Hofer Powertrain Products UK Ltd

Annual report and financial statements for the year ended 31 December 2019

Registered number: 10338183

Hofer Powertrain Products UK Ltd

Annual report and financial statements

for the year ended 31 December 2019

Contents

Hofer Powertrain Products UK Ltd

Strategic report for the year ended 31 December 2019

Principal activities
The Company has been established to manufacture hybrid transmissions and associated components for the automotive industry. The Company was registered on 19th August 2016 by Hofer Powertrain UK Ltd, and on 23rd March 2017, Elring Klinger AG purchased a 53% holding. The Company was established as a result of there being a need for a manufacturing facility to supply contracted high end complex transmissions to the automotive industry. There have not been any changes in the Company's principal activities during the year under review.

Business review
Performance
The Company is still in its start up phase and as such there have been no sales in the period under review, though revenue is recognised under IFRS 15, as costs associated with performing contracts have been capitalised. Initial revenues are expected to commence mid-term during the next reporting period.

The statement of financial position on page 6 of the financial statements shows the Company's financial position at the end of the year. Whilst the results show a loss in the period, there exists a letter of support from the ultimate holding company, Elring Klinger AG.

Measurement
While the Company has no revenue at present, a number of financial and non-financial Key Performance Indicators ("KPIs") to measure performance have been established and these will be reported at Board level and to senior management in regular meetings. The board considers that the Company has an effective measurement and reporting system, consistent with the Company's size and complexity.

Risks and uncertainties
The principal risk identified for future prospects relates to the global economic environment, whilst the current trend is showing increased sales of motor vehicles, there is always the chance that this could stall. Other risks are common with new businesses as it seeks to increase its customer base and establish its product in the marketplace. The Company is targeted at new technologies for the automotive industry and will allow the business to grow as the industry moves away from the Internal Combustion Engine.

Brexit Risk
While the outcome of the future trading agreement is uncertain at this point in time, new trade barriers for manufactured goods between the UK and EU could have a significant cost impact due to the high number of imports this business currently relies on in relation to the EU. Given that the company has yet to commence trading, a major risk envisaged is any movements in exchange rates, these could have an impact on the company's results due to the purchase of materials from EU countries. There is also the potential increase of duty charges on incoming goods which could increase the company's operating costs, although until the framework for how the future trade relationship will work there is still much uncertainty to the potential effects.

Hofer Powertrain Products UK Ltd

Strategic report for the year ended 31 December 2019 (continued)

Future developments
The Company's primary market is the automotive sector, developing relationships with an increasing number of new customers. As the move away from the Internal Combustion Engine continues in the industry as a whole, the opportunities will present themselves to this developing business. A number of current opportunities are being explored with a variety of potential customers. It is expected that the company will now start production in July 2021.

Jürgen Weingärtner
Director
On behalf of the Board of Directors

Registered Number 10338183

Hofer Powertrain Products UK Ltd

Directors' report for the year ended 31 December 2019

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2019. The accounts have been prepared on a Going Concern basis.

Financial risk management
The business is not considered to have any significant risks in relation to credit, liquidity or currency risk.

Proposed dividend
The directors are not recommending a dividend for the period.

Directors
The Directors of the Company who were in office during the period and up to the date of signing the financial statements were:

Jürgen Weingärtner
William Hartley - resigned 27th September 2019
Sven Eurich - appointed 15th June 2020

There were no qualifying third party indemnity provisions in force for the benefit of any of the Directors during the financial year.

The Company Secretary appointed during the period and up to the date of signing the financial statements was:

Paul Alexander - appointed 16th October 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

- The members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the 2006 Companies Act with respect to accounting records and the preparation of accounts. 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.

Directors' report for the year ended 31 December 2019 (continued)

Disclosure of information to auditors
The Directors have taken advantage of the exemption to dispense with a full audit for the year ended 31 December 2019 under Section 479a of the Companies Act 2006.

No members have required the company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006 .

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The Financial Statements on Pages 5 to 25 were approved and authorised for issue by the Board of Directors on 31st March 2020 and are signed on their behalf by Jürgen Weingärtner

Jürgen Weingärtner
On behalf of the Board of Directors

Registered Number 10338183

Hofer Powertrain Products UK Ltd

Statement of loss and other comprehensive income for the year ended 31 December 2019

	Note	2019	2018
		£	£
Revenue		**1,610,646**	959,660
Operating Expenses		**(3,693,351)**	(1,122,669)
Gross loss		**(2,082,705)**	(163,009)
Administrative expenses		**(325,215)**	(418,958)
Operating loss		**(2,407,920)**	(581,967)
Finance expense	5	**(408,483)**	(30,131)
Loss before taxation		**(2,816,403)**	(612,098)
Taxation	6	**(166,174)**	98,565
Loss for the period attributable to owners of the parent		**(2,982,577)**	(513,533)
Total comprehensive expense for the year		**(2,982,577)**	(513,533)

Hofer Powertrain Products UK Ltd

Statement of financial position as at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Property, plant and equipment	7	**7,305,141**	1,585,051
Intangible assets	8	**16,929**	21,653
Contract performance costs	9	**2,570,155**	959,660
Deferred tax asset	10	**-**	166,174
		9,892,225	2,732,538
Current assets			
Inventories	11	**11,157,979**	4,333,225
Trade and other receivables	12	**2,675,305**	2,728,862
Current tax assets		**433,841**	161,427
Cash	12	**216,838**	164,515
		14,483,963	7,388,029
Total assets		**24,376,189**	10,120,567
Current liabilities			
Trade and other payables	13	**(4,917,950)**	(2,786,708)
		(4,917,950)	(2,786,708)
Non-current liabilities			
Intercompany loan	14	**(18,835,419)**	(8,221,796)
Other non-current liabilities	15	**(4,493,334)**	-
		(23,328,753)	(8,221,796)
Total liabilities		**(28,246,703)**	(11,008,504)
Net liabilities		**(3,870,514)**	(887,937)
Equity attributable to owners of the parent			
Share capital	16	**100**	100
Retained earnings		**(3,870,614)**	(888,037)
Total equity		**(3,870,514)**	(887,937)

Company Registration: 10338183

Please see next page (page 7) for audit exemption statement.

Hofer Powertrain Products UK Ltd

For the year ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities :

The members have not required the company to obtain an audit of its accounts for the period in question, in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The Financial Statements on Pages 5 to 25 were approved and authorised to issue by the Board of Directors on 31st March 2020 and signed on their behalf by Mr Jürgen Weingärtner.

Jürgen Weingärtner
On behalf of the Board of Directors

Hofer Powertrain Products UK Ltd

Statement of changes in equity at 31 December 2019

	Note	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018		100	(374,504)	(374,404)
Loss for the period		-	(513,533)	(513,533)
Total comprehensive income for the period		-	(513,533)	(513,533)
Dividends	16	-	-	-
Total contributions by and distributions to owners		-	-	-
Balance at 31 December 2018		100	(888,037)	(887,937)
Balance at 1 January 2019		**100**	**(888,037)**	**(887,937)**
Loss for the period		**-**	**(2,982,577)**	**(2,982,578)**
Total comprehensive income for the period		**-**	**(2,982,577)**	**(2,982,578)**
Dividends	**16**	**-**	**-**	**-**
Total contributions by and distributions to owners		**-**	**-**	**-**
Balance at 31 December 2016		**100**	**(3,370,614)**	**(3,370,514)**

Hofer Powertrain Products UK Ltd

Statement of cash flows for the year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Loss for the year		**(2,982,577)**	(513,533)
Adjustments for:			
Depreciation and amortisation		**454,785**	7,668
Finance costs		**408,483**	30,131
Taxation		**166,174**	(221,349)
		(1,953,135)	(697,083)
Decrease / (increase) in trade and other receivables		**(284,311)**	(2,639,188)
Decrease / (increase) in inventories		**(6,824,754)**	(4,333,225)
Decrease/(increase) in contract assets		**(1,610,495)**	(959,660)
Decrease/(increase) in other current assets		**65,454**	(89,674)
(Decrease)/increase in trade and other payables		**1,913,461**	2,308,295
		(8,693,780)	(6,410,535)
Tax (paid) / refunded		-	-
Net cash flows generated from operating activities		**(8,693,780)**	(6,410,535)
Cash flows from investment activities			
Non cash expenses		**(55,738)**	(2,343)
Finance costs		**(408,483)**	(30,131)
Additions of property, plant and equipment	8	**(1,204,684)**	(1,590,750)
Addition of intangible assets	9	-	(23,622)
Net cash used in investing activities		**(1,668,905)**	(1,646,846)
Cash flows from financing activities			
Loan from Parent Company	14	**10,613,622**	8,221,796
Payments for amortisation on non-current financial liabilities		**(198,614)**	
Dividends paid	16	-	-
Net cash used in financing activities		**10,415,008**	8,221,796
Net increase/(decrease) in cash		**52,323**	164,415
Cash at 1 January 2019		**164,415**	-
Cash at 31 December 2019	12	**216,838**	164,415

Hofer Powertrain Products UK Ltd

Statement of Accounting policies

Hofer Powertrain Products UK Ltd ('the Company') is a private limited company incorporated and domiciled in the UK. The Company's registered office is:

Unit 1 Connexion, Central Boulevard
Blythe Valley Park
Solihull, West Midlands
B90 8AW

Accounting convention
The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards and IFRIC Interpretations (IFRS) as adopted by the European Union (EU) and Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Basis of preparation
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Measurement convention
The financial statements are presented in pounds sterling and are prepared on the historical cost basis. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS's requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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.

Foreign currency
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Property, plant and equipment
Owned assets
Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within administration expenses in the statement of comprehensive income as incurred.

Subsequent costs
The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation
Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment	12 – 15 years
Computer equipment	10 – 15 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets
Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	4 years

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Inventories
Inventories are stated at the lower of cost or net realisable value.

The cost of inventories is based on the weighted average purchase price principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cash
Cash comprises 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 for the purpose only of the cash flow statement. The Company does not hold any cash equivalent balances.

Share capital and dividend distribution
Ordinary shares are classified as equity. Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Hofer Powertrain Products UK Ltd

Statement of Accounting policies (continued)

Employee benefits
Defined contribution plan
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 statement of comprehensive income in the periods during which services are rendered by employees.

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

IFRS 15 revenue from contracts with customers
The new standard was published by the IASB in May 2014 and aims to bring together the large number of revenue recognition requirements previously contained in a variety of standard and to define uniform basic principle that are applicable to all industries and for all categories of revenue transaction. IFRS 15 specifies when and in what amount revenue is recognised. The new regulations are effective for the first time for financial years beginning on or after 1 January 2018. The Group has elected not to early adopt IFRS 15, but rather applied it from 1 January 2018. The modified retrospective method was chosen, which means that the comparative was not adjusted, but the cumulative effects from the transition were recorded directly in revenue reserves.

The requirement to capitalise costs associated with performing contracts with customers if certain requirements pursuant to IFRS 15 are fulfilled resulted in an increase in non-current assets of £1,610,495 (2018 -£959,660).

Taxation
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for in relation to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Hofer Powertrain Products UK Ltd

Statement of Accounting policies (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Changes in accounting policy and disclosure
The directors are currently considering the impact on the financial statements of the standards below that are issued but not yet effective.

Effective date 1 January 2018:

- IFRIC 22 : 'Foreign currency transactions and advance consideration'

This amendment clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. All foreign currency transactions or parts of transactions which are received in advance will be recorded at the date of the transaction. For the purpose of determining the exchange rate, this will be the date of the initial recognition of the non-monetary prepayment asset or deferred income liability. If there are a number of payments or receipts in advance, a date of transaction will be established for each payment or receipt.

Effective date 1 January 2019:

- IFRS 16 : 'Leases'

The directors are currently considering the impact on the financial statements of the standards below that are issued but not yet effective.

For lessees, the standard eliminates the classification of leases as either operating or financial leases and introduces a single accounting model. Lessees will be required to recognise assets and liabilities in respect of the minimum lease payment for all leases with a term of more than twelve months, and show depreciation of leased assets and interest on leased liabilities separately in the statement of comprehensive income.

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019

1 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the period, analysed by activity, was as follows:

Number of employees

	2019	2018
Production	**21**	14
Administration and selling	**8**	5
	29	19

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	**1,320,070**	820,610
Social security costs	**161,429**	101,346
Contributions to defined contribution plans (see note 4)	**85,331**	36,888
	1,566,830	958,844

2 Operating loss

Operating loss is stated after charging/(crediting):

	2019	2018
	£	£
Depreciation of property, plant and equipment	**165,180**	5,699
Amortisation of intangible assets	**4,724**	1,969
Depreciation in respect of Right of Use assets	**284,881**	-
Net exchange (gains) / loss	**(166,825)**	27,141
Hire of other assets – operating leases	-	58,784
Amortisation of intangible assets	**4,724**	1,969

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	**0**	0
Company contributions to defined contribution plans	**0**	0

No directors are remunerated through Hofer Powertrain Products UK Limited, but are remunerated by Group Companies.

4 Post-Employment Benefits

The company operates a defined contribution pension scheme which is open to all employees. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £85,331 (2018 - £36,888).

5 Finance expense

	2019	2018
	£	£
Interest expense on loans (see below)	**(214,923)**	(30,131)
Interest expense – IFRS 16	**(193,536)**	-
Bank interest	**(24)**	-
Net interest (expense) / income	**(408,483)**	(30,131)

Interest on Loans

This was interest paid to :

1. To Parent Company ElringKlinger AG in relation to a loan of £18,835,419 (2018 -£8,221,796).
2. Interest is calculated on right of use assets, as per IFRS 16.

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Taxation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

Recognised in the statement of comprehensive income

	2019	2018
	£	£
Deferred tax (note 10)		
Origination and reversal of temporary differences	**(166,174)**	110,159
Change in tax rate	-	(11,594)
Deferred tax/Total tax expense	**(166,174)**	98,565

Reconciliation of effective tax rate

	2018	**2018**	2018	2018
	%	**£**	%	£
Loss before tax		**(2,816,403)**		(612,098)
Tax using the UK corporation tax rate of 19% (2018: 19%)	**19.0**	**(535,117)**	19.0	(116,298)
Non deductible expenses	**(0.63)**	**17,851**	(1.0)	6,139
IFRS 16	**0.58**	**(16,391)**	-	-
Restriction of deferred tax assets to match				
Deferred tax liabilities	**(22.85)**	**643,656**	-	-
Effect of change in tax rate	**(2.0)**	**56,175**	(1.89)	11,594
Total tax expense	**(5.90)**	**166,174**	16.11	(98,565)

The standard rate of corporation tax in the UK remains at 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 19% (2018: 19%).

From April 2020 the rate changes to 17% and therefore the company's deferred taxes have been calculated at this 17% rate.

The Company has decided not to recognise deferred tax assets. The balance in the statement of Financial position at 31 December 2018 has therefore been reversed.

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 *Property, plant and equipment*

	Land and buildings	Plant and equipment	Computer equipment	Total
	£	£	£	£
Cost				
Balance at 1 January 2018	-	-	-	-
Additions	1,496,997	-	93,753	1,590,750
Balance at 31 December 2018	1,496,997	-	93,753	1,590,750
Accumulated depreciation				
Balance at 1 January 2018	-	-	-	-
Depreciation charge for the year	-	-	5,699	5,699
Balance at 31 December 2018	-	-	5,699	5,699
Cost				
Balance at 1 January 2019	**1,496,997**	**-**	**93,753**	**1,590,750**
Opening balance Right of use assets	**3,728,620**	**101,560**	**-**	**3,830,180**
Transfer	**(285,162)**	**153,469**	**131,693**	**-**
Additions	**1,282,103**	**644,875**	**412,993**	**2,339,971**
Balance at 31 December 2019	**6,222,558**	**899,904**	**638,439**	**7,760,901**
Accumulated Depreciation				
Balance at 1 January 2019	**-**	**-**	**5,699**	**5,699**
Depreciation charge for the year	**357,938**	**19,595**	**72,528**	**450,061**
Balance at 31 December 2019	**357,938**	**19,595**	**78,227**	**455,760**
Net book value				
At 31 December 2018	1,496,997	-	88,054	1,585,051
At 31 December 2019	**5,864,620**	**880,309**	**560,212**	**7,305,141**

The depreciation charge above is recognised in cost of sales and administrative expenses in the statement of comprehensive income. Amounts of £134,980 (2018 -£3,776) and £30,200 (2018-£1,923) have been recognised in cost of sales and administrative expenses respectively. . Opening balances in respect of Right of use assets, capitalised in accordance with IFRS 16, were £3,830,180 and additions were £1,135,287. Depreciation charged is £284,881, £277,998 in cost of sales and £6,883 in administrative expenses. The net book value of Right of use assets at 31 December 2019 is £4,680,586.

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Intangible assets

	Software costs £
Cost	
Balance at 1 January 2018	-
Additions	23,622
Balance at 31 December 2018	23,622
Accumulated amortisation	
Balance at 1 January 2018	-
Amortisation for the year	1,969
Balance at 31 December 2018	1,969
Cost	
Balance at 1 January 2019	**23,622**
Balance at 31 December 2019	**23,622**
Accumulated Amortisation	
Balance as 1 January 2019	**1,969**
Amortisation for the year	**4,724**
	6,693
Net book value	
At 31 December 2018	21,653
At 31 December 2018	**16,929**

The amortisation charge above is recognised in cost of sales in the statement of comprehensive income.

9 Contract performance costs

The requirement to capitalise costs associated with performing contracts with customers if certain requirements pursuant to IFRS 15 are fulfilled resulted in a remeasurement through other comprehensive income of £959,660 as of 1 January 2019. As of 31 December 2019, the carrying amount stood at £2,570,155.

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Deferred tax asset

	B/F per Accounts	Credited to Income Statement	C/F per Accounts
	£	£	£
Low Value Assets	(2,646)	2,646	-
Losses	(163,528)	163,528	-
Total	(166,174)	166,174	-

Pre-trading expenditure charged to the Income Statement for tax purposes was £2,590,183 (2018 - £569,797), with the qualifying plant pool value at £576,822 (2018 - £98,041). The company took the decision not to recognise deferred tax assets as at the balance sheet date, and the assets from the prior year were reversed. The values in the accounts are therefore £0 (2018-£163,528) and £0 (2018- £2646).

It is expected the company will generate taxable profits within the next 5 years.

11 Inventories

	2019	2018
	£	£
Raw materials and consumables	**3,263,463**	318,220
Work in progress	**4,343**	-
Prepayments on tooling inventories	**4,470,526**	3,415,638
Third party tools	**3,419,647**	599,367
	11,157,979	4,333,225

12 Cash

	2019	2018
	£	£
Cash balances	**216,838**	164,515

13 Trade and other payables

	2019	2018
	£	£
Third Parties	**2,290,331**	454,578
Inter Company	**33,786**	76,440
Customer prepayments	**2,251,805**	2,192,384
Non-trade payables and accrued expenses	**342,027**	63,306
	4,917,949	2,786,708

Amounts owed to group companies are unsecured and operate under net 60 days payable trading terms.

14 Intercompany loans

There is an Intercompany loan in place with Elring Klinger AG and the balance at 31 December 2019 was £18,835,419 (2018:£8,221,796).

Interest on Loans

Interest was paid to Elring Klinger AG in the sum of £214,923 (2018:£30,131).

15 Leases and IFRS 16

The company adopted IFRS 16 as at 1 January 2019. Right of use assets have been included in the fixed asset note 7. At the end of the year there are balances included in current liabilities in the sum of £273,519 and non-current liabilities in the sum of £4,493,334. The effect of IFRS 16 postings in the year is a reduction in profit before tax of £86,267.

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Share capital

	2019	2018
	£	£
Authorised, Issued and fully paid		
100 ordinary shares of £1 each	**100**	100

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.

Upon incorporation 2 ordinary shares were issued with a nominal value of £1 each on 19th August 2016 and held by Hofer Powertrain International Gmbh. A further 98 shares were issued on 23rd March 2017 at a nominal value of £1 each.

Elring Klinger AG has a majority shareholding of 53 ordinary shares, Hofer Powertrain International Gmbh has 47 ordinary shares.

Retained Earnings account represents cumulative comprehensive income, less any dividends paid.

17 Dividends

Dividends
The following dividends were recognised during the period:

	2019	2018
	£	£
Interim: Nil per qualifying ordinary share	-	-

The Directors have not proposed an ordinary dividend in respect of the current period.

Notes to the financial statements for the year ended 31 December 2019 (continued)

18 Related parties

Identity of related parties
The Company has a related party relationship with its parent Company Elring Klinger AG and Hofer Powertrain International Gmbh as well as other Group companies and its Directors .

Transactions with key management personnel
The Directors are deemed to be the only key management personnel of the Company. The Directors who served during the period have no direct interest (including those of their immediate families) in the voting shares of the Company.

The compensation paid or payable to key management for employee services is shown below:

	2019	2018
	£	£
Salaries and other short-term employee benefits	-	-
Post-employment benefits	-	-
	-	-

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Financial instruments

Overview
The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk

This applies to:

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date, if the effect is material.

Trade and other payables
The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date, if the effect is material.

Cash
The fair value of cash is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's treasury policy has as its principal objective the achievement of the maximum interest rate on any cash balances whilst maintaining an acceptable level of risk.

Hofer Powertrain Products UK Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations, and arises principally from the Company's receivables from customers and its cash.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings where available. Purchase limits are established for each customer. These limits are reviewed regularly.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a secured claim. The Company does not require collateral in respect of trade and other receivables. The Company does not have insurance in place related to credit risk. The Company ensures that it credit checks new and existing customers as required. A system of collecting outstanding balances is in place to minimise exposure to bad debts.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Currency risk
The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, primarily the Euro and US Dollars (USD). No formal hedging arrangements are entered into by the Company however management aim to match foreign expenditure with similar foreign income.

19 Financial instruments (continued)

Financial assets and liabilities
The Companys main financial assets comprise trade receivables arising from the Companys activities and cash at bank.

The Company's capital structure is as follows:

	2019	*2018*
	£	£
Cash	**216,838**	164,515
Equity	**(3,370,614)**	(888,037)

Other than the trade and other payables, the Company had no financial liabilities within the scope of IAS 39 as at 31 December 2019 and 31 December 2018.

Fair values
The fair value of the Companys financial assets and liabilities is not materially different from their carrying values.

Statement of comprehensive income
Details of finance income and expenses are included in note 5.

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Elring Klinger AG, incorporated in Germany, which is the ultimate parent company and ultimate controlling party. The largest group of undertakings in which the results are consolidated is that headed by Elring Klinger AG, the smallest is Hofer Powertrain International Gmbh (AT). The consolidated financial statements of these companies are available to the public and may be obtained from the following addresses:

Eling Klinger AG
Max Eyth – Strasse 2,
D-72581, Dettingen/Erms,
Germany

Hofer Powertrain International Gmbh
Gewerbepark 1
4451 Garsten
Austria