LEONI Temco Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

Directors
B Cutts
G Buchner

Company Secretary
K M B Merkitt

Auditors
Deloitte LLP
Statutory Auditor
Four Brindleyplace,
Birmingham B1 2HZ
United Kingdom

Bankers
HSBC Bank Plc
City Corporate Banking Centre
1st Floor, 60 Queen Victoria Street
London EC4N 4TR

Registered Office
Whimsey Industrial Estate
Cinderford
Gloucestershire GL14 3HZ
United Kingdom

Strategic Report

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

Principal activity and review of the business

The company's principal activity is wire-drawing, stranding and plating made from copper and copper alloy wires.

The year started with improved demand compared to 2021, particularly volumes of our fine wire Nickel and Silver Plated products. There was continued recovery from the pandemic in all sectors with customers' forward forecasts and subsequent orders.

During Q2 2022 it became apparent that Europe and the UK would suffer significant impact from the Ukraine conflict with energy prices and inflation driven by the pandemic recovery.

The supply restrictions and lockdowns from the previous year were behind us however inflation driven price rises continued to impact on daily life. UK and global trading situation improved but it was certainly not business as usual as we faced continued supply restrictions leading to extended lead-times and consequently cost increases, with some products increasing multiple times throughout the year.

We witnessed increases in all manufacturing costs including:

- Raw materials;
- Consumables (lubricant, tooling (dies, parts etc);
- Packaging (reels and wrapping);
- Transport/logistics.

Due to the significant hike in energy prices we faced a six-fold increase compared to existing contracts and therefore could not avoid the introduction of an energy surcharge to customers. This was implemented in stages to allow us to monitor the situation externally and the business performance through Q2 onwards. Energy surcharge levels applied were:

- May 2022 5.7%
- September 2022 9.1%
- January 2023 15%

In Q4 (November) we announced an across the board price increase to customers of 6% due to the increasing pressures on our margins and bottom line from inflation throughout 2022.

The impact from the pandemic on our aerospace sector in which LEONI Temco Limited are positioned as a preferred supplier to Airbus, resulted in the continued suppression of demand throughout the year, although there were some early signs of improvement in Q4 as we gained market share within our French customer base.

Strategic Report (continued)

We immediately took the following steps to once again limit the financial impact on the business from this unprecedented situation with energy and inflation:

- Government support applications for intensive energy users (E11) leading to climate change levy relief with exemption certificates related to CCL (Climate Change Levy), RO (Renewable Obligation), CfDs (Contracts for Difference), FiTs (Feed-in Tariffs) or similar;
- Government support in Q4 from Energy Bill Relief Scheme discount;

We ran with the production team on 3 shift system all year continuing to replace leavers through local recruitment. Unfortunately, replacement is not an immediate solution as the UK continues to suffer from a recruitment/skills crisis post pandemic and our region was no exception however by the close of the year our employee numbers had increased by 8 to assist with the increased volume demand. We continually review our offering and ensure we remain competitive in the local market with good candidates who successfully complete induction and training periods.

Key performance indicators

	2022	2021	Change
Sales	£12.2m	£9.8m	£2.4m
Operating profit/(loss)	£0.2m	(£0.1m)	£0.3m
Operating profit/(loss)	1.64%	(1.02%)	2.66%
Employees (as at 31/12)	47	39	8

The movement in the KPIs is explained above under the review of the business.

Principal risks and uncertainties

The ongoing risk emerging from the LEONI AG position at year end 2022 with regard to liquidity and the carve-out (preparation for potential sale) of our division Wire & Cable Solutions is communicated to entity management regularly and we continue to work with our shareholders in supporting LEONI during this period.

Principal risks continue in 2023 from:

- Energy crisis/costs
- Credit lines
- Uncertainty with regard to exchange rates

These three elements pose a risk to the company for the following reasons:

- Energy crisis – continued increase in costs to the company which is an energy intensive manufacturing operation;
- Credit lines – due to the current situation with the Leoni Group (refer going concern section), many vendors have withdrawn credit and we are therefore paying for raw materials in advance;
- Uncertainty with regard to exchange rates – this is a common risk with companies who purchase and sell in currencies (this is a significant portion of our transactions).

Strategic Report (continued)

Currency risk

Currency risk is managed via forward contracts within the wider Leoni Group.

Liquidity risk

The company also faces liquidity risk to repay its financial liability on time which mainly includes borrowing from bank. This risk is managed by preparing regular cash flow forecasts to identify the funding needs, further the company is also taking part in cash pooling arrangements with group which is utilised in case of any need.

Section 172 Statement

The UK Companies Act set out the rules and duties the Directors are subject to. This includes a general duty to promote the success of the Company. As is usual with companies of this size the Directors fulfil their objectives by delegating day to day decision making to a senior management team. The Directors and senior management team have been briefed and are in full compliance of section 172 and the requirements of the Companies' Acts.

Director's Obligations

The director of the company is conscious of their obligations to act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) The likely consequences of any decision in the long term;
b) The interests of the company's employees;
c) The need to foster the company's business relationships with suppliers, customers and others;
d) The impact of the company's operations on the community and the environment;
e) The desirability of the company maintaining a reputation for high standards of business conduct; and
f) The need to act fairly as between members of the company.

Long term decisions

When making decisions the Directors and senior management team are careful to consider both short and long term impacts. Brexit is a good example of this where short term supply disruption to customers has needed to be considered at the same time as the long term sustainability of the business. The overall strategic direction of the company is managed in line with the Value 21 vision outlined by the LEONI Group.

Employees

The company's employees are considered its key asset and as such particular focus has been put into their development with well-established programmes in place for the advancement of apprentice, graduate and established employees. Furthermore, Board Members hold regular

Strategic Report (continued)

meetings with the employees to aid communication with the work force and to ensure that the views of employees are considered in decision making.

Business Relations

In all dealings with customers the Board ensures it acts in a fair and balanced manner with the aim of creating beneficial outcomes for all parties. Our success is very much predicated upon the success of our customers and so we aim to place ourselves in a position to help drive their success.

Environment

LEONI Temco is aware of its ecological responsibilities and regards environmental protection as a key corporate objective. Our environmental management system is geared to keeping the impact of all our processes on ecosystems to the absolute minimum. We make every effort to reduce energy consumption and our associated CO_2 emissions as our contribution to climate protection, and to reduce our water consumption and volumes of waste we generate, with the aim of achieving optimum resource and material efficiency.

LEONI Group has defined water and energy consumption, waste generation and CO_2 equivalent as key indicators for environmental protection.

We are ISO 14001 environmental standard accredited and free to define and complete one or more projects, so as to accommodate the differing strategies and infrastructural circumstances applicable to the various production facilities within the two divisions.

High standards of business conduct

Maintaining high standards of business conduct is imperative. The company is subject to a full range of compliance policies and procedures developed by the group, such as the Code of Conduct Policy, and the company itself. All these policies are regularly reviewed and updated. Whistleblowing procedures are in place.

Shareholders

As a wholly owned subsidiary the company is committed to open and regular engagement with its parent company shareholder. In addition to this routine regular communication, formal business review meetings with all group stakeholders are held twice per year.

Approved by the board of directors and signed on behalf of the Board by:

Company Secretary
K M B Merkitt
Date 13/10/2023

Directors' Report

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

Results and dividends

The profit for the year after taxation amounted to £33,000 (2021 – loss of £194,000). The upturn in the result came from business levels returning in line with post pandemic capacity and budget levels. Continued focus on cost reductions and savings through purse of Governmental support in the form of EII and CCL exemptions. There is further potential within the current company footprint before capacity increases require recruitment, additional working hours and investment. The review of performance has been explained in strategic report in section "Principal activity and review of the business". No dividend was paid during the year (2021 – nil). The directors do not recommend a further dividend.

Future developments

To counter the uncertainties in the economic and financial environment, positive free cash flow, sustainable growth and the pursuit of service excellence remain vital objectives for the Company in 2023 and for the foreseeable future.

The well-established trend towards miniaturisation and energy-efficient conductor and cable applications at our customers continues to drive the Company's products and weight-saving solutions based on copper-alloys continue to be part of the LEONI Temco Limited market offering.

LEONI Temco Limited continues to support the achievement of the LEONI WCS Division and support our customers through participation in Business Group teams, targets and objectives.

Further, the directors have also considered the impact of subsequent events on the business as explained in note 17 of the financial statement and financial risk such as Currency and Liquidity Risk in the strategic report on page 4.

Events after the balance sheet date

On 27 July 2023, LEONI signed a Share Purchase Agreement on the sale of the Business Group wire & product solutions (BG PS), also including the sale of Leoni Temco Limited. Contractually it is agreed that Leoni Temco will be sold debt free. Therefore, LEONI AG will carry out a cash payment to Leoni Temco of c. Euro 4.5 million to enable Leoni Temco Limited to redeem its loan from the bank. The closing of the sale is subject to several closing conditions. Currently, LEONI expects closing to take place during the 4th quarter of 2023.

Director' Report (continued)

Financial risk management policy

The Company enters into derivative transactions, primarily forward currency contracts. The purpose of this is to manage the currency risks arising from the Company's operations and its sources of finance. It is and has been throughout 2022 and 2021 the Company's policy that no trading in derivatives shall be undertaken. The main risks arising from the Company's financial instruments are foreign currency risk and credit risk.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out above. The Company has financial backing from LEONI AG until the carve-out or sale is concluded and as a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The Company participates in the LEONI Group's centralised Treasury arrangements and expects to maintain availability to sufficient cash to continue to operate as a going concern. Thus, the Company's directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

However, we draw your attention to the Consolidated financial statements and annual report for Leoni AG, the ultimate parent for Leoni Temco for the year ended 31 December 2022, in which the Group's executive directors describe the uncertainties of the future business as the Group was compelled to launch restructuring based on applying the German Corporate Stabilisation and Re-structuring Act. The previously agreed restructuring plan could not be implemented because, the buyer refused in December 2022 to close the sale of the automotive cables segment, which was an integral part of the refinancing. The group launched in-depth talks with the creditors to safeguard Leoni AG's continued existence with the restructuring plan first published on 29 March 2023. Part of this financial restructuring involves, among other things, the unavoidable reduction of Leoni AG's share capital to zero. This means exit of previous shareholders and the delisting of Leoni AG's shares. This restructuring plan was accepted with the required majorities during a discussion and ballot meeting held on 31 May 2023. On 17 July 2023, this restructuring plan was legally binding as the Regional Court of Nuremberg-Fürth dismissed all immediate appeals filed against the plan. The final implementation of the restructuring/refinancing concept took place in August 2023. Further uncertainties with regard to the financial situation of LEONI Group result from difficult to predict risks associated with macroeconomic developments, including consequences of the war in the Ukraine and the semiconductor crisis.

On 27 July 2023, LEONI signed a Share Purchase Agreement on the sale of the Business Group Wire & Product Solutions (BG PS), also including the sale of Leoni Temco Limited. Contractually it is agreed that Temco will be sold debt free. Therefore, LEONI AG will carry out a cash payment to Temco of c. Euro 4.5 million to enable Leoni Temco Limited to redeem its loan from the bank. The closing of the sale is subject to several closing conditions. Currently, LEONI expects closing to take place during the 4th quarter of 2023. Whilst the SPA has the necessary clauses to settle the bank loan and other liabilities, the intention of the potential buyer is uncertain and could have an impact on the Company's going concern.

Director' Report (continued)

Subsequent to the year end the bank loan expired on 31 July 2023 and has been extended to 31 October 2023 where it will be reviewed again pending the status of the proposed sale given the intention is to redeem the loan as part of the sale. In the event the loan is withdrawn, the company has a letter of support from the group stating their financial support.

Taking into account the uncertainty relating to the group's ability to continue as a going concern and that the Company is dependent upon support from its ultimate parent company and should the Company be sold, the intention of any potential buyer is uncertain, these events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge liabilities in the normal course of business. However, given all risk mitigating measures and initiatives taken, management considers it appropriate to adopt the going concern basis of preparation.

Directors

The directors who served the company during the year and up to and including the date of this report were as follows:

G Buchner

B Cutts

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 and above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each director has taken all steps that a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Director' Report (continued)

Auditors

Deloitte LLP were deemed to be reappointed as auditor of the Company for the year ended 31 December 2023.

Approved by the board of directors and signed on behalf of the Board by:

Company Secretary
K M B Merkitt
Date 13/10/2023

Director' Report (continued)

Statement of Directors responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of
Leoni Temco Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of LEONI Temco Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December, 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the members of
Leoni Temco Limited (continued)

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates uncertainty relating to the group's ability to continue as a going concern and that the company is dependent upon support from its ultimate parent company and also should the company be sold, the intention any potential buyer is uncertain. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Independent auditor's report to the members of
Leoni Temco Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included environmental and health and safety regulations.

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

As a result of performing the above, we identified the greatest potential for fraud in relation to revenue transactions that have not been recorded appropriately and in the correct period. In order to address the fraud risk on revenue, which is a key performance indicator, we performed the following:

- tested a sample of revenue transactions to ensure that each revenue sample met the performance obligation criteria per the terms agreed with customers;

Independent auditor's report to the members of
Leoni Temco Limited (continued)

- agreed the selected revenue sample to invoices and despatch records; and
- performed cut off testing over a sample of revenue transactions recognised around the year end period to determine if they were included in the appropriate accounting period.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Independent auditor's report to the members of Leoni Temco Limited (continued)

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Louise Clamp, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

Date 13 October 2023

Statement of Comprehensive income

For the year ended 31 December 2022

	Notes	*2022* *£000*	*2021* *£000*
Turnover	2	12,229	9,757
Cost of sales		(10,910)	(9,078)
Gross Profit		1,319	679
Other operating expenses:			
Distribution costs		(319)	(295)
Administrative expenses		(765)	(525)
Other operating income		-	53
Operating Profit/(Loss)	3	235	(88)
Interest receivable	6	33	33
Interest payable and similar charges	7	(258)	(172)
Profit/(Loss) before taxation		10	(227)
Tax on Profit/(Loss)	8	23	33
Profit/(Loss) for the financial year		33	(194)
Other comprehensive Income		-	-
Total comprehensive income for the year		33	(194)

All amounts relate to continuing activities.

Registered No. 00434420

Balance sheet

As at 31 December 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Intangible assets	9	-	1
Tangible assets	10	1,646	1,609
		1,646	1,610
Current assets			
Stocks	11	2,128	2,361
Debtors	12	1,240	1,851
Cash at bank		173	63
		3,541	4,275
Creditors: amounts falling due within one year	13	(4,518)	(5,256)
Net current liabilities		(977)	(981)
Total assets less current liabilities		669	629
Provisions for liabilities			
Deferred taxation	8	(30)	(23)
Net assets		639	606
Capital and reserves			
Called up share capital	14	1,286	1,286
Profit and loss account		(647)	(680)
Shareholders' funds		639	606

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

Director
B Cutts
Date 13/10/2023

Statement of changes in equity

for the year ended 31 December 2022

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£000	*£000*	*£000*
At 1 January 2021	1,286	(486)	800
Loss for the year and other comprehensive expense	–	(194)	(194)
At 31 December 2021	1,286	(680)	606
Profit for the year and other comprehensive income	–	33	33
At 31 December 2022	1,286	(647)	639

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies

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

General information

LEONI Temco Limited (registered number 00434420) is a private company limited by shares registered in England and Wales. The registered office is Whimsey Industrial Estate, Cinderford, Gloucestershire, GL14 3HZ, United Kingdom. The principal activities of the company are as per the Strategic Report on page 2.

Basis of accounting

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

The financial statements are prepared in Pounds Sterling which is the functional currency of the Company and rounded to the nearest £000.

The following exemptions have been applied to the financial statements of LEONI Temco Limited:

Statement of cash flows

The Company is a subsidiary undertaking whereby 100% of the voting rights are controlled within the Group, and Group financial statements, in which the results of the company are included, are publicly available. Consequently, the company is a qualifying entity and has taken advantage of the exemption granted under FRS 102.1.12 and has not provided a statement of cash flows.

Financial Instruments

The company has availed the exemption under section 10 and 11 of FRS 102 for disclosure on financial instruments.

Related party transactions

The Company has availed exemption as per FRS 102.33.11(c) and consequently has not disclosed related party transactions.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, as set out in the directors' report. The Company has financial backing from LEONI AG until the carve-out or sale is concluded and as a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The Company participates in the LEONI Group's centralised Treasury arrangements and expects to maintain availability to sufficient cash to continue to operate as a going concern. Thus, the Company's directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

However, we draw your attention to the Consolidated financial statements and annual report for Leoni AG, the ultimate parent for Leoni Temco for the year ended 31 December 2022, in which the Group's executive directors describe the uncertainties of the future business as the Group was compelled to launch restructuring based on applying the German Corporate Stabilisation and Re-structuring Act. The previously agreed restructuring plan could not be implemented because, the buyer refused in December 2022 to close the sale of the automotive cables segment, which was an integral part of the refinancing. The group launched in-depth talks with the creditors to safeguard Leoni AG's continued existence with the restructuring plan first published on 29 March 2023. Part of this financial restructuring involves, among other things, the unavoidable reduction of Leoni AG's share capital to zero. This means exit of previous shareholders and the delisting of Leoni AG's shares. This restructuring plan was accepted with the required majorities during a discussion and ballot meeting held on 31 May 2023. On 17 July 2023, this restructuring plan was legally binding as the Regional Court of Nuremberg-Fürth dismissed all immediate appeals filed against the plan. The final implementation of the restructuring/refinancing concept took place in August 2023. Further uncertainties with regard to the financial situation of LEONI Group result from difficult to predict risks associated with macroeconomic developments, including consequences of the war in the Ukraine and the semiconductor crisis.

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Subsequent to the year end the bank loan expired on 31 July 2023 and has been extended to 31 October 2023 where it will be reviewed again pending the status of the proposed sale given the intention is to redeem the loan as part of the sale. In the event the loan is withdrawn, the company has a letter of support from the group stating their financial support.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Taking into account the uncertainty relating to the group's ability to continue as a going concern and that the Company is dependent upon support from its ultimate parent company and should the Company be sold, the intention of any potential buyer is uncertain, these events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge liabilities in the normal course of business. However, given all risk mitigating measures and initiatives taken, management considers it appropriate to adopt the going concern basis of preparation.

Intangible fixed assets

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight-line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

IT Software – 3 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period, previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Tangible fixed assets

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

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold land	–	nil
Freehold buildings	–	2.5% per annum
Plant and machinery, fixtures and fittings	–	6.67% to 50% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Revenue recognition

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 has passed to the buyer, usually on dispatch of goods.

- Interest income.

Interest income is recognised as interest accrues using the effective interest method.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Raw materials are valued at cost based on a first-in-first-out basis.

In respect of work-in-progress and finished goods, cost incurred in bringing each product to its present location and condition is based on conversion costs incurred including depreciation and other related fixed and variable production overheads.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Corporate taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

Certain customers are subject to a factoring arrangement. Under this arrangement the Company has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables, under this arrangement the debt factor bear ultimate credit default risk. The amount repayable under the factoring agreement is netted against trade receivables in the Statement of Financial Position.

The Company's definition of default is when a customer has not paid for invoices on their due date. The Company's management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under these policies all customers requiring credit above a certain amount are reviewed and new customers are analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

Trade creditors

Trade creditors generally have 30-60 day terms and are recognised and carried at the original invoiced amount.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the yearend (or,

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Government grant

The company has accounted for grant received from the UK government under operating income once the condition for the grant as specified by the government has been complied with.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management have considered the judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Management have concluded that there are no judgements, estimates or assumptions which have a material effect on amounts recognised in the financial statements.

Notes to the financial statements

for the year ended 31 December 2022

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	2022	2021
	£000	£000
UK	3,532	2,899
Europe – external sales	7,508	5,481
Europe – intercompany sales	695	1,349
Asia – external sales	37	5
Asia – intercompany sales	4	-
Other – external sales	296	23
Other Income – freight charged out	157	-
	12,229	9,757

3. Operating Profit/(Loss)

This is stated after charging/(crediting):

	2022	2021
	£000	£000
Auditor's remuneration - audit fees for the audit of these financial statements	30	28
Depreciation of owned tangible fixed assets (included in 'cost of sales')	259	247
Stock write-off	282	-
Operating leases - plant and machinery	37	42
Foreign exchange differences	50	5
Furlough Support from UK Government	-	(53)

Notes to the financial statements

for the year ended 31 December 2022

4. Directors' remuneration

	2022	2021
	£000	£000
Remuneration	110	100
Company contributions paid to defined contribution pension schemes	6	5

	No.	No.
Members of defined contribution pension schemes	1	1

5. Staff costs

Particulars of employees (including executive directors) are as shown below:

	2022	2021
	£000	£000
Wages and salaries	1,516	1,220
Social security costs	139	114
Pension costs	51	46
	1,706	1,380

The average monthly number of employees during the year was made up as follows:

	No.	No.
Production	37	32
Sales and distribution	3	3
Administration	4	4
	44	39

6. Interest receivable

	2022	2021
	£000	£000
Group interest receivable	33	33

Notes to the financial statements

for the year ended 31 December 2022

7. Interest payable and similar charges

	2022	2021
	£000	£000
Group interest payable	26	11
Interest payable – bank loan	232	161
	258	172

8. Tax on profit/(loss)

(a) Tax on profit/(loss)

The tax charge/(credit) is made up as follows:

	2022	2021
	£000	£000
Current tax:		
UK corporation tax charge on the profit/(loss) for the year	-	(19)
Adjustment in respect of prior years	(30)	-
Total current tax	(30)	(19)
Deferred tax:		
Origination and reversal of timing differences (note 8(c))	(19)	(65)
Adjustments in respect of prior periods	26	30
Effects of tax rate on opening balance	-	21
Total deferred tax	7	(14)
Total tax on profit/(loss)	(23)	(33)

Notes to the financial statements

for the year ended 31 December 2022

8. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022	*2021*
	£000	*£000*
Profit/(Loss) before tax	10	(227)
Tax on profit multiplied by standard rate of corporation tax in the UK of 19% (2021 – 19%)	2	(43)
Effects of:		
Fixed Assets	(16)	(7)
Adjustments to tax (credit)/charge in respect of previous periods	(5)	11
Remeasurement of deferred tax for changes in tax rates	(4)	6
Total tax for the year (note 8(a))	(23)	(33)

(c) Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 24 May 2021). These included an increase in the main rate to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using the enacted tax rates where appropriate and reflected in these financial statements.

(d) Deferred tax

The movements on deferred tax during the year are as follows:

	£000
Net liability at 1 January 2022	23
Credited during the year (note 8(a))	7
Net liability at 31 December 2022	30

Notes to the financial statements

for the year ended 31 December 2022

8. Tax (continued)

The deferred tax liability consists of:

	2022 £000	2021 £000
Fixed asset timing differences	246	215
Short term timing differences	(8)	(5)
Losses and other deductions	(208)	(187)
	30	23

9. Intangible fixed assets

	Computer software £000
Cost:	
At 1 January 2022	40
As at 31 December 2022	40
Amortisation:	
At 1 January 2022	39
At 31 December 2022	40
Net book value:	
At 31 December 2022	-
At 31 December 2021	1

Notes to the financial statements

for the year ended 31 December 2022

10. Tangible fixed assets

	Freehold land and buildings	*Plant and machinery*	*Fixtures and fittings*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 January 2022	1,886	9,259	1,571	12,716
Additions	2	112	182	296
At 31 December 2022	1,888	9,371	1,753	13,012
Depreciation:				
At 1 January 2022	1,345	8,278	1,484	11,107
Charge for the year	37	114	108	259
At 31 December 2022	1,382	8,392	1,592	11,366
Net book value:				
At 31 December 2022	506	979	161	1,646
At 31 December 2021	541	981	87	1,609

11. Stocks

	2022	*2021*
	£000	*£000*
Raw materials and consumables	992	1,199
Work in progress	760	732
Finished goods	376	430
	2,128	2,361

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £9.2 million (2021 – £7.5 million).

During the year the Raw Materials and Consumables stock was written down by £282k.

Notes to the financial statements

for the year ended 31 December 2022

12. Debtors

	2022	*2021*
	£000	*£000*
Trade debtors	636	701
Amounts owed by group undertakings	434	783
Prepayments and accrued income	102	91
Tax debtor	68	276
	1,240	1,851

Amounts due from group undertakings relate to trading, are non-interest bearing and repayable on demand. The upstream loan of £750k matured on 31.12.2022 and was previously included in "amounts owed by group undertakings".

13. Creditors: amounts falling due within one year

	2022	*2021*
	£000	*£000*
Trade creditors	233	314
Amounts due to group undertakings[2]	22	511
Loan from bank [1]	4,000	4,000
Other taxes and social security costs	39	32
Accruals	208	166
Tax creditors	-	226
Other creditors	16	7
	4,518	5,256

1) Rate of interest 4.38%, this was extended to mature 17.08.23 and will further be extended until the carve-out process is finished (yet to be defined).
2) Amounts due to group undertakings are trading balances and intercompany cash pooling loans which are unsecured and no interest is charged.

Notes to the financial statements

for the year ended 31 December 2022

14. Issued share capital

		2022		2021
Allotted, called up and fully paid	No.	*£000*	No.	*£000*
Ordinary shares of £1 each	1,286,363	1,286	1,286,363	1,286

15. Pensions

The company operates a defined contribution group personal pension scheme.

The charge for the year is shown in note 5 to the financial statements. There were no unpaid contributions outstanding at the year-end (2021: £nil).

16. Other financial commitments

At 31 December 2022 the company had annual commitments under non-cancellable operating leases as set out below:

	Plant and machinery	
	2022	*2021*
	£000	*£000*
Operating leases which expire:		
Within one year	30	17
In two to five years	41	1
	71	18

17. Subsequent events

On 27 July 2023, LEONI signed a Share Purchase Agreement on the sale of the Business Group wire & product solutions (BG PS), also including the sale of Leoni Temco Limited. Contractually it is agreed that Temco will be sold debt free. Therefore, LEONI AG will carry out a cash payment to Temco of c. Euro 4.5 million to enable Leoni Temco Limited to redeem its loan from the bank. The closing of the sale is subject to several closing conditions. Currently, LEONI expects closing to take place during the 4th quarter of 2023.

Notes to the financial statements

for the year ended 31 December 2022

18. Ultimate parent undertaking and controlling party

The immediate parent undertaking is LEONI Draht GmbH.

The company's ultimate parent undertaking and controlling party is LEONI AG, a company incorporated in Germany, which owns 100% of the share capital of the company. This is the smallest and largest group of companies for which group financial statements are prepared and of which this company is a member. Copies of the group financial statements, which include the company, are available from its registered address Marienstraße 7, 90402 Nürnberg, Germany.