accordance with the requirements of the Nissan site.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

The director considers that the primary focus of the business is still to focus on the relationship with its main customer, but also ensure that the company intensifies its efforts to seek further opportunities and drive further efficiency improvements as the effects of global supply chain issues and the Covid 19 pandemic are reduced. The expectation is to continue to develop as a standalone entity and become less reliant on Marelli support.

On the 13th July 2021, the company changed its name from Marelli Cabin Comfort UK Limited to Highly Marelli UK Limited, along with the transfer of ownership. The company has since continued to experience lower than usual production volumes subsequent to the end of the financial period as a result of continued supply issues following the COVID-19 pandemic and also the Russia / Ukraine conflict.

This report was approved by the board and signed on its behalf.

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Mr K Kikuchi
Director

Date: 4/1/2024

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments 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;
- 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 to 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.

Dividends

The director does not recommend the payment of a dividend in respect of the period ended 31 December 2021.

Directors

The directors who served during the year were:

Mr K Miyanaga (appointed 20 September 2021, resigned 30 September 2023)
Mr P E Paton (resigned 20 September 2021)
Mr B V Vennapusa (resigned 20 September 2021)

Subsequent to the end of the financial period, Mr K Miyanaga was appointed as a director on 20 September 2021 and Mr K Kikuchi was appointed on 12 October 2023. Mr K Miyanaga resigned as director on 30 September 2023.

Future developments

As noted on page 4, the company experienced lower sales volume against budget as a result of the continued difficulties within the automotive industry as a result of COVID-19, which has had a significant impact on the short term profitability of the company. The director is confident that the level of demand will be restored by the end of 2023 once volumes return to expected levels.

On the 13th July 21, the company changed its name from Marelli Cabin Comfort UK Limited to Highly Marelli UK Limited, The company has since continued to experience lower than usual production volumes subsequent to the end of the financial period as a result of continued supply issues following the COVID-19 pandemic and also the Russia / Ukraine conflict.

Significant events

The company was incorporated on 31 January 2020 and the company was dormant until 1 December 2020 when it acquired the heating, ventilation and air conditioning business of its parent company, Marelli Automotive Systems UK Limited. The shares in the company were then transferred to Marelli Corporation on 1 December 2020 as part of a restructuring within the group.

In the one month period of operation, the company began operations as a stand-alone entity, continuing the transfer of process and actions to break from the established Marelli process. The company experienced a number of teething issues when doing so.

One significant issue that effected the financial result of the business related to a line stop at the customer's plant. A provision was booked in the previous financial year based on the interpretation of the terms and conditions of the contract and associated costs of dealing with the line stop to mitigate any further impact. The cause was found to be one of rules written into the ERP system to manage supply were not transferred correctly as part of the pre-JV process. Corrections have been made in the system to prevent the cause from reoccurring (to date no similar issue has taken place), no claim since made by the customer and the provision released during the year.

The company has also impaired the value of its investment in subsidiaries in the year to £nil, following an assessment of the performance of the subsidiaries during the year and subsequent to the year end, along with forecasts of future performance.

Research and development

The company is committed to a policy of research and development and continues to undertake investment in such activities in order to maintain and promote its position in the market for its products. The company also continues to benefit from the strong commitment of the Marelli worldwide group to research and development in order to improve product design, manufacturing processes, cost and quality.

Going concern

The company meets its day-to-day working capital requirements through funding from its parent company. The company is therefore heavily dependent on the funding in place for the global group, a letter of support is currently available. Whilst this creates a material uncertainty which casts significant doubt on the company's ability to continue as a going concern, the director expects that the group will continue to provide this support for a period of one year from signing the financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Despite the losses for the financial year, the company holds a vital position in the group, since it's incorporation it has experienced significant volume reductions and supply issues as previously mentioned. Once the expected level of volume returns, coupled with new business wins for future Nissan models, the company will be a significant contributor for the future success of the group, and also for the region.

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements.

The company's policy is to consult and discuss with employees, through employee meetings, on matters likely to affect employees' interests. Information on matters of concern to employees is given through informal bulletins, reports and team briefings which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

The company regards the occupational health and safety of all employees, contractors and visitors as a fundamental concern for all levels of management. It is therefore the company's primary objective to identify and eliminate, insofar as is reasonably possible, all occupational health and safety hazards.

The company is committed to providing training that enables all staff to do their job effectively and develop their full potential as employees.

The company is committed to providing equal treatment for all employees. All job applicants and employees whether temporary, permanent or agency workers will receive equal treatment regardless of race, colour, ethnic or national origins, religion, sex, marital status, age, sexual orientation or disability. Job applications from disabled persons are always considered fairly and appointments made on the basis of their ability to do the job.

Environment

The company recognises the importance of its environmental responsibilities and has clearly identified environmental issues as an integral part of its corporate business strategy for the design and manufacture of automotive systems and components.

The company will continue to take action to conserve resources through the use of recycled or recyclable material, the elimination or minimisation of waste at source, and the implementation of viable recycling opportunities. In addition, the company is fully committed to the prevention of pollution and to achieving continual improvement in overall environmental performance.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

As noted above, the company has continued to experience lower than usual production levels subsequent to the end of the financial period as a result of continued supply issues of certain components which has continued into 2021 and 2022. The director is confident that volumes will improve during the year ending 31 December 2023.

Whilst the volume reduction has had a significant impact on the financial results of the company, with a continued reduction in both sales and profitability post period end, as mentioned, volumes are expected to improve during the year ending 31 December 2023 onwards, with significant expansion expected in future years following the award of significant business in recent years.

Auditor

The auditor, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

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Mr K Kikuchi
Director

Date: 4/1/2024.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLY MARELLI UK LIMITED

Adverse opinion on the group financial statements and qualified opinion on the company financial statements

We have audited the financial statements of Highly Marelli UK Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, in our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for adverse opinion on the group financial statements, and qualified opinion in respect of the parent company's financial statements

As explained in Note 2 to the financial statements, the directors have not prepared consolidated financial statements for the group which this company controls, because this would have resulted in undue delay. Under FRS102, since there is no publicly available set of consolidated accounts prepared that include the parent company and subsidiaries, the exemption from preparing consolidated accounts is not applicable. The effects of this on the financial statements presented has not been determined, but had the consolidated been prepared the financial statements would have been materially affected.

Our opinion on the parent company's financial statements is also qualified for this matter as the failure to consolidate as stated in Note 2 is a departure from the requirements of FRS102 and the Companies Act 2006. In addition, the directors' report and strategic report do not consider the effects of the failure to consolidate this subsidiary.

Basis for qualified opinion in relation to stock quantities

We were not appointed as auditor of the company until after 31 December 2021 and thus did not observe the counting of physical stocks at the end of the year. We were unable to satisfy ourselves by alternative means concerning the quantities of stocks held at 31 December 2021, which are included in the statement of financial position at £2,663k, by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLY MARELLI UK LIMITED (CONTINUED)

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Our opinion is also qualified in respect of the Directors' report due to the exclusion of Streamlined Energy and Carbon Reporting, which is required under the The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLY MARELLI UK LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Arising from the limitation of our work referred to in the adverse opinion on group financial statements section and qualified opinion on the parent company financial statements we have not obtained all of the information and explanations we consider necessary for the purpose of our audit. We have also not received returns adequate from branches not visited by us.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- the parent 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLY MARELLI UK LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group, including the Companies Act 2006, and taxation legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- reviewed correspondence and filings in relation to the parent company's Operator License; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

We draw your attention to matters described in the basis for adverse opinion section of this report, which describes certain elements of non-compliance with the Companies Act 2006 and FRS102.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

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

Simon Turner (Senior statutory auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Newcastle upon Tyne
Date: 03/04/2024

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**31 December 2021 £**	*11 months ended 31 December 2020 £000*
Turnover	5	**14,305**	*1,577*
Cost of sales		**(14,860)**	*(1,738)*
Gross loss		**(555)**	*(161)*
Administrative expenses		**(5,055)**	*(6,905)*
Exceptional Expenses		**(8,544)**	*(1,575)*
Other Operating Income	6	**1,736**	-
Operating loss	7	**(12,418)**	*(8,641)*
Interest receivable and similar income	9	**5**	-
Interest payable and similar expenses	10	**(46)**	*(2)*
Loss before tax		**(12,459)**	*(8,643)*
Tax on loss	11	**-**	*67*
Loss for the financial year		**(12,459)**	*(8,576)*

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 17 to 37 form part of these financial statements.

HIGHLY MARELLI UK LIMITED
REGISTERED NUMBER: 12434702

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £000		2020 £000
Fixed assets					
Tangible assets	14		5,117		2,188
Investments	15		-		8,015
			5,117		10,203
Current assets					
Stocks	16	2,663		679	
Debtors: amounts falling due within one year	17	3,297		3,217	
Cash at bank and in hand		1,073		2,104	
		7,033		6,000	
Creditors: amounts falling due within one year	18	(11,447)		(3,171)	
Net current (liabilities)/assets			(4,414)		2,829
Total assets less current liabilities			703		13,032
Creditors: amounts falling due after more than one year	19		(1,960)		-
Provisions for liabilities					
Other provisions	20	(133)		(1,963)	
			(133)		(1,963)
Net (liabilities)/assets			(1,390)		11,069
Capital and reserves					
Called up share capital	21		-		-
Share premium account	22		19,645		19,645
Profit and loss account	22		(21,035)		(8,576)
			(1,390)		11,069

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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Mr K Kikuchi
Director

Date: 4/1/2024

The notes on pages 17 to 37 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	-	19,645	(8,576)	11,069
Comprehensive income for the year				
Loss for the year	-	-	(12,459)	(12,459)
Total comprehensive income for the year	-	-	(12,459)	(12,459)
At 31 December 2021	-	19,645	(21,035)	(1,390)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share premium account	Profit and loss account	Total equity
	£000	£000	£000
Comprehensive income for the period			
Loss for the period	-	(8,576)	(8,576)
Total comprehensive income for the period	-	(8,576)	(8,576)
Shares issued during the period	19,645	-	19,645
At 31 December 2020	19,645	(8,576)	11,069

The notes on pages 17 to 37 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Loss for the financial year	**(12,459)**	*(8,576)*
Adjustments for:		
Depreciation of tangible assets	**427**	*3*
Impairments of fixed assets	**8,544**	*6,583*
Interest paid	**(46)**	*2*
Interest received	**5**	-
Taxation charge	**-**	*(67)*
(Increase)/decrease in stocks	**(1,984)**	*477*
(Increase)/decrease in debtors	**(80)**	*1,725*
Increase in creditors	**8,262**	*273*
(Decrease)/increase in provisions	**(1,830)**	*1,742*
Net cash generated from operating activities	**839**	*2,162*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(1,911)**	*(56)*
Interest received	**(5)**	-
Net cash from investing activities	**(1,916)**	*(56)*
Cash flows from financing activities		
Interest paid	**46**	*(2)*
Net cash used in financing activities	**46**	*(2)*
Net (decrease)/increase in cash and cash equivalents	**(1,031)**	*2,104*
Cash and cash equivalents at beginning of year	**2,104**	-
Cash and cash equivalents at the end of year	**1,073**	*2,104*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,073**	*2,104*
	1,073	*2,104*

The notes on pages 17 to 37 form part of these financial statements.

1. General Information

The company undertakes the design, manufacture, and sale of Heating Ventilation and Air Conditioning products for the automotive industry.

The company is a private limited company, incorporated in the United Kingdom and its registered office address is Highly Marelli UK Limited Units 2 And 3 Stephenson Road, Stephenson Industrial Estate, Washington, Tyne And Wear, United Kingdom, NE37 3HR.

2. Statement of compliance

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

The company has prepared standalone financial statements and has not prepared consolidated financial statements for the group for the subsidiaries which the company owns and controls, which would be required under the Companies Act 2006 and under the requirements of FRS102, as obtaining the necessary information for the preparation of group accounts would result in undue delay. Under FRS102, since there is no publicly available set of consolidated accounts prepared that include the parent company and subsidiaries, the exemption from preparing consolidated accounts is not applicable. The director is unable to evaluate the effects of this on the financial statements presented, however, had the consolidated financial statements been prepared, the financial statements would have been materially affected.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements are prepared under the historical cost convention, on a going concern basis, and in accordance with applicable accounting standards. The financial statements are prepared in sterling, which is the functional currency of the company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

As outlined in Note 2, the company has prepared standalone entity accounts and not consolidated financial statements. The financial statements therefore reflect the financial performance of the company only and not the financial performance of its subsidiary undertakings.

3.2 Exemptions for qualifying entities under FRS102

The company discloses transactions with related parties which are not wholly owned within the same group. Under FRS102, the company does not disclose transactions with members of the same group that are wholly owned.

3. Summary of significant accounting policies (continued)

3.3 Going concern

The company had net liabilities of £1,390k at the year end, and net current liabilities of £4,414k following a loss in the year of £12,459k.

The company meets its day-to-day working capital requirements through funding from its parent company. A letter of support has been obtained from its parent company, and the director is satisfied that its parent is able and willing to continue to provide the necessary support to enable the company to continue as a going concern. This support includes amounts of £2,296k owed to fellow group undertakings which would not be called in were this to endanger the company's ability to continue as a going concern, and also the provision of further funds where required.

3.4 Foreign currency

a) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

b) Transactions and balances

Transactions denominated in foreign currencies are translated into sterling at the actual exchange rates at the date of the transaction. Assets and liabilities in foreign currencies have been translated into sterling at rates of exchange ruling at the end of the financial period. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is taken to the profit and loss account.

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of discounts, taking into consideration each specific customer, the type of transaction and the specific contractual arrangements in place.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the company.

Tooling contracts

Turnover is recognised on tooling contracts when the tools have been completed and accepted by the customer, this is deemed to be when the company obtains the right to consideration. Profit on tooling contracts is recognised when the final outcome of the contract can be assessed with reasonable certainty, which is also normally deemed to be when the tools are complete and accepted by the customer.

Tooling contract balances included in inventories comprise costs incurred on tooling contracts, net of amounts transferred to cost of sales, after deducting foreseeable losses and related payments on account. Costs include all direct material and labour costs incurred in bringing a contract to its state of completion at the period end. Provisions for estimated losses on contracts are made in the period in which such losses are foreseen. The amount by which provisions for foreseeable losses exceed costs incurred, after transfer to cost of sales are included with provisions for liabilities and charges.

3. Summary of significant accounting policies (continued)

3.6 Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

3.7 Share capital

Ordinary shares are classified as equity.

3.8 Research and development

Expenditure on research and development is expensed as incurred, in accordance with the policy choice available under FRS102.

3.9 Employee benefits

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

The company also provides a range of other benefits to employees, including a salary sacrifice scheme, paid holiday arrangements and a number of other short term benefits.

3. Summary of significant accounting policies (continued)

3.10 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted:

a) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.11 Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These items are disclosed separately to provide further understanding of the financial performance of the company.

3.12 Goodwill

Goodwill represents the difference between the consideration payable for the purchase of the trade and assets and liabilities of the business and the fair value of the underlying assets and liabilities acquired. The fair values used by the company in the valuation were based on a professional third party consultant valuation at the date of the acquisition, Goodwill is typically amortised to the profit and loss account over a period of 10 years, representing the estimated useful economic life of the assets acquired. However, in 2020 the goodwill value was fully amortised following an impairment review.

3. Summary of significant accounting policies (continued)

3.13 Tangible fixed assets

Tangible assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised. The fixed assets acquired as part of the acquisition of the company's trade are stated at the values assigned to the assets as part of the fair value exercise performed as part of the legal transfer.

a) Plant and machinery and fixtures, fittings, tools and equipment

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

b) Depreciation and residual values

Depreciation on tangible fixed assets is calculated so as to write off the cost, or valuation, on a straight line basis over the expected useful economic lives of the assets. The principal annual rates used for this purpose are:

Plant and machinery	- 10% - 33%
Fixtures and fittings	- 10% - 20%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

c) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

d) Assets not yet in use

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

e) De-recognition

Tangible assets are de-recognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

f) Impairment of fixed assets

Impairment is calculated as the difference between the carrying value (being the depreciated cost) of fixed assets and their recoverable value. Recoverable value is the higher of the net realisable value and the value in use of the assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis. If incurred, impairment is recognised in the profit and loss

3. Summary of significant accounting policies (continued)

3.13 Tangible fixed assets (continued)

account.

3.14 Fixed asset investments

Fixed asset investments are included at cost less accumulated impairment losses.

The company evaluates its investments on an annual basis for indicators of impairment, reflecting the financial performance of the subsidiary undertakings and future profitability forecasts. Impairment is calculated as the difference between the carrying value (being historical cost) of fixed asset investments and their recoverable value. Recoverable value is the higher of the net realisable value and the value in use of the assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis. If incurred, impairment is recognised in the profit and loss account as an exceptional item.

3.15 Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Inventory on consignment and their related obligations are recognised in current assets and current liabilities respectively on acceptance of the consignment inventory when the risks and rewards of ownership pass to the company.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, to the original impairment loss, and is recognised as a credit in the profit and loss account.

3.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

3. Summary of significant accounting policies (continued)

3.17 Provisions and contingencies

a) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any other item included in the same class of obligations may be small.

In particular:

i. Provision is made for customer warranty claims based on historical claim data and with reference to the relevant warranty period for each specific customer.

ii. Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

iii. Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current markets assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

b) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources of that the amount cannot be reliably measured at the reporting date or (i) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised unless certain. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

3.18 Financial instruments

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

a) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, amounts owed by group undertakings and investments in commercial paper, are initially recognised at

3. Summary of significant accounting policies (continued)

3.18 Financial instruments (continued)

transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

b) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies 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 receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

c) Offsetting

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

4. Critical accounting judgements and estimation uncertainty

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

a) Critical accounting estimates and assumptions

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

Provision for warranties for products

Provision is made for the estimated liability arising on all known warranty claims. Provision is also made, using past experience, for potential warranty claims on all sales up to the balance sheet date.

Inventory provisions

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Provisions for inventory are updated each period by management and updated for changes in the economic environment in which the company operates.

Impairment of investments in subsidiaries

Due to losses incurred by the company's subsidiary both during the year and after the year end, the investment in that subsidiary has been impaired to nil.

Accounting for fixed asset addition acquired under a long term lease
During the year the company acquired a leasehold asset in exchange for consideration taking the form of a long term loan payable to the company's parent. The directors have assessed that the useful life of this asset is substantially covered by the term of the lease, being 20 years, and have therefore accounted for the asset as a finance lease.

5. Turnover

All of the turnover and operating loss originated in the UK and was to UK based customers and relates entirely to the company's principal activity.

6. Other operating income

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Other operating income	**161**	-
Sundry income	**1,575**	-
	1,736	-

Provisions were made in the prior year for claims made by the company's main customer for line stoppages. This liability was subsequently settled at a lower amount and as such the balance of the liability has been released to profit and loss in the year.

7. Operating loss

The operating loss is stated after charging:

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Foreign exchange loss	**145**	*3*
Research & development expenditure	**468**	*90*
Auditors' remuneration for audit services	**33**	*41*

8. Employees and directors

Staff costs were as follows:

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Wages and salaries	**3,148**	*287*
Social security costs	**249**	*19*
Other pension costs	**189**	*7*
	3,586	*313*

The average monthly number of employees, including the directors, during the year was as follows:

	31 December 2021 No.	*11 months ended 31 December 2020 No.*
Manufacturing	**77**	*77*
Design and development	**9**	*9*
Administration	**12**	*12*
	98	*98*

Directors

The emoluments of the Directors are paid by Marelli Automotive Systems UK Ltd (MSUK). The Directors services to the Company and to a number of fellow subsidiaries below the ultimate parent company are of a non-executive nature and their emoluments and retirement benefits are deemed to be wholly attributable to their services to MSUK and the Group. Services directly attributable to the Company are a negligible proportion of those provided to the Group, accordingly no emoluments or retirement benefits are disclosed in these financial statements.

Key management personnel remuneration during the year was £242,764 (2020: £Nil).

9. Interest receivable

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Other interest receivable	**5**	-
	5	-

10. Interest payable and similar charges

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Other interest payable	**17**	-
On intercompany loans	**29**	*2*
	46	*2*

11. Taxation income

(a) Tax income included in profit or loss

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Current tax on profits for the year	-	-
	-	-
UK corporation tax for the period		
Total current tax expense	-	-
Deferred tax		
Origination and reversal of timing differences	-	*(67)*
Impact of change in tax rate	-	-
Total deferred tax	-	*(67)*
Total tax	-	*(67)*

11. Taxation income (continued)

(b) Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than *(2020 - higher than)* the standard rate of corporation tax in the UK of 19% *(2020 - 19%)*. The differences are explained below:

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Loss on ordinary activities before tax	**(12,459)**	*(8,643)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**(2,367)**	*(1,642)*
Effects of:		
Expenses not deductible for tax purposes	**1,623**	*1,251*
Effect of differential tax rates	**(322)**	*-*
Movement in deferred tax asset not recognised	**1,066**	*324*
Total tax charge for the year/period	**-**	*(67)*

(c) Tax rate changes

Following the Chancellor's budget in March 2021 the rate of UK corporation tax remained at 19% until April 2023 and thereafter increased to 25%. These changes were substantively enacted on 24 May 2021 as result any deferred tax assets and liabilities have been remeasured to the rate at which they are expected to crystallise. These changes are considered non-underlying due to it arising from a material legislative change, and its treatment is consistent with that applied in relation to previous corporation tax rate changes

(d) Deferred tax asset

At 31 December 2021, the company had a deferred tax asset not exceeding £1,351k (2020: £324k) relating to tax losses. The director has reviewed future forecasts and considered the recoverability of the deferred tax asset. Despite more positive performance after the year end, there remains doubt over the recoverability of this asset and as such it has not been recognised.

12. Exceptional expenses

Included within net operating expenses are exceptional items charged to the profit and loss account of 2021: £Nil (2020 - £1,575,000). The exceptional items consist of the following:

	31 December 2021 £000	*11 months ended 31 December 2020 £000*
Impairment of fixed assets	**529**	-
Impairment of investment in subsidiaries	**8,015**	-
Provision for line stoppage	-	*1,575*
	8,544	*1,575*

In the prior year a fair value was recognised in respect of assets acquired as part of a business combination. The directors consider that these assets are impaired and therefore have recognised this impairment in profit and loss in the year.

The company has also impaired the value of its investment in subsidiaries in the year to £nil, following an assessment of the performance during the year and subsequent to the year end, along with forecasts of future performance.

Provisions were made in the prior year for claims made by the company's main customer for line stoppages. This liability was subsequently settled at a lower amount and as such the balance of the liability has been released to profit and loss in the year (see note 6).

13. Intangible assets

	Goodwill £000
Cost	
At 1 January 2021	**6,583**
At 31 December 2021	**6,583**
Amortisation	
At 1 January 2021	**6,583**
At 31 December 2021	**6,583**
Net book value	
At 31 December 2021	**-**
At 31 December 2020	-

14. Tangible fixed assets

	Long-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Assets not yet in use £000	Total £000
Cost or valuation					
At 1 January 2021	-	827	5	1,359	2,191
Additions	1,978	-	-	1,907	3,885
Transfers between classes	-	1,916	-	(1,916)	-
At 31 December 2021	1,978	2,743	5	1,350	6,076
Depreciation					
At 1 January 2021	-	3	-	-	3
Charge for the year on owned assets	93	334	-	-	427
Impairment charge	-	529	-	-	529
At 31 December 2021	93	866	-	-	959
Net book value					
At 31 December 2021	1,885	1,877	5	1,350	5,117
At 31 December 2020	-	*824*	*5*	*1,359*	*2,188*

In the prior year a fair value was recognised in respect of assets acquired as part of a business combination. The directors consider that these assets are impaired and therefore have recognised this impairment of £529k in profit and loss in the year.

Certain assets are purchased but not immediately put into use. These assets are held as assets not yet in use until they are put into use, at which point they are transferred into their appropriate asset class.

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2021	**8,015**
At 31 December 2021	**8,015**
Impairment	
Charge for the period	**8,015**
At 31 December 2021	**8,015**
Net book value	
At 31 December 2021	-
At 31 December 2020	*8,015*

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Highly Marelli USA Inc	305 Stanley Boulevard, Building 2, Shelbeyville, TN 37160.	Manufacturer of vehicle inputs	Ordinary	100%

Following an impairment review which assessed past performance and forecasts for future performance, the directors have fully impaired the value of the investment in the company's subsidiary.

16. Inventories

	2021 £000	2020 £000
Raw materials and consumables	**2,447**	*588*
Work in progress	**166**	*60*
Finished goods and goods for resale	**50**	*31*
	2,663	*679*

There is no significant difference between the replacement cost of inventory and their carrying amounts. Inventories are stated after provisions for impairment of £163,000 (2020 - £101,000).

17. Debtors

	2021 £000	2020 £000
Trade debtors	**491**	*67*
Amounts owed by group undertakings	**2,081**	*1,959*
Other debtors	**376**	*1,191*
Prepayments and accrued income	**349**	*-*
	3,297	*3,217*

Amounts due to and from group undertakings relating to inter-company trading balances are unsecured, interest free and repayable on demand. Trade debtors are stated after provisions for impairment of £Nil.

18. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	**1,127**	*818*
Amounts owed to group undertakings	**6,611**	*1,902*
Other taxation and social security	**41**	*143*
Other creditors	**155**	*308*
Accruals and deferred income	**3,513**	*-*
	11,447	*3,171*

Amounts due to and from group undertakings relating to inter-company trading balances are unsecured, interest free and repayable on demand. Also included in amounts due to group undertakings are loans from the parent company, Highly Marelli Japan Corporation amounting to £2,273k (2020: £983k). These loans are unsecured and repayable within one year and incur interest at a rate of 3% per annum.

19. Creditors: Amounts falling due after more than one year

	2021 £000	*2020 £000*
Amounts owed to group undertakings	1,960	-
	1,960	-

The amounts owed to group undertakings are payable in more than 5 years, and are secured against certain fixed assets held by the company. Interest accrues at 2.55% per annum.

20. Provisions for liabilities and charges

	Warranty £000	Line stoppage £000	Total £000
At 1 January 2021	388	1,575	1,963
Charged to profit or loss	133	-	133
Utilised in year	(388)	(1,575)	(1,963)
At 31 December 2021	133	-	133

(a) Provision for warranty claims

The company's products are sold with a warranty period of 3 to 5 years. The warranty provision represents the expected cost of warranty claims for sales made prior to 31 December 2021. The provision is expected to be utilised in the next five years.

(b) Provision for line stoppage

During the prior period, the company has made provision for the expected costs to be incurred as a result of a line stoppage at its main customer, following an issue with the company's ERP system. The provision was subsequently settled at nil.

21. Called up share capital

	2021 £000	*2020 £000*
Allotted, called up and fully paid		
7 *(2020 - 7)* Ordinary shares of £1.00 each	-	-

22. Reserves

Share premium account

Following the incorporation of the company, the Company issued additional £1 ordinary shares in exchange for the transfer of various assets and liabilities from Marelli group entities giving rise to a share premium account.

23. Capital commitments

	2021 £000	2020 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	10
	-	10

24. Commitments under operating leases

The company leases part of a building under a non-cancellable operating lease. The initial lease period is for a term of 60 months. As at 31 December 2021, the company had the following future minimum lease payments under non-cancellable operating leases:

	2021 £000	2020 £000
Payments due		
Not later than 1 year	34	132
Later than 1 year and not later than 5 years	144	539
In more than five years	-	1,470
	178	2,141

The company had no other off-balance sheet arrangements.

25. Related party transactions

The company has taken the exemption under FRS102 not to disclose transactions with related parties that are within the Marelli worldwide group, which are at arm's length.

26. Ultimate parent undertaking

The immediate parent undertaking at 31 December 2021 was Marelli Holdings Co Limited.

In the opinion of the director there is no ultimate controlling party.