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**Albion Automotive Limited**  
**Registration Number SC144986**

**Annual Report  
and  
Financial Statements**

**Year Ended  
31 December 2020**



**ALBION AUTOMOTIVE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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<b>INDEX</b>	<b>PAGE</b>
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 2020**

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**Company Details**

Company Registration Number	SC144986
Registered Office	4 <sup>th</sup> Floor 115 George Street Edinburgh Scotland EH2 4JN
Directors	M.K. Simonte G.J. McFarlane G.S. Deveson (Resigned 13 <sup>th</sup> July 2021)
Company Secretary	Broughton Secretaries Limited David Eugene Barnes
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	<a href="http://www.aam.com">http://www.aam.com</a>

**ALBION AUTOMOTIVE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**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 2020**

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##### **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 loss after taxation for the year of £4,291,000 (2019 – loss of £4,245,000). Business levels were significantly reduced in 2020 due to the COVID-19 pandemic, with sales reduced by 19% from previous year.

Albion manufacturing plant was closed for 7 weeks in 2020 due to the COVID-19 pandemic. The Company claimed under the UK Government's Job Retention Scheme for furlough payments for those employees affected, and payments of £379,324 were received during 2020. During this period all associates of the Company were compensated with full salary. The Company continued to supply customers with service vehicle requirements during the lock down periods of 2020.

Production volumes did not recover to quarter 1, 2020 levels after the closure, but there was recovery to around 80% of the level pre-pandemic in quarter 4 of 2020.

In January 2020 the parent company made a strategic decision to move production of gears for Passenger Car Electric Vehicles from Albion to its plant in Poland. The transfer was delayed due to the COVID-19 pandemic, however the equipment transfer was completed by the end of the financial year. The value of the assets transferred was £2,187,000. There has also been an impairment of £350,000 of other assets purchased for this project but not included in the asset transfer.

This transfer of business resulted in redundancies in December 2020, with a loss of 28 jobs, redundancy cost in the year was £642,400. Grants previously received from Scottish Enterprise, for investing in this business, were provisioned for repayment in 2021 for £230,000.

The company gained new business in 2020 from the expertise gained from developing gears for the electric car market. The business was won on the quality of the product and the short lead time to production. This investment was made in the second half of 2020 by our customer allowing the plant to commence production February 2021.

The development work and improved processes for this product has improved 2021 margins. Sales volumes continue to grow in 2021 with Axles volumes 10% higher and Gear components 54% higher than 2020. These factors will allow the business to return to Operating Profit in 2021.

## ALBION AUTOMOTIVE LIMITED

### STRATEGIC REPORT

#### FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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#### Review of Developments and Future Prospects (cont.)

The Company pension asset in 2020 is £13,620,000 (2019- £16,056,000) this is due to the contribution of £12,300,000 made in 2015 to cover past service deficit contributions.

During 2020 the Company maintained the accreditation for ISO14001:2004 Environmental Management System and this has been continued through 2021. This is now covered under the ultimate parent company certification.

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

#### Key performance indicators

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

	2020	2019	Measure
Financial			
Current Ratio	1.4	1.2	Current Assets/Current Liabilities (less Group loans).
Inventory Turnover	8.4	7.3	Turnover/Inventory
Debtor Days	33.0	24.0	Trade Debtors/Average Sales
Creditor Days	10.7	7.0	Trade Creditors/Average Cost of Sales
Sales per Employee	206.0	216.0	Turnover/Average number of Employees

Current Ratio: transfer of assets for £1,463,000 in December 2020 increased the ratio by 0.2.

Inventory Turnover: increase due to a reduction in inventory caused by increased orders from customers and delay in receiving material from India due to continuing COVID-19 pandemic.

Debtor Days: Days increased due to longer payment terms with Gear Component Customer.

Creditor Days: extended delivery timing from Indian suppliers increased the time until payment.

Sales per Employee: Due to the COVID-19 Pandemic production was stopped for 7 weeks and did not return to forecast levels until quarter 4.

## **ALBION AUTOMOTIVE LIMITED**

### **STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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##### **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 has seen complications in customs clearance and requirement to hold additional inventory during these transitional lead times. Our contracts with our Customers have specific inflation clauses to minimise the effect of increased inventory and custom charges on profit margins.

The increase in economic activity and continued effects of COVID-19 in Asia has significantly impacted the cost and lead time to freight components from India. The Company has been impacted with reduced margins in the first half of 2021. The inflationary clauses within the contracts will reduce the impact on the second half of the year. There have been some delivery shortages which has required changes to working patterns to recover.

**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 are 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. If we must accommodate a customer's demand for higher annual price reductions and are unable to offset the impact of any such reductions through continued technology improvements, cost reductions and other productivity initiatives our results of operations and financial condition could be adversely affected.

We look to mitigate some of these risks through the initiative of lean manufacturing business philosophy designed to facilitate cost reductions, improve quality, reduce inventory and improve our operating flexibility. This is whilst continued work toward requirements to meet tighter fuel efficiency emissions standards through more advanced innovation and design by meeting these through advanced product, process and systems technology.

**Raw Material availability and prices:** The Company takes advantage of the American Axle Group Global footprint to access the best prices from Global markets.

**Environmental Risks:** The Company has undertaken projects to reduce utilisation of carbon-based fuels with LED lighting and out-sourcing of Heat Treatment processes to increase efficiency.

**ALBION AUTOMOTIVE LIMITED**

**STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**Going Concern**

As described further in the 'Principal accounting policies' section of the financial statements, on the basis of having received 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. Therefore, the directors have a reasonable expectation that the Company has adequate resources internally and through its association with the ultimate parent company to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements based on the long-term trading and support of the parent company.

Approved by the Board and signed on its behalf by



Director G J McFarlane

Date:- 29.09.21



# **ALBION AUTOMOTIVE LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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

#### **Principal Activities**

The Company's principal activities during the year to 31 December 2020 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:

M.K. Simonte

G.J. McFarlane

G.S. Deveson (Resigned 13<sup>th</sup> July 2021)

#### **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 18 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 2020 (CONTINUED)**

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##### **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.

##### **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 and US Dollars. 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 2020 (CONTINUED)**

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**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:- 29.09.21

## **ALBION AUTOMOTIVE LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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**

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### **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 2020 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 18.

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)**

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### **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.

### **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.

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

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

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

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

### **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 about their own identification and assessment of the risks of irregularities.

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, we assessed the design and implementation of key controls around revenue cut-off, and substantively tested whether revenue had been recognised in the proper accounting period through focusing our sample selections on pre and post year-end sales.

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

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### **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.

### **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.

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

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**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  
[Date]

29 September 2021 | 19:29:44 BST

**ALBION AUTOMOTIVE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
Turnover	1	25,732	31,577
Cost of sales		(26,400)	(32,958)
<b>Gross loss</b>		(668)	(1,381)
Distribution costs		(132)	(175)
Administrative expenses		(2,099)	(1,329)
Grant Income		379	-
<b>Operating loss</b>		(2,520)	(2,885)
Finance cost net	3	(2,097)	(1,953)
Net pension finance income	15	326	593
<b>Loss before taxation</b>		(4,291)	(4,245)
Tax on loss	5	(324)	(574)
<b>Loss after taxation for the year</b>		<u>(4,615)</u>	<u>(4,819)</u>

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
Loss on ordinary activities after taxation		(4,615)	(4,819)
Actuarial (loss) relating to pension scheme	15	(1,667)	(4,227)
Movement on deferred tax relating to pension scheme liability		317	719
<b>Total recognised (loss) relating to the year</b>		<u>(5,965)</u>	<u>(8,327)</u>

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

# ALBION AUTOMOTIVE LIMITED

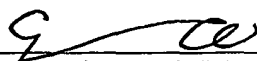
## BALANCE SHEET

AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
<b>Fixed assets</b>			
Tangible assets	7	720	3,675
<b>Current assets</b>			
Stock	8	3,060	4,341
Debtors	9	6,521	3,809
Cash at bank and in hand		1,216	701
		10,797	8,851
<b>Creditors:</b>			
Amounts falling due within one year	10	(105,440)	(102,901)
<b>Net current liabilities</b>		(94,643)	(94,050)
<b>Total assets less current liabilities</b>		(93,923)	(90,375)
Provisions for liabilities	11	(169)	(188)
Deferred Tax liabilities	12	-	-
Pension asset	15	13,620	16,056
<b>Net liabilities</b>		(80,472)	(74,507)
<b>Capital and reserves</b>			
Called up share capital		4,096	4,096
Profit and loss account		(84,568)	(78,603)
<b>Shareholders' deficit</b>		(80,472)	(74,507)

The financial statements of Albion Automotive Limited, registered number SC144986, were approved by the Board of Directors and authorised for issue on 29.09. 2021.

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 2020**

	<u>Note</u>	<u>Share Capital £'000</u>	<u>Profit and loss account £'000</u>	<u>Total £'000</u>
<b>At 1 January 2019</b>		4,096	(70,276)	(66,180)
Loss for the year ended 31 December 2019		-	(4,819)	(4,819)
Actuarial loss on defined pension plan	15	-	(4,227)	(4,227)
Movement on deferred tax relating to pension scheme liability		-	719	719
<b>Total comprehensive expense</b>		-	(8,327)	(8,327)
<b>At 1 January 2020</b>		4,096	(78,603)	(74,507)
Loss for the year ended 31 December 2020		-	(4,615)	(4,615)
Actuarial loss on defined pension plan	15	-	(1,667)	(1,667)
Movement on deferred tax relating to pension scheme liability		-	317	317
<b>Total comprehensive expense</b>		-	(5,965)	(5,965)
<b>At 31 December 2020</b>		<u>4,096</u>	<u>(84,568)</u>	<u>(80,472)</u>

## **ALBION AUTOMOTIVE LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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 share-based payments, financial instrument, and presentation of a cash-flow statement, intra-group transactions 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.

As 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 it is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **ALBION AUTOMOTIVE LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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##### **Going Concern (Continued)**

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 2020, the Company's current liabilities exceeded its current assets by £94.6 million (2019: £94.0 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 15 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 2020 (CONTINUED)**

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##### **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 2020 (CONTINUED)**

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##### **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 2020 (CONTINUED)**

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##### **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 2020 (CONTINUED)**

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##### **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.

##### **Government Grants**

Government grants are recognised on the accrual model and are measured at the fair value for the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

##### **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 2020 (CONTINUED)**

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**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. 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 15.

# ALBION AUTOMOTIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 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.

	2020 £'000	2019 £'000
Turnover analysed by geographical market as follows		
UK	19,520	22,913
Europe	6,212	8,664
	<u>25,732</u>	<u>31,577</u>

#### 2. Loss on ordinary activities before taxation

	2020 £'000	2019 £'000
Loss 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	78	57
- Fees payable to the Company's auditor for taxation compliance services	10	10
- Other assurance services	3	-
Depreciation		
- Owned assets	985	670
Gain on sale of Fixed Assets	59	-
Operating lease rentals		
- Land and buildings	484	473
- Plant and equipment	112	108
Gain/(Loss) on foreign exchange	65	(69)
Government grants received	(379)	-
Government grants payable	230	-
Research and development costs	-	335
Stock written off	161	110

Included within the above figures incurred by the Company are audit fees for £4,440 (2019 - £3,250) and taxation compliance fees of £1,560 (2019 - £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 2020 (CONTINUED)**

**3. Finance cost net**

	<b>2020</b>	<b>2019</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Interest payable on group current activities	2,097	1,953

**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:

	<b>2020</b>	<b>2019</b>
	<b><u>Number</u></b>	<b><u>Number</u></b>
Production	120	142
Distribution	1	1
Administration	4	4
	<u>125</u>	<u>147</u>

This aggregate remuneration comprised

	<b>2020</b>	<b>2019</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Wages and salaries	4,854	5,067
Social security	382	483
Pension costs	220	242
	<u>5,456</u>	<u>5,792</u>

In addition to the above pension costs, an actuarial loss of £1,667,000 (2019 – actuarial loss of £4,227,000) has been recognised in the Statement of Comprehensive Income and a FRS102 net finance income of £326,000 (2019 - £593,000) 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 2020 (CONTINUED)**

**4. Directors and employees (continued)**

Directors' remuneration was paid as follows:-

	2020 £'000	2019 £'000
Emoluments	146	148
Company contribution to defined benefit pension scheme	4	4

During the year one director (2019 – 1) participated in the company's defined benefit pension scheme. At the end of the year the director has accrued pension entitlement of £36,839 (2019 £51,089).

**5. Tax on loss**

	2020 £'000	2019 £'000
<b>Current tax on profit</b>		
UK Corporation tax	-	-
Adjustments in respect of prior years UK Corporation tax	7	161
<b>Total current tax</b>	7	161
<b>Deferred Tax</b>		
Original and reversal of timing difference	317	719
Adjustments in respect of prior years	-	(306)
<b>Total current tax</b>	317	413
	324	574

**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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**5. Tax on loss (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:

	<b>2020</b>	<b>2019</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Loss before tax	(4,291)	(4,245)
Tax at 19% (2019 – 19%) thereon	(815)	(807)
Effects of:		
Expenses not deductible for tax purposes	3	220
Group Relief	(7)	(145)
Deferred Tax written off	317	719
Deferred Tax not recognised	826	587
	<hr/>	<hr/>
Tax charge for the year	<b>324</b>	<b>574</b>
	<hr/>	<hr/>

UK Corporation Tax Rate remained at 19%. However, the Finance Bill 2021 includes an increase in the main rate of corporation tax and marginal relief to 25%, which will be relevant for any asset sales or timing differences expected to reverse on or after 1 April 2023.

**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**6. Dividends and other appropriations**

No dividends or appropriations were made in the year (2019: £ nil)

**7. Tangible fixed assets**

	<b>Leasehold Land and Buildings £'000</b>	<b>Plant and Equipment and Tooling £'000</b>	<b>Assets in course of construction £'000</b>	<b>Total £'000</b>
Cost				
At 1 January 2020	191	18,025	769	18,985
Addition at cost	-	155	62	217
Transfers	-	769	(769)	-
Disposals at cost	(43)	(5,665)	-	(5,708)
At 31 December 2020	148	13,284	62	13,494
Accumulated depreciation				
At 1 January 2020	185	15,125	-	15,310
Provided in year	6	979	-	985
Disposals	(43)	(3,478)	-	(3,521)
At 31 December 2020	148	12,626	-	12,774
Net book value at 31 December 2020	-	658	62	720
Net book value at 31 December 2019	6	2,900	769	3,675

**8. Stocks**

	<b>2020 £'000</b>	<b>2019 £'000</b>
Raw materials and consumable stores	1,785	2,435
Work in progress	920	904
Finished goods	355	1,002
	<u>3,060</u>	<u>4,341</u>



**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**9. Debtors**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due within one year:		
Trade debtors	3,334	2,902
Amounts owed by group companies	1,625	301
Prepayments and accrued income	1,562	606
	<u>6,521</u>	<u>3,809</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**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	1,114	892
Amounts owed to ultimate parent company	95,263	93,222
Amounts owed to group companies	2,484	2,489
Amounts owed to Bank	5,000	5,000
Social security and other taxes	398	417
Accruals	1,181	881
	<u>105,440</u>	<u>102,901</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 3.56075% and unsecured.

**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**11. Provisions for liabilities**

	<b>2020</b>	<b>2019</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b>Warranty Provision</b>		
Opening provision	188	321
Additional provision in the year	120	-
Provision utilised in the year	(109)	(16)
Provision (released) in the year	(30)	(117)
	<u>169</u>	<u>188</u>
Closing Provision	169	188
<b>Total provisions for liabilities</b>	<u><u>169</u></u>	<u><u>188</u></u>

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.

**12. Deferred Tax**

	<b>2020</b>	<b>2019</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Provision at the start of the year	-	(306)
Charged to income statement	-	306
Charged to other comprehensive income	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**13. Share capital**

	2020 <u>£'000</u>	2019 <u>£'000</u>
Called up, allotted and fully paid		
4,096,000 Ordinary shares of £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.

**14. Leasing commitments**

At 31 December 2020 the Company had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and Buildings		Plant and equipment	
	2020 <u>£'000</u>	2019 <u>£'000</u>	2020 <u>£'000</u>	2019 <u>£'000</u>
Within one year	490	484	59	37
Between two and five years inclusive	1,306	1,761	136	16
Later than five years	-	-	-	-
	<u>1,796</u>	<u>2,245</u>	<u>195</u>	<u>53</u>

## **ALBION AUTOMOTIVE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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##### **15. 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 2018, 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 2018 and updated to 31 December 2020 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. In 2015 the Company paid £12,300,000 of pension contributions to cover to 31 December 2020 in advance, covering 4% of pensionable salaries. Members contribute as set out in the Plan's Rules.

Pension contributions under FRS 102 for the year ended 31 December 2020, amounted to £164,000 (2019 - £179,000).

**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**15. Pension costs (continued)**

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

	<u>2020</u>	<u>2019</u>
Discount rate	1.55%	2.05%
Rate of salary increase	3.15%	3.15%
Rate of increase of pensions in payment (LPI 3.0%)	2.85%	2.90%
Rate of increase of pensions in payment (LPI 5.0%)	2.85%	2.90%
Rate of increase of pensions to deferment	2.20%	2.00%
Inflation	2.90%	2.90%

<b>Mortality Assumptions</b>	<u>2020 Years</u>	<u>2019 Years</u>
Males – non pensioners	22.3	22.2
Males – pensioners	20.9	20.8
Female – non pensioners	24.8	24.7
Female – pensioners	23.3	23.2

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>2020 £'000</u>	<u>2019 £'000</u>
Present value of defined benefit obligations	(108,896)	(99,861)
Fair value of the plan assets	122,516	115,917
Surplus	13,620	16,056
Net Asset recognised in the balance sheet	<u>13,620</u>	<u>16,056</u>

**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**15. Pension costs (continued)**

**Plan assets**

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

<b>Asset category</b>	<b>2020 %</b>	<b>2019 %</b>
Equities	20%	22%
Bonds & Cash (blended rate)	80%	78%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<b>Fair Value of Assets</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Cash and cash equivalents	157	101
Equity Instruments	24,750	25,445
Debt Instruments	84,432	77,227
Real estate	6,835	7,088
Other	6,342	6,056
<b>Total</b>	<b>122,516</b>	<b>115,917</b>

**ALBION AUTOMOTIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**15. Pension Costs (continued)**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	99,861	87,268
Current service cost	618	569
Loss on settlements	-	-
Loss on curtailments/changes/introductions	234	-
Interest cost	2,013	2,481
Member contributions	5	6
Settlement Payments	-	-
Actuarial losses	9,581	12,773
Experience Adjustment	(24)	201
Benefits paid	(3,392)	(3,437)
	<u>108,896</u>	<u>99,861</u>
<b>Benefit obligation at year end</b>		
	<u>108,896</u>	<u>99,861</u>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Change in Plan assets</b>		
Fair value of Plan assets at beginning of year	115,917	107,889
Interest Income	2,339	3,074
Administrative Expenses	(407)	(541)
Settlement payments from the plan	-	-
Actuarial gains	7,890	8,747
Employer contributions	164	179
Member contributions	5	6
Benefits paid	(3,392)	(3,437)
	<u>122,516</u>	<u>115,917</u>
<b>Fair value of Plan assets at year end</b>		
	<u>122,516</u>	<u>115,917</u>

# ALBION AUTOMOTIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 15. 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	2020 £'000	2019 £'000
Current service cost	618	569
Loss on settlements	-	-
Loss on curtailments/changes/introductions	234	-
Net Interest	(326)	(593)
Administration expenses	407	541
Total pension cost recognised in the P&L account	933	517
Actuarial loss immediately recognised	1,667	4,227
Total pension cost recognised in the SOCI	1,667	4,227

The estimated amounts of contributions expected to be paid during the 2021 financial year is £152,000.



## **ALBION AUTOMOTIVE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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##### **16. 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.

##### **17. 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.

##### **18. Events after the balance sheet date**

Bank Loan – repayments of £2 million, paid in April and August 2021, have been made to reduce the bank loan with Citibank.

Business Interruption Insurance Claim – under the business interruption policy a claim has been made for the losses incurred due to the COVID-19 pandemic. To date interim payment of £500k has been received.