MAHLE Powertrain Limited

Annual report and financial statements

Registered number 03565155

31 December 2015

Contents

Directors and Other Information

Directors

F Tuerk
M Berger
S Ferguson
W Henning Scheider

Secretary

T J Sharpe

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Bankers

HSBC
Level 37
Canada Square
London E14 5HQ

Solicitors

Gregory Rowcliffe Milners
1 Bedford Row
London WC1R 4BZ

Registered Office

Costin House
St James Mill Road
Northampton NN5 5TZ

Strategic report

The directors present their strategic report for the year ended 31 December 2015.

Principal activities

The principal activity of the company is the engineering and manufacture of components for the automotive industry to meet the specialist needs of vehicle manufacturers with:

- Engine and powertrain design and development
- Vehicle information products and diagnostic systems
- Low volume engine manufacture and assembly
- Aluminium casting technology

Review of the business

The profit for the financial year amounted to £6,502,000 (2014: profit of £3,574,000). The directors do not recommend a final dividend (2014: £nil).

Turnover in 2015 decreased from £76,689,000 in 2014 to £69,521,000 in 2015, mainly due to lower demand in sales in assembly and machining.

The company also continues to contribute to the MAHLE Powertrain Limited defined benefit pension scheme, which at the end of the year resulted in a net asset surplus of £4,338,000 compared to a net deficit position in the previous year of £2,202,000. However the surplus is not recognised as it cannot be offset against contributions and it does not form part of an agreed refund. This scheme is closed to future benefit accrual and MAHLE Powertrain Limited will continue to contribute to the scheme should a future deficit arrive.

The net asset position of the company has increased from £22,946,000 in 2014 to £31,729,000 at 31 December 2015.

Operational review

Business development activity continues to maintain a high profile within the company making use of its parent MAHLE GmbH's global presence and sales network.

The directors expect activities for 2016 to be in line with current industry and economic trends.

The company has KPI's for Employee Fluctuation based on employee retention and Health & Safety training. Continuous improvement remains a key focus.

MAHLE Powertrain Limited continues to perform research activities to ensure it maintains its competitiveness in the area of powertrain design and development. These activities are conducted internally and in conjunction with academic institutions, vehicle Original Equipment Manufacturers and government. Technical papers reporting the results of this work are being given at major automotive conferences. Key areas of research include reduction of CO2 and other exhaust gas emissions, alternative fuels, combustion, and engine calibration, friction reduction and hybrid technologies. The MAHLE Powertrain Limited downsizing engine has continued to be developed with many new concepts and systems, and is continuing to provide great interest within the customer base. Research on the development of technologies for hybrid vehicles continues. As part of this customer shift towards hybrid vehicles the MAHLE powertrain range extender engine has created interest in the industry and has led to a number of enquiries.

Strategic report *(continued)*

Financial review

The business' key financial indicators which deal with sales, margin, inventories, capital employed, overheads and employees have been identified and are monitored monthly as part of the company's internal and group reporting structure. These measures are all reported in the financial statements.

The main KPI's measured on a monthly basis are return on sales, creditor days and debtor days.

Key performance indicators

Key Performance Indicator	***2015***	***2014***	***Reason for Movement***
Return on Sales (ROS)	*9.4%*	*4.7%*	*Revenue recognised in the year included a large volume related rebate from one of our customers relating to a previous financial year. Along with considerable reduction in administration costs has resulted in higher return on sales.*
Return on Capital Employed (ROCE)	*20.5%*	*15.6%*	

Principal risks and uncertainties

The directors anticipate that the current conditions in the global automotive market will continue into the foreseeable future. The emphasis on tight cost control will continue, as will the efforts to win more projects. The company will continue to take advantage of its parent undertaking's global sales presence and business development initiatives.

Market risk

As outlined in the business review, the competitive nature of the global automotive market poses significant risks for the company. The company aims to minimise this risk with its focus on business development activity and concentrating on streamlining its processes and cost base.

Operational risk

As the business utilises machine tools, electronic equipment and a variety of fuels in its processes, the company takes its health and safety responsibilities very seriously. By introducing the Safe Home Everyone Every Day philosophy within its manufacturing aspects with a particular emphasis toward behavioural safety. In all areas the company seeks to at least comply with all relevant legislation and significant senior management time is allocated in this respect. The introduction of a four stage manufacturing scorecard covering People, Quality, Velocity and Cost signifies the ongoing focus towards operational excellence and performance enhancement.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The policies set by the board of directors are implemented by the company's finance department.

Strategic report *(continued)*

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Debt finance is not utilised.

Liquidity risk

The company retains sufficient cash to ensure it has sufficient funds available for operations. On 8 March 2011 the company started to participate in a UK cash pooling arrangement with other UK related companies, guaranteed by the ultimate parent undertaking. In addition, the company would have access to longer term funding from its ultimate parent if required. The directors pay close attention to the collection of monies due from customers.

Interest rate risk

The interest charged on any overdrafts within the facility with HSBC plc is Bank of England base rate plus 1.1% for GBP, Federal Reserve base rate plus 1.1% for USD and the British Bankers Association base rate plus 1.1% for EUR for debit balances. The rate for credit balances is currently 0%.

Foreign exchange rate risk

The company is exposed to some foreign exchange rate risk as a result of its operations. The company has a policy of hedging this risk and places forward contracts from time to time to manage this risk. Forward contracts placed by a related company on the net UK exposure were in place at the balance sheet date.

By order of the board

F Tuerk
Director

Date 27th September 2016

M Berger
Director

Date 27th September 2016

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

H Junker (Resigned 30 June 2015)
F Tuerk
M Berger (Appointed 01 February 2015)
S Ferguson (Appointed 01 July 2015)
W Henning Scheider (Appointed 01 July 2015)

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Proposed dividend

The directors do not recommend the payment of a dividend (2014: £nil)

Research and development

The company continues to invest in research and development of new products. This amounted to £768,000 in 2015 (2014: £626,000) of which £nil (2014: £nil) has been capitalised during the year with all costs being written off to the profit and loss account. The directors regard the investment in research and development as integral to the continuing success of the company and ensuring that the company provides its customers with high quality products.

Future developments

MAHLE Powertrain will continue to increase capability and capacity offered to its customers in existing business areas. In parallel with increasing requirements for future emissions legislation including Real Drive Emissions (RDE) this will require further investment into new equipment and facilities to address future customer demand. MAHLE Powertrain will continue its Research and Development activities into alternative powertrains including further levels of hybridisation.

Events since the balance sheet date

There have been no significant events which affected the company since 31 December 2015.

Financial instruments

The company is exposed to foreign exchange rate risk as a result of some of its operations. The company has a policy of hedging this risk using derivative financial instruments in the form of forward exchange rate contracts. Forward contracts placed by the parent company on behalf of MAHLE Powertrain Ltd were in place at the balance sheet date.

Going concern

The directors have assessed the ability of the company to continue as a going concern as part of their annual strategic review. Thus the financial statements have been prepared on a going concern basis.

Directors' report *(continued)*

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. There is communication with all employees through electronic mail, notice boards, newsletters, team briefing groups and presentations.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Re-appointment of auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board

F Tuerk
Director

Date 27th September 2016

M Berger
Director

Date 27th September 2016

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.* Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 auditors' report to the members of MAHLE Powertrain Limited

Report on the financial statements

Our opinion

In our opinion, MAHLE Powertrain Limited 's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2015;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of MAHLE Powertrain Limited *(continued)*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in respect of the annual report and the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matthew Walker

Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 September 2016

Statement of comprehensive income
for the year ended 31 December

	Note	2015 £000	2014 Restated £000
Turnover	2	**69,521**	76,689
Cost of sales		**(57,514)**	(68,617)
Gross profit		**12,007**	8,072
Distribution costs		**(1,076)**	(1,039)
Administrative expenses		**(2,296)**	(3,070)
Operating profit	3	**8,635**	3,963
Interest payable and similar charges	6	**(109)**	(355)
Profit on ordinary activities before taxation		**8,526**	3,608
Tax on profit on ordinary activities	7	**2,024**	34
Profit for the financial year		**6,502**	3,574
Other comprehensive income			
Actuarial gain on defined benefit pension scheme	14	**2,281**	4,653
Other comprehensive income for the year, net of income tax			
Total comprehensive income for the year		**8,783**	8,227

The above results are derived wholly from continuing operations.

Statement of financial position
at 31 December

	Note	2015 £000	£000	2014 £000	£000
Fixed assets					
Tangible assets	*8*	**17,363**		17,372	
			17,363		17,372
Current assets					
Stocks	*9*	**2,557**		3,715	
Debtors	*10*	**25,554**		15,017	
Cash at bank and in hand		**25**		27	
		28,136		18,759	
Creditors: amounts falling due within one year	*11*	**(13,764)**		(10,979)	
Net current assets			**14,372**		7,780
Total assets less current liabilities			**31,735**		25,152
Creditors: amounts falling due after more than one year	*12*	**(6)**		(3)	
Provisions for liabilities					
Pensions and similar obligations	*14*	**-**		(2,202)	
			(6)		(2,206)
Net assets			**31,729**		22,946
Capital and reserves					
Called up share capital	*15*		**35,533**		35,533
Capital redemption reserve			**5,634**		5,634
Capital contribution reserve			**40,700**		40,700
Profit and loss account			**(50,138)**		(58,921)
Shareholders' funds			**31,729**		22,946

These financial statements were approved by the board of directors on 27th September 2016 and were signed on its behalf by:

F Tuerk
Director

M Berger
Director

Company registered number: 03565155

Statement of changes in equity

	Note	Called up share capital £000	Capital redemption reserve £000	Capital contribution reserve £000	Profit and loss account £000 Restated	Total equity £000
Balance at 1 January 2014	21	35,533	5,634	40,700	(67,148)	14,719
Total comprehensive income for the period						
Profit for the period		-	-	-	3,574	3,574
Other comprehensive income		-	-	-	4,653	4,653
Total comprehensive income for the period		-	-	-	8,227	8,227
Balance at 31 December 2014		35,533	5,634	40,700	(58,921)	22,946
Balance at 1 January 2015		35,533	5,634	40,700	(58,921)	22,946
Total comprehensive income for the period						
Profit for the period		-	-	-	6,502	6,502
Other comprehensive income		-	-	-	2,281	2,281
Total comprehensive income for the period		-	-	-	8,783	8,783
Balance at 31 December 2015		35,533	5,634	40,700	(50,138)	31,729

Notes to the financial statements

1 Accounting policies

MAHLE Powertrain Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014, on a going concern basis, under the historical cost convention and in accordance with the applicable accounting standards in the United Kingdom and the Companies Act 2006.

The functional and presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 21.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease incentives – for leases commenced before 1st January 2014 the Company continued to account for lease incentives under previous UK GAAP.

The Company's ultimate parent undertaking, MAHLE GmbH includes the Company in its consolidated financial statements. The consolidated financial statements of MAHLE GmbH are prepared in accordance with German GAAP and are available to the public and may be obtained from MAHLE GmbH, Pragstrasse 26-46, 70376 Stuttgart, Germany. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes (FRS 102 paragraph 1.12(b)); and
- Key Management Personnel compensation (FRS 102 paragraph 33.7).

1.1 Foreign currency

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

1.2 Basic financial instruments

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

1.2.1 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2.2 Other financial instruments

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

1.2.3 Offsetting

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

1.3 Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the useful economic lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The useful economic lives are as follows:

- buildings 25 years
- plant and equipment 5 to 8 years
- fixtures and fittings 3 to 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.4 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.5 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the revenue accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.9 Turnover

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Recognition for long–term contracts
Revenue associated to the completion of engineering contracts is recognised as the contract activity progresses to reflect the partial performance of the contractual obligations. The amount of revenue recognised will reflect the value of the work performed. Where contracts are assessed as loss making, provisions are recognised immediately as they occur.

1.10 Expenses

Operating lease

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they occur and any accrual is calculated using the effective interest method.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.12 Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The company participates in a UK cash pooling arrangement with other related UK companies, guaranteed by the ultimate parent undertaking. In addition it has access to longer term funding from the ultimate parent undertaking if required. The company's forecasts and projections, taking account of reasonably possible changes in performance, show that the company should be able to operate within the level of its current facilities. The directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

1.13 Share capital

Ordinary shares are classified as equity. Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Capital redemption reserve

The capital redemption reserve was established when part of the company's share capital was purchased.

Capital contribution reserve

A contribution by the parent company to the equity capital of the Company is shown within the capital contribution reserve.

1.14 Related party transactions

The company discloses transactions with related parties which are not wholly owned by the same group. It does not disclose transactions with members of the same group that are wholly owned.

1.15 Critical accounting judgements and estimation uncertainty

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

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

Revenue recognition

Part of the company's sales are generated from long term contracts. Before profit can be recognised, managerial judgment is applied with regard to contractual performance and estimation of the final outcome of the contract. Estimates are also necessary to determine total contract costs and whether any loss provisions are to be made.

Useful economic lives of tangible assets (note 8)

The annual depreciation charge for tangible assets is sensitive to changes in the estimate useful economic lives and residual values of the assets. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. See note 8 for the carrying amount of the property, plant and equipment and note 1.3 for the useful economic lives of each class of assets.

Inventory provisioning (note 9)

The company is subject to changing consumer demands, trends and competition. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.15 Critical accounting judgements and estimation uncertainty *(continued)*

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 9 for the carrying amount of the inventory and associated provision.

Impairment of debtors (note 10)

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment, management considers factors including the ageing profile of the debtors and historical experience. See note 10 for the carrying amount of debtors and associated impairment provision.

1.16 Correction and disclosure of prior period errors

The directors have identified that certain costs were classified incorrectly in the income statement in the prior year in error. Prior year cost of sales has been restated, resulting in an increase of £12,912,000 with a corresponding increase in distribution costs of £250,000, a reduction in administrative expenses of £13,482,000 and a reduction in turnover of £320,000. The restatement has resulted in no net change to total comprehensive income or net assets for the prior period.

Notes to the financial statements *(continued)*

2 Turnover

	2015	2014
	£000	£000
		Restated
Sale of goods	**69,521**	76,689
Total turnover	**69,521**	76,689

	2015	2014
	£000	£000
By geographical market		
United Kingdom	**47,449**	57,216
Europe (excluding United Kingdom)	**19,717**	18,365
USA	**364**	456
Rest of the world	**1,991**	652
	69,521	76,689

As noted above, company has customers in different geographical markets however the turnover is originated in the UK.

3 Operating profit

This is stated after charging/(crediting)

	2015	2014
	£000	£000
Auditors' remuneration	**40**	40
Depreciation of tangible fixed assets (note 8)	**3,294**	2,946
Foreign exchange (gain)/loss	**(3)**	355
Research and development expenditure	**768**	626
Operating lease rentals	**1,201**	745
Government grants	**(58)**	(28)
Net loss on disposal of tangible fixed assets	**40**	-

Government grants received were to support R&D activities into the reduction and treatment of diesel exhaust gas emissions in passenger cars. The funding was provided by Northampton Enterprise Partnerships under the High Performance Technologies Investment Programme. The conditions of the grant have been satisfied, however grant annual monitoring will be supported for the next three years.

Notes to the financial statements *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Production	**271**	288
Selling and distribution	**18**	23
Administration	**21**	20
Development	**169**	157
	479	488

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**17,069**	16,946
Social security costs	**1,742**	1,699
Contributions to defined contribution plans	**861**	825
	19,672	19,470

5 Directors' remuneration

	2015	2014
	£000	£000
Directors' remuneration	**3**	216

The company made no pension contributions in respect of the highest paid director.

Directors of the company who served during the year were employed by other group companies within the MAHLE Group and did not receive emoluments from MAHLE Powertrain Limited. H Junker and F Tuerk are employed by MAHLE GmbH and M Berger is employed by MAHLE Powertrain GmbH. These directors did not receive any emoluments from any other party specifically for services as a director of MAHLE Powertrain Limited and it is not possible to make an accurate apportionment of the directors' emoluments received from other group companies in respect of their services to MAHLE Powertrain Limited. Accordingly these financial statements include £nil emoluments for these directors (2014: £nil).

Notes to the financial statements *(continued)*

6 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable – group companies	**31**	69
Net interest expense on the net defined benefit pension liability	**78**	286
Total other interest payable and similar charges	**109**	355

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015 £000	£000	2014 £000	£000
Current tax				
Current tax on income for the period	**414**		-	
Total current tax		**414**		-
Deferred tax (see note 13)				
Origination and reversal of timing differences	**1,610**	**-**	34	-
Total deferred tax		**1610**		34
Total tax		**2,024**		34

Notes to the financial statements *(continued)*

7 Taxation *(continued)*

	2015			2014		
	£000 Current tax	**£000 Deferred tax**	**£000 Total tax**	£000 Current tax	£000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	**414**	1,610	**2,024**	-	34	34
Total tax	**414**	1,610	**2,024**	-	34	34

Analysis of current tax recognised in profit and loss

	2015 £000	2014 £000
Foreign tax	**414**	-
Total tax recognised in profit and loss	**414**	-

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	**6,502**	3,574
Total tax expense	**2,024**	34
Profit excluding taxation	**8,526**	3,608
Tax using the UK corporation tax rate of 20.25 % (2014: 21.50%)	**1,727**	776
Capital allowances in excess of depreciation	**(169)**	(474)
Movement in short term timing differences	**3**	(375)
Non-deductible expenses	**49**	79
Unutilised loss carried forward	**-**	243
Losses brought forward utilised	**-**	(215)
Non UK income tax	**414**	-
Total tax expense included in profit or loss	**2,024**	34

Factors that may affect future tax changes

The main corporation tax rate was reduced from 21% to 20% on the 1 April 2015. The Finance (No 2) Act 2015 enacted further changes to the main rate, reducing it to 19% on 1 April 2017 and 18% on 1 April 2020. These rates have been used in calculating deferred tax. A further reduction of 1% has been announced from 1 April 2020, but is not yet enacted. Had it been enacted , it would have reduced the recognised deferred tax asset by £6,072.

Notes to the financial statements *(continued)*

8 Tangible assets

	Land and buildings £000	Plant and equipment £000	Office & other equipment £000	Under construction £000	Total £000
Cost					
Balance at 1 January 2015	8,708	46,833	5,523	1,523	62,587
Additions	318	3,579	114	787	4,798
Disposals	-	(100)	(12)	-	(112)
Transfers	-	-	-	(1,473)	(1,473)
Balance at 31 December 2015	**9,026**	**50,312**	**5,625**	**837**	**65,800**
Depreciation and impairment					
Balance at 1 January 2015	(3,504)	(36,552)	(5,159)	-	(45,215)
Depreciation charge for the year	(239)	(2,884)	(171)	-	(3,294)
Disposals	-	60	12	-	72
Balance at 31 December 2015	**(3,743)**	**(39,376)**	**(5,318)**	**-**	**(48,437)**
Net book value					
At 1 January 2015	5,204	10,281	364	1,523	17,372
At 31 December 2015	**5,283**	**10,936**	**307**	**837**	**17,363**

Land and Buildings

The net book value of land and buildings comprises:

	2015 £000	2014 £000
Freehold	**1,836**	1,836
	1,836	1,836

Notes to the financial statements *(continued)*

9 Stocks

	2015	2014
	£000	£000
Raw materials and consumables	1,114	2,067
Work in progress	318	629
Finished goods	1,125	1,019
	2,557	3,715

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £22,455,000 (2014: £32,013,000). The write-down of stocks to net realisable value amounted to £53,000 (2014: £nil).

Inventories are stated after provisions for impairment of £2,234,000 (2014: £1,972,000).

10 Debtors

	2015 £000	2014 £000
Trade debtors	10,035	9,478
Amounts owed by group undertakings - trade	1,600	531
Amounts owed by group undertakings - loan	10,383	-
Other debtors	37	20
Deferred tax assets	2,586	4,208
Derivative financial instruments (note 16)	73	130
Amounts recoverable on contracts	444	323
Prepayments and accrued income	396	327
	25,554	15,017
Due within one year	23,147	13,154
Due after more than one year	2,407	1,863
	25,554	15,017

Trade debtors are stated after provisions for impairment of £327,000 (2014: £410,000).

Amounts owed by group undertakings - trade are unsecured, interest free and repayable on demand.

Amounts owed by or to group undertakings - loan is part of a multi-currency net-nil facility and cash pooling arrangement with HSBC plc and an ancillary facility of €10M with HSBC Trinkaus and Burkhardt AG. The other participants in these arrangements are MAHLE Filter Systems UK Limited, MAHLE Industries (UK) Limited, MAHLE Industrial Filtration (UK) Limited, MAHLE Engine Systems UK Limited, and MAHLE Aftermarket Limited.

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	3,020	3,192
Amounts owed to group undertakings - trade	939	652
Amounts owed to group undertakings - loan	-	446
Taxation and social security	1,455	1,488
Derivative financial instruments (note 16)	27	10
Payments received on account	4,774	1,571
Accruals and deferred income	3,535	3,594
Deferred tax liability	14	26
	13,764	10,979

Amounts owed to group undertakings - trade are unsecured, interest free and repayable on demand.

Interest on the ancillary facility with HSBC Trinkaus and Burkhardt is based on EURIBOR (for EUR drawings) and LIBOR (for GBP drawings), plus a margin as defined in the Multicurrency Revolving Credit Facility Agreement dated 16 December 2013.

12 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Derivative financial instruments (note 16)	6	3
	6	3

Notes to the financial statements *(continued)*

13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**381**	585	**-**	-	**381**	585
Arising on provisions	**637**	1,164	**-**	-	**637**	1,164
Losses carried forward	**1,568**	2,459	**-**	-	**1,568**	2,459
Derivatives	**-**	-	**(14)**	(26)	**(14)**	(26)
Tax (assets) / liabilities	**2,586**	4,208	**(14)**	(26)	**2,572**	4,182
Net tax (assets) / liabilities	**2,586**	4,208	**(26)**	(26)	2,572	4,182

The following further deferred tax assets have not been recognised due to the uncertainty of their recovery in the foreseeable future. These potential deferred tax assets would be deemed recoverable in the event that sufficient taxable profits are generated.

	2015	2014
	£000	£000
Accelerated capital allowances	**1,695**	1,961
Unrecognised deferred tax assets	**1,695**	1,961

The amount of the net reversal of deferred tax expected to occur next year is £778,651 relating to the reversal of existing timing differences on tangible fixed assets, derivatives and other accruals allowed when paid.

The unrecognised deferred tax asset associated to the scheme surplus at year end is £878,445 (asset 2014: £473,430). In addition, there is a further potential asset of £500,000 (asset 2014: £1,075,000 relating to a payment into the fund of £10,000,000 made by the company during 2013. Tax relief on this payment can only be claimed over four years and therefore there is £2,500,000 still to be relieved over the next year. The 2015 asset is recognised in the short term differences.

Notes to the financial statements *(continued)*

14 Employee benefits

Defined benefit scheme

The company operates a pension scheme, The MAHLE Powertrain Pension Scheme. This is an approved funded pension scheme. The assets of the scheme are held separately from the assets of the company in trustee administered funds. The scheme provides benefits on a defined benefit basis and the following disclosures relate to the defined benefit scheme alone. Contributions to the scheme are assessed in accordance with the advice of a qualified actuary. The last actuarial calculation was 30 September 2014.

Main assumptions

The following assumptions have been used to value on the retirement benefit obligations of the company:

	2015	2014
	%	%
Rates assumed per annum:		
Liability discount rate	**3.75**	3.55
Price inflation (RPI)	**3.45**	3.35
Price inflation (CPI)	**2.75**	2.65
Rate of increase in pensions in payment	**2.45**	2.45
Male life expectancy at age 65	**22.8**	22.7
Female life expectancy at age 65	**25.4**	24.8

The company's net pension liability recognised in the company's balance sheet at 31 December is as follows:

	2015	2014
	£000	£000
Diversified growth fund	**8,482**	5,172
Equities	**6,387**	6,430
Bonds	**32,563**	61,289
Diversified credit fund	**34,166**	-
Gilts	**-**	11,485
Cash and other investments	**3851**	101
Total market value of assets	**85,449**	84,477
Present value of liabilities	**(81,886)**	(86,679)
Net surplus (deficit)	**3,563**	(2,202)
Unrecognised Surplus	**(3,563)**	-
Net deficit	**-**	(2,202)

The expected return on equities is related to gilt yields. The expected return on bonds is a weighted average of gilt and corporate bond returns. The expected return on cash is based on the Bank of England base rate.

Notes to the financial statements *(continued)*

14 Employee benefits *(continued)*

As a result of the payment of £10,000,000 during 2013 the fixed charge over certain company freehold property was released during that year. However, there is still a parent undertaking guarantee from the ultimate parent MAHLE GmbH to the trustees to secure any future deficit.
As a result of the scheme being closed to future accrual no current year service cost has been incurred during the year.

An analysis of the amount debited to other financing costs is as follows:

	2015 £000	2014 £000
Net interest on net defined benefit liability	(78)	(286)
	(78)	(286)

An analysis of the amount recognised in other comprehensive income is as follows:

	2015 £000	2014 £000
Experience gains liabilities	3,082	-
Experience (losses)/gains on assets	(295)	17,202
Actuarial gain / (loss)	3,057	(12,549)
Effect of asset ceiling	(3,563)	-
	2,281	4,653

Notes to the financial statements *(continued)*

14 Employee benefits *(continued)*

An analysis of the change in the present value of plan assets in the year is as follows:

	2015 £000	2014 £000
Fair value of plan assets at beginning of the year	**84,477**	65,416
Interest Income	**2,969**	2,825
Return on scheme assets excluding interest income	**(296)**	17,203
Benefits paid	**(1,701)**	(967)
Fair value of plan assets at end of the year	**85,449**	84,477

	2015 £000	2014 £000
Actual Return on pension scheme assets	**2,674**	20,027

An analysis of the change in the present value of plan liabilities in the year is as follows:

	2015 £000	2014 £000
Present value of plan liabilities at beginning of the year	**86,679**	71,986
Interest on pension liabilities	**3,047**	3,111
Changes in assumptions underlying the plan liabilities	**(3,057)**	12,549
Experience losses / (gains)	**(3,082)**	-
Benefits paid	**(1,701)**	(967)
Present value of plan liabilities at end of the year	**81,886**	86,679

Employer contributions

The company contributed £nil to the pension plan in 2015 (2014: £nil) as advised by the actuary to reduce the scheme deficit.

Defined contribution scheme

The company also operates a defined contribution scheme via a stakeholder arrangement:

	2015 £000	2014 £000
Employer's contributions	**743**	825
Contributions outstanding at balance sheet date	**109**	108

Notes to the financial statements *(continued)*

15 Share capital

Share capital

	2015	2014
	£000	£000
Allotted, called up and fully paid		
35,533,086 ordinary shares of £1 each	**35,533**	35,533
	35,533	35,533
Shares classified in shareholders' funds	**35,533**	35,533
	35,533	35,533

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16 Financial instruments

The company has the following financial instruments:

	2015	2014
	£000	£000
Financial assets at fair value through profit or loss		
- Derivative financial instruments	**73**	130
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	**10,035**	9,478
- Amounts owed by group undertakings	**11,983**	531
- Amounts recoverable on contracts	**444**	323
	22,462	10,332
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments	**33**	13
Financial liabilities measured at amortised cost		
- Trade creditors	**3,020**	3,192
- Amounts owed to group undertakings	**939**	1,098
- Payments received on account	**4,774**	1,571
	8,733	5,861

Notes to the financial statements *(continued)*

16 Financial instruments (continued)

Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for foreign currency payables and receivables. At 31 December 2015, the outstanding contracts all mature within 23 months of the year end. The company committed to sell €1,780,000 and receive a fixed sterling amount.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The key assumption used in valuing the derivatives is the forward exchange rate for GBP:EUR.

17 Operating leases

Non-cancellable operating lease future minimum lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	611	604
Between one and five years	319	858
More than five years	18	89
	948	1,551

During the year £1,201,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £745,000).

18 Commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £533,000 (2014: £1,852,000).

19 Related parties

During the year, the company sold £6,600 (2014: £42,200) of goods to MAHLE Behr GmbH & Co. KG which is 50.71% owned by MAHLE GmbH. At year end £nil (2014: £6,100) was outstanding and included in Receivables. The receivable amount is unsecured and due in 60 days.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

20 Ultimate parent company and parent company of larger group

The immediate parent Company is MAHLE Industries UK Limited which is incorporated in Great Britain and registered in England and Wales.

The Company's ultimate parent Company and controlling party is MAHLE GmbH, a Company incorporated in Germany. Copies of the ultimate parent's group financial statements may be obtained from MAHLE GmbH, Pragstrasse 26-46, 70376 Stuttgart, Germany. MAHLE GmbH is also the smallest and largest Company in which MAHLE Powertrain Limited is consolidated.

Notes to the financial statements *(continued)*

21 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014. The transition date was 1 January 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of profit and equity from old UK GAAP to FRS 102

	Note	Profit for 2014 £000	Other comprehensive income 2014 £000	Equity as at 31 December 2014 £000	Equity as at 1 January 2014 £000
Amount under old GAAP as previously reported		**3,543**	**4,561**	**18,647**	**10,543**
Derivative financial instruments	A	157	-	117	(40)
Defined benefit pension scheme	B	(92)	92	-	-
Deferred tax	C	(34)	-	4,182	4,216
Amount under FRS 102		**3,574**	**4,653**	**22,946**	**14,719**

Notes to the reconciliation of profit and equity

A) Derivative financial instruments

FRS102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly at transition a liability of £40,000 was recognised and a gain of £157,000 was recognised in the profit and loss account for the year ended 31 December 2014. An asset of £130,000 and a liability of £13,000 were recognised at that date.

B) Defined benefit pension scheme

Under previous UK GAAP the company recognised an expected return on the defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect of the change has been to reduce the credit to the profit and loss account in the year 31 December 2014 by £92,000 and increase credit in other comprehensive income by an equivalent amount.

C) Deferred tax

A deferred tax liability is included in respect of the debtor created by the inclusion of the derivatives gain at 1 January 2014. This liability was off set by inclusion of the deferred tax assets at 1 January 2014, previously omitted on the grounds of uncertainty of recovery.