



Albion Automotive Limited

Registration Number SC144986

**Annual Report
and
Financial Statements**

**Year Ended
31 December 2022**



ALBION AUTOMOTIVE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

| INDEX | PAGE |
|--|-------------|
| Company Details | 1 |
| Corporate statement | 2 |
| Strategic Report | 3 - 6 |
| Directors' report | 7 - 9 |
| Directors' responsibilities statement | 10 |
| Independent auditor's report to the members of Albion Automotive Limited | 11 - 15 |
| Profit and loss account | 16 |
| Statement of comprehensive income | 16 |
| Balance sheet | 17 |
| Company statement of changes in equity | 18 |
| Principal accounting policies | 19 - 25 |
| Notes to the financial statements | 26 – 39 |

ALBION AUTOMOTIVE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Company Details

| | |
|-----------------------------|--|
| Company Registration Number | SC144986 |
| Registered Office | 4 th Floor 115 George Street Edinburgh Scotland EH2 4JN |
| Directors | G.J. McFarlane M.J. Kuta |
| Company Secretary | Broughton Secretaries Limited M.K.Paroly |
| Bankers | Citibank NA Citigroup Centre Canada Square London E14 5LB |
| Solicitors | MacRoberts LLP Capella 60 York Street Glasgow G2 8JX |
| Independent Auditor | Deloitte LLP Statutory Auditor 110 Queen Street Glasgow G1 3BX United Kingdom |
| Communications Advisor | Martin Hayes and Associates |
| Web site | http://www.aam.com |

ALBION AUTOMOTIVE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Corporate Statement

Albion Automotive Limited is a niche supplier of automotive components, specialising particularly in the manufacture and assembly of truck, van and bus axles and vehicle and engine components.

We are the direct descendant of Albion Motors, the pioneering vehicle manufacturer founded in 1899. As such we embody a proud tradition of innovation, quality and customer service. Today, we have a skilled labour force, including an engineering capability and manufacturing facility in Glasgow.

Many of our customers are leading European producers of trucks, vans and buses.

Our aim is to develop and grow our business for the benefit of customers, suppliers, employees and shareholders alike.

ALBION AUTOMOTIVE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Review of Developments and Future Prospects

The key strategic objective of the company is to diversify the business and look to new markets.

Albion Automotive Limited recorded a profit before pension and taxation for the year of £1,484,000 (2021 – profit of £622,000).

Sales volumes continued to grow in 2022 with volumes 10% higher than 2021. These factors allowed the business to continue to achieve an Operating Profit growth in 2022, despite increasing inflation. Higher costs of materials were mitigated with increased prices to customers.

The company was also able to continue to award employees pay rises and help with the increases in cost of living and paid a one off payment to all employees.

The company had been awarded new business in 2020 from the expertise gained from developing gears for the electric car market. This was a two year contract, which has been completed with a very successful outcome for the business. This contract represented 8.2% of turnover in 2022 (2021 – 6.8%). This has been commended within the AAM Group and the company is now being considered to take on future business won by AAM globally. We also did not make any compulsory redundancies following the completion of this contract.

2022 was a good year for cash generation, allowing the company to fully repay the unsecured loan by April 2023.

In June 2023 Leyland Trucks communicated with Albion that they would not be extending the Axle Supply Contract which ends October 2024. This contract represented 73% of Albion sales in 2022. Albion is now active with the Parent Company to evaluate replacement business options and ensure Albion remains as a going concern.

Albion Automotive Limited recorded a loss after pension and taxation for the year of £2,439,000 (2021 – profit of £1,753,000). The pension fund recorded a loss of £3,923,000 (2021 – profit £1,131,000).

The Company pension asset in 2022 is £3,665,000 (2021 - £19,898,000).

The Company also maintained its Quality assured status renewing its IATF 16949 accreditation.

ALBION AUTOMOTIVE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Key performance indicators

Key Performance Indicators include the Management of Working Capital and Productivity.

| | 2022 | 2021 | Measure |
|--------------------|-------|-------|---|
| Current Ratio | 2.6 | 1.5 | Current Assets/Current Liabilities (less Group loans) |
| Inventory Turnover | 8.1 | 8.6 | Turnover/Inventory |
| Debtor Days | 38.7 | 36.8 | Trade Debtors/Average Sales |
| Creditor Days | 10.5 | 9.4 | Trade Creditors/Average Cost of Sales |
| Sales per Employee | 305.7 | 260.0 | Turnover/Average number of Employees |

Current Ratio: Unsecured loan balance outstanding balance reduced by £2 million in 2022.

Release of deferred income during 2022, from investment made by one of our customers.

Inventory Turnover: Change in mix, due to completion of the contract in the electric car market.

Debtor Days: Days increased due to continued increase in orders from Gear Component Customer with longer payment terms. The company continues to have a low bad debt, with no overdue balances.

Creditor Days: Balances are higher due to increased prices, no change in payment terms with suppliers.

Sales per Employee: 2022 had increased Sales in the first half of the year from Gear Component Customer.

Risks and Uncertainties

The Company manufactures automotive components specialising particularly in the manufacture and assembly of truck, van and bus axles and vehicle components.

The principal risks and uncertainties affecting the business include the following:

Brexit and Supply chain: The Company source components from Europe and India.

The impact of the United Kingdom leaving the European Union continues to have complications with some delays with customs clearance, requirement to hold additional inventory and changes to duty rates. Our contracts with our Customers have specific inflation clauses to minimise the effect of increased inventory and custom charges on profit margins.

ALBION AUTOMOTIVE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Risks and Uncertainties (continued)

Competitive Risk: The Company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the Company. The Company works closely with all Customers to ensure quality and delivery as per their requirements.

We are under continuing pressure by our Customers to reduce our prices, which is a common practice in the automotive industry. The majority of our products are sold under long-term supply contracts and certain contracts require us to reduce our prices in subsequent years. A major impact of this is that one of our long-term supply contracts is not being renewed beyond September 2024.

The company is now striving to secure new business both within the UK market and also with the support of AAM Group and their worldwide contracts. The company's very successful completion of the contract within the electric car market puts it in a prime position to replace this business with internal opportunities within the AAM Group.

Raw Material availability and prices: The Company takes advantage of the American Axle Group Global footprint to access the best prices from Global markets. This Global footprint continues to be expanded, however we may need to rely on suppliers in local markets that have not yet proven their ability to meet our requirements. These supply chain characteristics make us susceptible to supply shortages and price increases.

Environmental Risks: The company is subject to various laws and regulations regarding, among other things, emissions to air, discharge to waters and treatment and disposal of waste. There is the potential for expenditure to be required to comply with evolving environmental, health and safety laws that could be implemented in the future by governmental authorities. The Company has undertaken projects to reduce air leaks, updating and repairing the equipment, to reduce electricity consumption. Successful completion of environmental audit.

During 2022 the Company maintained the accreditation for ISO14001:2004 Environmental Management System and this has been continued through 2023. This is now covered under the ultimate parent company certification.

ALBION AUTOMOTIVE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Going Concern

As described further in the 'Principal accounting policies' section of the financial statements, the company has a formal letter confirming the ongoing ultimate parent company support for the next 12 months from signature of these financial statements, the directors have satisfied themselves that the ultimate parent company has the necessary financial resources to provide this support during this period, should it be required.

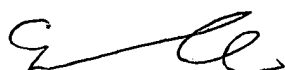
The Directors have prepared budgets and forecasts for 2024, which have been approved by the ultimate holding company which show the Company has adequate resources internally and through its association with the ultimate parent company to continue in operational existence for the next 12 months.

However, due to the communication from Leyland Trucks that they will not be renewing their contract beyond October 2024, and the significant value of this contract, the directors acknowledge that in the absence of replacement business options for 2025 and beyond, a material uncertainty exists which may cast significant doubt about the company's ability to continue as a going concern, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

The Directors are now active with the ultimate parent company to evaluate replacement business options for 2025 and beyond to continue in operational existence for the foreseeable future.

The company continues to adopt the going concern basis of accounting in preparing the financial statements.

Approved by the Board and signed on its behalf by



Director G. J. McFarlane

Date:- 14th December 2023

ALBION AUTOMOTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal Activities

The Company's principal activities during the year to 31 December 2022 were the manufacture and assembly of truck, van and bus axles and vehicle and engine components.

Dividends

No dividends were paid or proposed during the year or prior year.

Directors

The Directors of the Board who served during the year and to the date of this report are set out below:

G.J. McFarlane

M.J. Kuta (Appointed 1st May 2023)

M.K. Simonte (Resigned 24th March 2023)

Directors' Indemnities

The Company has made qualifying third party provisions for the benefit of its directors which were in place during the year and remain in force at the date of this report. This also includes all Directors from the Parent Company.

Future Developments; Risks and uncertainties

The future developments and key risks and uncertainties for the Company can be found in the strategic report.

Events after the balance sheet date

Refer to note 17 in the notes to the accounts for further details on events after the balance sheet date.

ALBION AUTOMOTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Employment of Disabled Persons

The Company gives every consideration to applications for employment from handicapped or disabled persons who are able to meet the requirements of the job. Where an employee becomes disabled whilst employed by the Company every effort is made in order to re-settle that employee in a suitable post. The Company always endeavours to ensure that disabled employees benefit from training and career development programmes in common with all employees.

Employee Involvement

Good and effective employee communications is considered to be important and it is the Company's policy to promote the understanding and involvement of all its employees in the Company's business aims and performance.

Meetings are held on a regular basis to discuss the financial position and future prospects of the Company. Also, at these meetings the opportunity is given to employees to question senior executives on matters that concern them.

The company continues to be committed to initiatives that foster a culture of inclusion and develop a more diverse workforce. In 2022 we committed to understanding and valuing the differences and improving the representation of women and Generation Z in our organisation.

Financial Instruments

The Company's principal financial assets are bank balances and trade debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Company has a relatively concentrated credit risk, with exposure spread over a small number of customers with high credit-ratings assigned by international credit-rating agencies.

The Company's principal financial liabilities are trade creditors and amounts owed to the ultimate parent company in respect of which interest is applied at a variable rate linked to the Bank of England Base Rate.

In the normal course of business the Company obtains certain supplies and makes certain sales in Euros. The Company does not enter into forward currency contracts, although to manage the risk of foreign exchange movements, the US parent company enters into forward currency contracts in accordance with the group treasury and risk management policy.

ALBION AUTOMOTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Independent Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information as defined in the Companies Act 2006 of which the Company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any 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.

Deloitte LLP, being eligible, offer themselves for reappointment in accordance with the transitional arrangements of the Companies Act 2006, following an elective resolution previously passed in accordance with section 386 of the Companies Act 1985.

Approved by the Board and signed on its behalf by



Director G.J. McFarlane

Date:- 14th December 2024

ALBION AUTOMOTIVE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 FRS102 "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 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; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBION AUTOMOTIVE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Albion Automotive Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- 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;
- the statement of accounting policies; and
- the related notes 1 to 17.

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 opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBION AUTOMOTIVE LIMITED (CONTINUED)

Material uncertainty related to going concern

We draw attention to the principal accounting policies in the financial statements concerning the company's ability to continue as a going concern, which cross references to the going concern section of the Strategy Report. These indicate that the entity has lost a key contract post year end, which represented 73% of revenues in 2022 with 8% of revenues in 2022 also non-recurring, and therefore there is a requirement for the company to evaluate future business options. As stated in the principal accounting policies, these events or conditions, along with the other matters as set forth in the principal accounting policies and the Strategic report, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBION AUTOMOTIVE LIMITED (CONTINUED)

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBION AUTOMOTIVE LIMITED (CONTINUED)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our specific procedures performed to address it are described below:

- We presume a risk of material misstatement due to fraud related to revenue recognition, pinpointed to the cut-off assertion. In response to this presumed risk, substantively tested whether revenue had been recognised in the proper accounting period through focusing our sample selections on pre and post year-end sales.

Extent to which the audit was considered capable of detecting irregularities, including fraud (cont.)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBION AUTOMOTIVE LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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.

Matters on which we are required to report by exception

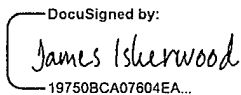
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

19750BCA07604EA...

James Isherwood (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
14 December 2023

ALBION AUTOMOTIVE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

| | <u>Note</u> | <u>2022</u> <u>£'000</u> | <u>2021</u> <u>£'000</u> |
|--|-------------|-----------------------------|-----------------------------|
| Turnover | 1 | 35,154 | 29,935 |
| Cost of sales | | (32,312) | (28,329) |
| Gross profit | | 2,842 | 1,606 |
| Distribution costs | | (199) | (164) |
| Administrative expenses | | (1,310) | (1,137) |
| Other Income | | 1,324 | 1,627 |
| Operating profit | | 2,657 | 1,932 |
| Finance cost | 3 | (1,548) | (1,519) |
| Net pension finance income | 14 | 375 | 209 |
| Profit before taxation | | 1,484 | 622 |
| Tax on Profit | 5 | (3,923) | 1,131 |
| (Loss)/Profit after taxation for the year | | <u>(2,439)</u> | <u>1,753</u> |

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

| | <u>Note</u> | <u>2022</u> <u>£'000</u> | <u>2021</u> <u>£'000</u> |
|---|-------------|-----------------------------|-----------------------------|
| (Loss)/Profit on ordinary activities after taxation | | (2,439) | 1,753 |
| Actuarial (loss)/profit relating to pension scheme | 14 | (15,690) | 4,525 |
| Movement on deferred tax relating to pension scheme liability | | 3,923 | (1,131) |
| Total comprehensive (expense)/income for the year | | <u>(14,206)</u> | <u>5,147</u> |

The accompanying accounting policies and notes form an integral part of these financial statements.

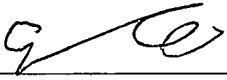
ALBION AUTOMOTIVE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

| | <u>Note</u> | <u>2022</u> <u>£'000</u> | <u>2021</u> <u>£'000</u> |
|--|-------------|-----------------------------|-----------------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 813 | 1,206 |
| Current assets | | | |
| Stock | 8 | 4,320 | 3,480 |
| Debtors | 9 | 5,823 | 5,517 |
| Cash at bank and in hand | | 1,717 | 1,615 |
| | | 11,860 | 10,612 |
| Creditors: | | | |
| Amounts falling due within one year | 10 | (105,518) | (106,704) |
| Net current liabilities | | (93,658) | (96,092) |
| Total assets less current liabilities | | (92,845) | (94,886) |
| Provisions for liabilities | 11 | (351) | (337) |
| Deferred Tax liabilities | | - | - |
| Pension asset | 14 | 3,665 | 19,898 |
| Net liabilities | | (89,531) | (75,325) |
| Capital and reserves | | | |
| Called up share capital | | 4,096 | 4,096 |
| Profit and loss account | | (93,627) | (79,421) |
| Shareholders' deficit | | (89,531) | (75,325) |

The financial statements of Albion Automotive Limited, registered number SC144986, were approved by the Board of Directors and authorised for issue on 14th December 2023.

They were signed on its behalf by: 
Director G.J. McFarlane

The accompanying accounting policies and notes form an integral part of these financial statements.

ALBION AUTOMOTIVE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 DECEMBER 2022

| | Note | Share Capital £'000 | Profit and loss account £'000 | Total £'000 |
|---|-------------|------------------------------------|--|------------------------|
| At 1 January 2021 | | 4,096 | (84,568) | (80,72) |
| Profit for the year ended 31 December 2021 | | - | 1,432 | 1,432 |
| Actuarial profit on defined pension plan | 14 | - | 4,525 | 4,525 |
| Movement on deferred tax relating to pension scheme liability | | - | (810) | (810) |
| Total comprehensive income | | - | 5,147 | 5,147 |
| At 1 January 2022 | | 4,096 | (79,421) | (75,325) |
| Loss for the year ended 31 December 2022 | | - | (2,439) | (2,439) |
| Actuarial loss on defined pension plan | 14 | - | (15,690) | (15,690) |
| Movement on deferred tax relating to pension scheme liability | | - | 3,923 | 3,923 |
| Total comprehensive expense | | - | (14,206) | (14,206) |
| At 31 December 2022 | | 4,096 | (93,627) | (89,531) |

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2022

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

Albion Automotive Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private Company limited by shares and is registered in Scotland. The address of the registered office is given on page 1. The nature of the company operations and its principal activities are set out in the directors' report on pages 7 to 9.

The functional currency of the Company is considered to be pounds sterling because it is the currency of the primary economic environment in which the Company operates.

Albion Automotive Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to, financial instruments, presentation of a cash-flow statement, and remuneration of key management personnel.

Going Concern

The company's business activities together with the factors likely to affect its future development, performance and position are set out in the business review which forms part of the Directors Report.

The directors have considered that the ultimate parent company continues to have adequate resources to provide funding and that they have received a letter of support from them confirming ongoing support of the Company for 12 months from the signing of the financial statements.

The Directors have prepared budgets and forecasts for 2024, which have been approved by the ultimate holding company which show the Company has adequate resources internally and through its association with the ultimate parent company to continue in operational existence for the next 12 months.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Going Concern (Continued)

However, due to the communication from Leyland Trucks that they will not be renewing their contract beyond October 2024, and the significant value of this contract, the directors acknowledge that in the absence of replacement business options for 2025 and beyond, a material uncertainty exists which may cast significant doubt about the company's ability to continue as a going concern, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

The Directors are now active with the ultimate parent company to evaluate replacement business options for 2025 and beyond to continue in operational existence for the foreseeable future.

As described within the strategic report, inherent uncertainties exist within the company's future projections, primarily in relation to future levels of demand related to production volumes from the Company's key customers. At 31 December 2022, the Company's current liabilities exceeded its current assets by £93.7 million (2021: £96.0 million).

Turnover

Turnover represents the net invoiced value of goods sold during the year, stated net of value added tax and trade discounts. Revenue is recognised when control of the goods has passed to the buyer and the amount can be measured reliably. All revenue is recognised on a point in time basis. None of the Company's contractual arrangements lead to revenue being recognised over time.

Tangible fixed assets

Tangible fixed assets are recorded at cost less depreciation and any impairment. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives in equal annual instalments.

The periods generally applicable are:

| | | |
|------------------------------|---|--|
| Leasehold land and buildings | - | over the remaining life of the lease – 4 years. |
| Plant and equipment | - | charged systematically in accordance with usage on a machine hours basis, estimated to be over 12 years. |
| Tooling | - | over 3 years if short lived and 6 years if it is programme specific. |

Assets in the course of construction are not depreciated until the asset is completed and brought into use. Provision is made for any impairment, which is recognised in the profit and loss account.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Leased assets

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over the shorter of the lease term or their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Financial instruments (continued)

- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the rate ruling at the date of the transaction. Translation differences are taken to the profit and loss account. Amounts receivable or payable at the year end are translated at the exchange rate ruling at the balance sheet date.

Research and development

Research expenditure is charged to the profit and loss account in the year in which it is incurred. All development costs are also charged to the profit and loss account in the year in which they are incurred.

Warranty Provision

The provision for warranty costs are based on level of historical payments for the number of years contracted warranty.

Stock and work in progress

Stock and work in progress is valued at the lower of cost or net realisable value. Cost comprises all expenditure incurred in purchasing or producing the stock and bringing it to its current state, including an appropriate allocation of relevant production overheads. Cost is calculated using the FIFO (First-in, First-out) method. Provision is made for possible obsolescence or surplus stock by reference to predicted usage.

Pensions

Amounts charged to the profit and loss are the current service costs and any gains or losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as net finance costs. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The defined benefit plan is funded, with the assets of the plan held separately from those of the Company, in a separate trustee administered fund. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Pensions (continued)

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit plan pension asset is presented on the balance sheet. The contribution levels have been determined by qualified actuaries and further details are available in Note 14 to the financial statements.

Current taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Other Income

Other Income is recognised on the accrual model and measured at the fair value of the income received or receivable.

Critical accounting judgements and key sources of uncertainty

In the application of the company's accounting policies, which are described in the notes to the financial statements, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent in 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.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Critical accounting judgements and key sources of uncertainty (continued)

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the Company's accounting policies

In the opinion of the directors there are no critical accounting judgements made in applying the Company's accounting policies that require disclosure in the financial statements.

Key source of estimation uncertainty

The defined pension scheme assets are being used to generate investment returns relative to the scheme's liabilities. They are a key source of estimation due to the uncertainty and fluctuations of the market. The most material actuarial assumptions are the discount rate, inflation rate and mortality and sensitivity analysis is a significant estimate. At the year-end these assets have been measured at current market value. The liabilities of the scheme are estimated on assumptions as detailed in note 14.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. Turnover

Turnover relates to the manufacture and assembly of truck, van and bus axles and vehicle and engine components. Turnover is stated net of VAT. Turnover represents the sale of goods which have been physically delivered to the customer.

The directors are of the opinion that there is only one class of business for the company.

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Turnover analysed by geographical market as follows | | |
| UK | 26,309 | 22,720 |
| Rest of Europe | 8,845 | 7,215 |
| | <u>35,154</u> | <u>29,935</u> |

2. Profit on ordinary activities before taxation

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Auditor's remuneration | | |
| - Fees payable to the Company's auditor for the audit of the Company's annual accounts | 84 | 78 |
| - Fees payable to the Company's auditor for taxation compliance services | 10 | 10 |
| - Other assurance services | - | - |
| Depreciation | | |
| - Owned assets | 609 | 428 |
| Gain on sale of Fixed Assets | - | 47 |
| Operating lease rentals | | |
| - Land and buildings | 473 | 496 |
| - Plant and equipment | 99 | 112 |
| Gain on foreign exchange | 28 | 40 |
| Government grants payable | - | 95 |
| Inventory recognised as an expense | 31,616 | 27,003 |
| Stock written off | 13 | 38 |

Included within the above figures incurred by the Company are audit fees for £4,440 (2021 - £4,440) and taxation compliance fees of £1,560 (2021 - £1,560) estimated to relate to the immediate parent company, Albion Automotive (Holdings) Limited.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3. Finance cost

| | 2022 | 2021 |
|--|---------------------|---------------------|
| | <u>£'000</u> | <u>£'000</u> |
| Interest payable on group current activities | 1,548 | 1,519 |

4. Directors and employees

Certain directors are remunerated by the parent company, AAM International Holdings Inc. In the opinion of the directors it is not practical to separately apportion the emoluments relating to their services to Albion Automotive Limited.

The average monthly number of employees (including executive directors) were:

| | 2022 | 2021 |
|----------------|----------------------|----------------------|
| | <u>Number</u> | <u>Number</u> |
| Production | 110 | 110 |
| Distribution | 1 | 1 |
| Administration | 4 | 4 |
| | <u>115</u> | <u>115</u> |

This aggregate remuneration comprised

| | 2022 | 2021 |
|--------------------|---------------------|---------------------|
| | <u>£'000</u> | <u>£'000</u> |
| Wages and salaries | 4,317 | 4,166 |
| Social security | 395 | 362 |
| Pension costs | 58 | 2,667 |
| | <u>4,770</u> | <u>7,195</u> |

In addition to the above pension costs, an actuarial loss of £15,690,000 (2021 – actuarial profit of £4,525,000) has been recognised in the Statement of Comprehensive Income and a FRS102 net finance income of £375,000 (2021 - £209,000) has been recognised in the profit and loss account (Note 15).

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

4. Directors and employees (continued)

Directors' remuneration was paid as follows: -

| | 2022 <u>£'000</u> | 2021 <u>£'000</u> |
|--|----------------------|----------------------|
| Emoluments | 209 | 166 |
| Company contribution to defined benefit pension scheme | 5 | 4 |

During the year one director (2021 – 1) participated in the company's defined benefit pension scheme. At the end of the year the director has accrued pension entitlement of £42,459 (2021 £39,507).

5. Tax on profit

| | 2022 <u>£'000</u> | 2021 <u>£'000</u> |
|--|----------------------|----------------------|
| Current tax on profit | | |
| UK Corporation tax | - | - |
| Adjustments in respect of prior years | | |
| UK Corporation tax | - | - |
| Total current tax | - | - |
| Deferred Tax | | |
| Original and reversal of timing difference | 3,923 | (1,131) |
| Adjustments in respect of prior years | - | - |
| Total current tax | 3,923 | (1,131) |

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5. Tax on profit (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the Profit before Tax is as follows:

| | 2022 £'000 | 2021 £'000 |
|--|-----------------------------|-----------------------------|
| Profit before tax | 1,484 | 622 |
| Tax at 19% (2021 – 19%) thereon | 282 | 118 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1 | 280 |
| Group Relief | - | - |
| Deferred Tax written off | 3,923 | (1,131) |
| Deferred Tax not recognised | (283) | (398) |
| | <hr/> | <hr/> |
| Tax charge for the year | <u>3,923</u> | <u>(1,131)</u> |

The Finance Act 2022 and 2023, receiving Royal Assent on 24 February 2022 and 10 January 2023 respectively, will have no impact on the corporation tax figures. UK Corporation Tax Rate increased from 19% to 25% on 1 April 2023 for Companies with profits over £250,000. The 19% rate became a small profit rate payable by Companies with profits of £50,000 or less.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6. Dividends and other appropriations

No dividends or appropriations were made in the year (2021: £ nil)

7. Tangible fixed assets

| | Short Leasehold Land and Buildings £'000 | Plant and Equipment and Tooling £'000 | Assets in course of construction £'000 | Total £'000 |
|------------------------------------|--|--|---|----------------|
| Cost | | | | |
| At 1 January 2022 | 136 | 13,048 | 225 | 13,409 |
| Addition at cost | - | 139 | 77 | 216 |
| Transfers | - | 225 | (225) | - |
| Disposals at cost | (1) | (573) | - | (574) |
| At 31 December 2022 | 135 | 12,839 | 77 | 13,051 |
| Accumulated depreciation | | | | |
| At 1 January 2022 | 136 | 12,067 | - | 12,203 |
| Provided in year | - | 609 | - | 609 |
| Disposals | (1) | (573) | - | (574) |
| At 31 December 2022 | 135 | 12,103 | - | 12,238 |
| Net book value at 31 December 2022 | - | 736 | 77 | 813 |
| Net book value at 31 December 2021 | - | 981 | 225 | 1,206 |

8. Stocks

| | 2022 £'000 | 2021 £'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumable stores | 3,349 | 2,448 |
| Work in progress | 566 | 642 |
| Finished goods | 405 | 390 |
| | 4,320 | 3,480 |

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9. Debtors

| | 2022 | 2021 |
|-------------------------------------|--------------|--------------|
| | <u>£'000</u> | <u>£'000</u> |
| Amounts due within one year: | | |
| Trade debtors | 5,237 | 4,234 |
| Amounts owed by fellow subsidiaries | 13 | - |
| Prepayments and accrued income | 573 | 1,283 |
| | <u>5,823</u> | <u>5,517</u> |

The amounts owed by group companies have no fixed repayment date, are interest free and unsecured.

10. Creditors: amounts falling due within one year

| | 2022 | 2021 |
|---|----------------|----------------|
| | <u>£'000</u> | <u>£'000</u> |
| Trade creditors | 1,302 | 1,017 |
| Amounts owed to ultimate parent company | 101,035 | 99,157 |
| Purchases from fellow subsidiary | - | 426 |
| Amounts owed to Bank | 1,000 | 3,000 |
| Social security and other taxes | 803 | 652 |
| Accruals | 1,378 | 2,452 |
| | <u>105,518</u> | <u>106,704</u> |

The amounts owed to group companies have no fixed repayment date, are interest free and unsecured.

The amounts owed to Bank have no fixed repayment date, are interest bearing at a rate of SONIA plus 3.6193% (2021 – SONIA plus 3.5326%) and unsecured.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

11. Provisions for liabilities

| | 2022 | 2021 |
|---|---------------------|---------------------|
| | <u>£'000</u> | <u>£'000</u> |
| Redundancy Provision | | |
| Opening provision | 51 | - |
| Additional provision in the year | 72 | 51 |
| Provision utilised in the year | (15) | - |
| Provision (released) in the year | - | - |
| | <u> </u> | <u> </u> |
| Closing Provision | 108 | 51 |
| | <u> </u> | <u> </u> |
| Warranty Provision | | |
| Opening provision | 286 | 169 |
| Additional provision in the year | 89 | 270 |
| Provision utilised in the year | (110) | (57) |
| Provision (released) in the year | (22) | (96) |
| | <u> </u> | <u> </u> |
| Closing Provision | 243 | 286 |
| | <u> </u> | <u> </u> |
| Total provisions for liabilities | <u>351</u> | <u>337</u> |

The redundancy provision is expected to be utilised within 6 months of the balance sheet date.

The warranty provision represents estimated costs in respect of product rectification and is expected to be utilised within 3 years of the balance sheet date.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

12. Share capital

| | 2022 | 2021 |
|---|---------------------|---------------------|
| | <u>£'000</u> | <u>£'000</u> |
| Called up, allotted and fully paid | | |
| 4,096,000 (2021 – 4,096,000) Ordinary shares of £1 (2021 - £1) each | <u>4,096</u> | <u>4,096</u> |

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

13. Leasing commitments

At 31 December 2022 the Company had total future minimum lease payments under non-cancellable operating leases as follows:

| | Land and Buildings | | Plant and equipment | |
|--------------------------------------|---------------------------|---------------------|----------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Within one year | 571 | 508 | 46 | 57 |
| Between two and five years inclusive | 952 | 847 | 47 | 98 |
| Later than five years | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>1,523</u> | <u>1,355</u> | <u>93</u> | <u>155</u> |

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

14. Pension costs

The Company operates the Albion Automotive Limited Pension Plan, a defined benefit pension plan for the benefit of its employees. The assets of the plan are administered by trustees in funds independent from those of the company. Pension costs are assessed in accordance with the advice of qualified actuaries.

The FRS 102 accounting and disclosure is based on an approximate projection of the plan's liabilities from the results of the formal valuation as at 31 March 2021, updated for:

- The plan assets values as at the accounting date;
- changes to the assumptions (and hence the FRS 102 liabilities) arising from market value movements;
- the estimated impact of increases to pensionable salaries and pensions in payment; and
- the level of contributions paid and other cash flows to the accounting date.

A full actuarial valuation was carried out at 31 March 2021 and updated to 31 December 2022 by a qualified independent actuary.

The Company introduced salary sacrifice for employee contributions. Under this arrangement the Company pays contributions on behalf of the members who elected to participate in this arrangement. Members contribute as set out in the Plan's Rules.

Pension contributions under FRS 102 for the year ended 31 December 2022, amounted to £127,000 (2021 - £134,000 plus a one-off contribution of £2,500,000).

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

14. Pension costs (continued)

The main assumptions used by the actuary at the balance sheet date were as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Discount rate | 5.00% | 1.90% |
| Rate of salary increase | 3.40% | 3.65% |
| Rate of increase of pensions in payment (LPI 3.0%) | 2.25% | 2.60% |
| Rate of increase of pensions in payment (LPI 5.0%) | 2.95% | 3.30% |
| Rate of increase of pensions to deferment | 2.55% | 2.80% |
| Inflation | 3.15% | 3.40% |

| Mortality Assumptions | <u>2022</u> <u>Years</u> | <u>2021</u> <u>Years</u> |
|------------------------------|-----------------------------|-----------------------------|
| Males – non pensioners | 22.3 | 22.3 |
| Males – pensioners | 20.8 | 20.7 |
| Female – non pensioners | 25.0 | 25.0 |
| Female – pensioners | 23.3 | 23.3 |

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit pension plan is as follows:

| | <u>2022</u> <u>£'000</u> | <u>2021</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Present value of defined benefit obligations | (67,776) | (107,515) |
| Fair value of the plan assets | 71,441 | 127,413 |
| Surplus | 3,665 | 19,898 |
| Net Asset recognised in the balance sheet | 3,665 | 19,898 |

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

14. Pension costs (continued)

Plan assets

The weighted average asset allocation at the year end was as follows:

| Asset category | 2022 % | 2021 % |
|-----------------------------|-------------------|-------------------|
| Equities | 20% | 20% |
| Bonds & Cash (blended rate) | 80% | 80% |
| Total | <u>100%</u> | <u>100%</u> |

| Fair Value of Assets | 2022 £'000 | 2021 £'000 |
|-----------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | 1,879 | 2,696 |
| Equity Instruments | 14,095 | 25,699 |
| Debt Instruments | 41,927 | 83,419 |
| Real estate | 4,555 | 7,930 |
| Other | 8,985 | 7,669 |
| Total | <u>71,441</u> | <u>127,413</u> |

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

14. Pension Costs (continued)

| | 2022 | 2021 |
|--|---------------|----------------|
| | £'000 | £'000 |
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | 107,515 | 108,896 |
| Current service cost | 588 | 684 |
| Loss on settlements | - | - |
| Loss on curtailments/changes/introductions | - | - |
| Interest cost | 2,007 | 1,660 |
| Member contributions | 3 | 3 |
| Settlement Payments | - | - |
| Actuarial gains/(losses) | (43,564) | 1,698 |
| Experience Adjustment | 4,988 | (1,877) |
| Benefits paid | (3,761) | (3,549) |
| | <u>67,776</u> | <u>107,515</u> |

| | 2022 | 2021 |
|--|---------------|----------------|
| | £'000 | £'000 |
| Change in Plan assets | | |
| Fair value of Plan assets at beginning of year | 127,413 | 122,516 |
| Interest Income | 2,382 | 1,869 |
| Administrative Expenses | (457) | (406) |
| Settlement payments from the plan | - | - |
| Actuarial (losses)/gains | (54,266) | 4,346 |
| Employer contributions | 127 | 2,634 |
| Member contributions | 3 | 3 |
| Benefits paid | (3,761) | (3,549) |
| | <u>71,441</u> | <u>127,413</u> |

ALBION AUTOMOTIVE LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

14. Pension costs (continued)

The expected rate of return on Plan assets is the average rate of return expected over the remaining life of the related obligation on the actual assets held by the Plan. It includes both income and changes in fair value but is net of plan investment expenses. It is based on market expectations at the beginning of the reporting year. This assumption is used to determine the expected return on assets for the pension expense.

Amounts recognised in the profit and loss account in respect of the defined benefit pension scheme are as follows

| Components of pension cost | 2022 £'000 | 2021 £'000 |
|--|-----------------------|-----------------------|
| Current service cost | 588 | 684 |
| Loss on settlements | - | - |
| Loss on curtailments/changes/introductions | - | - |
| Net Interest | (375) | (209) |
| Administration expenses | 457 | 406 |
| | <hr/> | <hr/> |
| Total pension cost recognised in the P&L account | 670 | 881 |
| | <hr/> | <hr/> |
| Actuarial loss/(profit) immediately recognised | 15,690 | (4,525) |
| | <hr/> | <hr/> |
| Total pension cost/(income) recognised in the SOCI | 15,690 | (4,525) |
| | <hr/> | <hr/> |

The estimated amounts of contributions expected to be paid during the 2023 financial year is £127,000 (2022 - £127,000).

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

15. Transactions with related parties

As a wholly owned subsidiary of Albion Automotive (Holdings) Limited, the Company is exempt from the requirements of Section 33 of Financial Reporting Standard 102 (FRS 102) to disclose transactions with other members of the group headed by Albion Automotive (Holdings) Limited and with other members of the group incorporating its holding company, American Axle & Manufacturing Holdings Inc.

16. Controlling related party

The ultimate parent undertaking of the Company and its controlling related party is American Axle & Manufacturing Holdings Inc., a company registered in the USA. American Axle & Manufacturing Holdings Inc. heads the largest and smallest group preparing consolidated accounts, including the results of the Company. These consolidated accounts are available from its registered offices for all groups at 1 Dauch Drive, Detroit, Michigan, USA.

The immediate parent undertaking of the Company, by virtue of owning the Company's entire share capital, is Albion Automotive (Holdings) Limited, a company registered in the United Kingdom. The registered address is 1187 South Street, Glasgow, Scotland, G14 0DT.

66% of the issued share capital of Albion Automotive (Holdings) Limited is pledged to JP Morgan Chase Bank, N.A. in accordance with AAM's credit facility.

17. Events after the balance sheet date

Bank Loan – repayment of £1 million, paid in April 2023, has been made to clear the bank loan with Citibank.

In June 2023, Leyland Trucks communicated with the company that they would not be extending the axle supply contract which ends in October 2024. The company is active with the ultimate parent undertaking to evaluate replacement business options for 2025 and the foreseeable future.