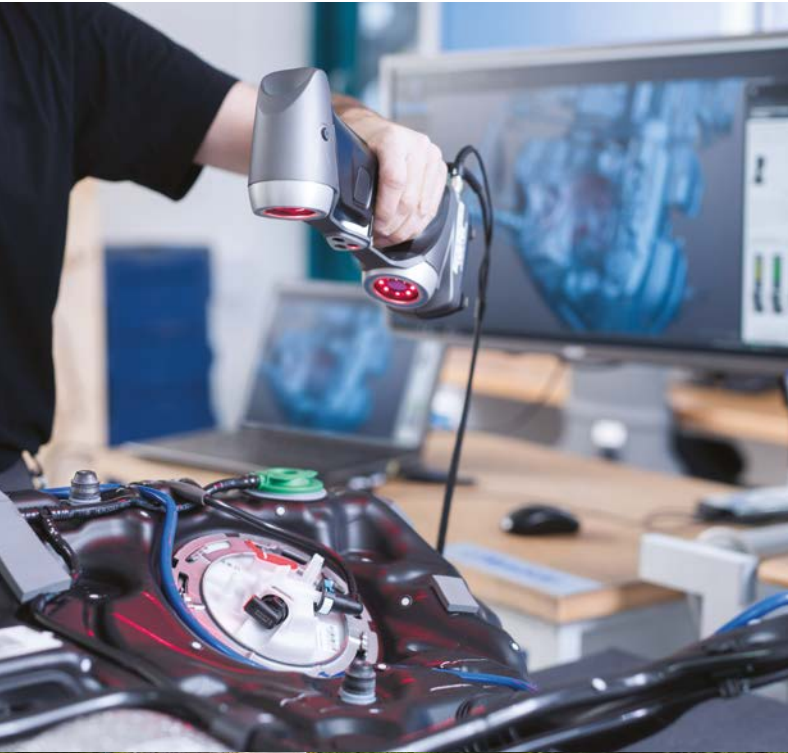


Annual Report and Accounts 2019



Supporting our world's transition to greener vehicles and a cleaner environment.



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2019 results demonstrated the resilience of our business with strong Adjusted EBIT and Adjusted Free Cash Flow generation.

Management reporting measures

Revenue

€3,411m

2018: €3,473m

Revenue 1.8% lower (-3.5% at constant currency or +210bps above global light vehicle production volume growth)

Adjusted EBIT

€340m

2018: €374m

Adjusted EBIT margin of 10.0% (2018: 10.8%)

Adjusted Net Income

€150m

2018: €155m

Adjusted Basic EPS € cents

28.9c

2018: 29.9c

Adjusted Free Cash Flow

€172m

2018: €146m

Statutory reporting measures

Operating Profit

€259m

2018: €281m

Operating profit margin of 7.6% (2018: 8.1%)

Profit for the Year

€145m

2018: €140m

Basic EPS € cents

27.2c

2018: 26.5c

Dividend per share € cents

8.96c

Interim 3.02c; Final 5.94c
2018: 8.96c

Please see page 43 for definitions of the non-IFRS measures
Reconciliations to statutory measures are included on pages 40-42 within the Chief Financial Officer's report
The impact of adopting IFRS 16 – Leases on the results is shown on page 44

As a global market leader in automotive fluid systems, our purpose is to partner with our OEM customers to develop technology and deliver innovative products which enable our customers to make greener vehicles that help keep our environment clean and make our world a better place to live.

Our global footprint

Competitive global manufacturing footprint located near customers

5

continents

28

countries

108

manufacturing locations

27,300

employees

We supply...

19

of the 20 top selling vehicle nameplates in Europe

12

of the 20 top selling vehicle nameplates in North America

9

of the 20 top selling vehicle nameplates in China

North America

6,900

Employees

19

Locations

Latin America

1,200

Employees

6

Locations



Europe and Africa

11,100

Employees

56

Locations

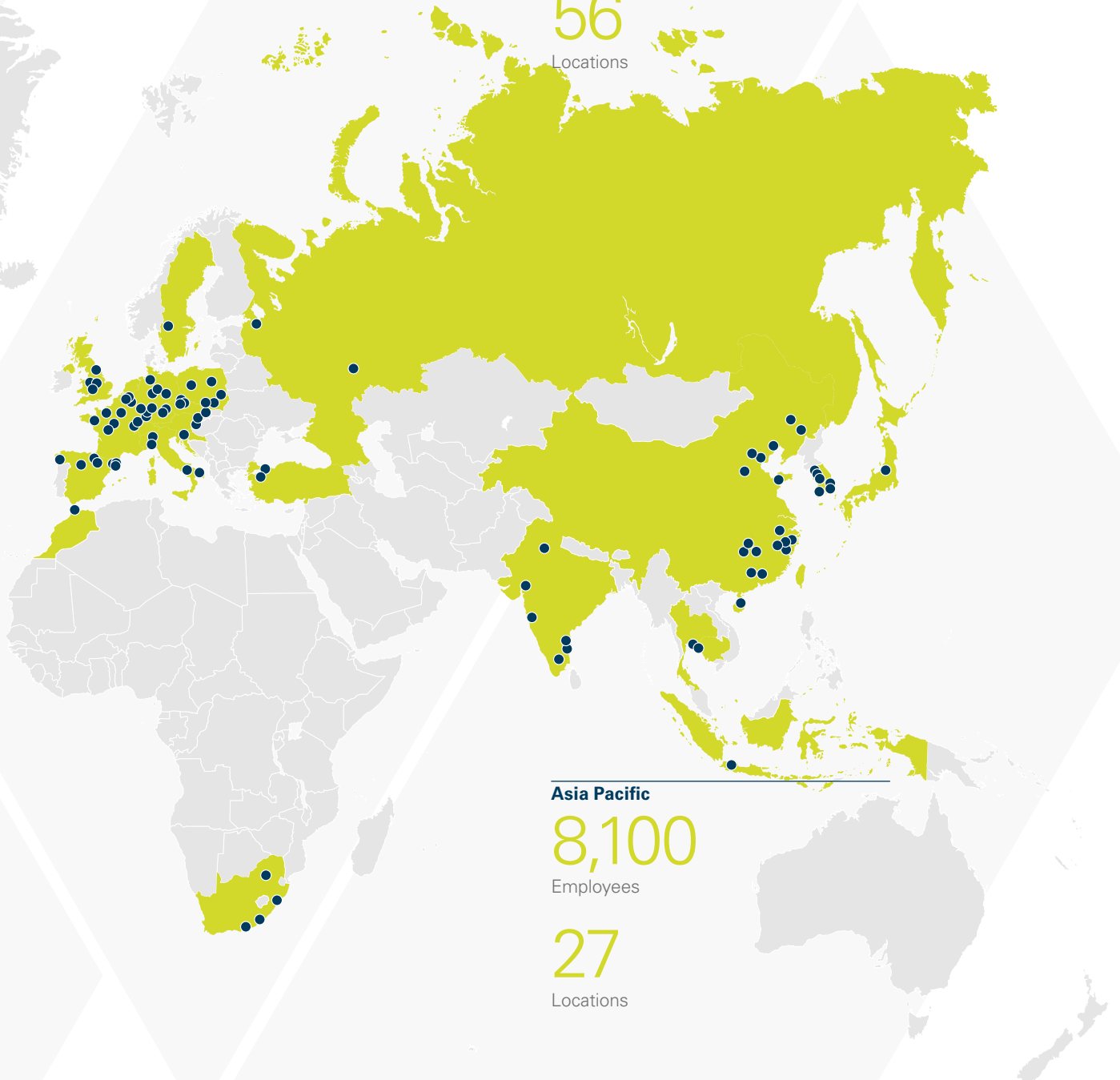
Asia Pacific

8,100

Employees

27

Locations



Our value chain

Creating sustainable value as a leading supplier of automotive products to make vehicles greener and keep our environment clean

Continuing our heritage and success as a global leader in automotive fluid systems through our people, technology, products, footprint and our longstanding customer relationships

Technology and Innovation

With 1,100 issued and pending patents, we continue to strengthen our position as an advanced leader in fluid systems addressing industry trends for both fuel and electrified vehicle systems

Global Technology Centres

4



Employees

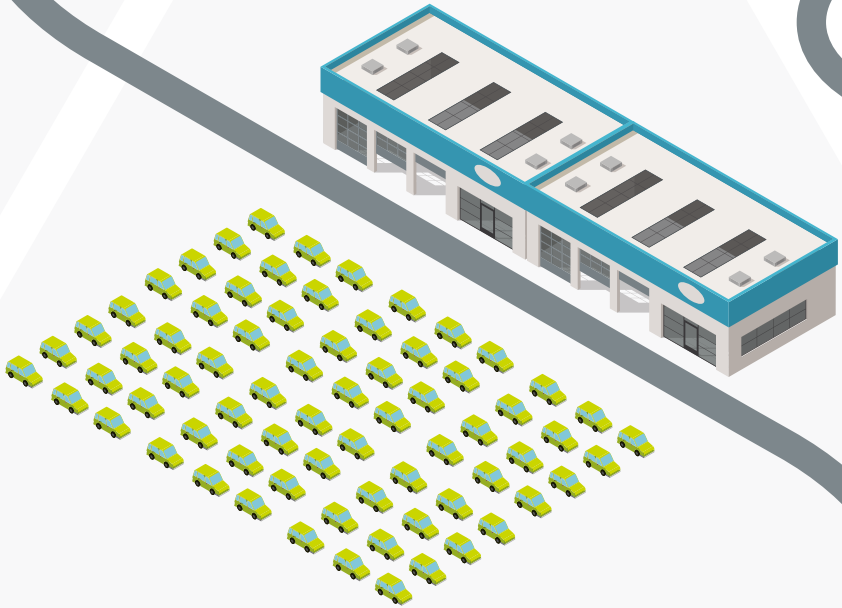
A global workforce spanning 28 countries continues to deliver strong performance through the promotion of a customer-focused culture and commitment to an engaging and safe workplace

Employees

27,300

Customers
Deep industry experience and sustainable history as a trusted partner to our OEM customers globally

Diversified customer base with no customer greater than 12% of revenue



Market Leadership
Highly engineered, advanced products, long-term customer relationships and global footprint continue to combine to make the Group a leading supplier to top selling vehicles, including hybrid electric and battery electric vehicles

#1 share in brake and fuel lines
#3 share in plastic fuel tanks



Manufacturing
Competitive manufacturing with a global footprint on five continents and 28 countries with regional manufacturing and small assembly facilities in proximity to our OEM customers

Manufacturing Locations
108



A long history of supporting a changing world

From the early days of Henry Ford's Model T to the current emergence of electric and autonomous vehicles, TI Fluid Systems continues to be a leader in the global supply of fluid storage, distribution and thermal management products to meet the changing needs of the global automotive market

2015

TI Automotive acquired by funds managed by Bain Capital



2010

TI Automotive won largest new business award in history of the company to be global supplier of fuel tank systems for several Mercedes-Benz model lines



2014

TI Automotive won Automotive News PACE Award for Tank Advanced Process Technology (TAPT)



1970

United States Congress passed Clean Air Act; vehicle horsepower reduced to address emission controls



1975

Tube production started by Bundy in South Africa



1976

New York Stock Exchange listed Bundy common stock on 9 December 1976



1962

First facility opened in Spain as ARMCO



1967

American Stock Exchange listed Bundy (BNY) on 20 March 1967



1936

Bundy entered into licensing agreement with ARMCO International Corporation with locations in England and France



First contract from Ford Motor Company for gas lines on the Model T. First production site on Bellevue Avenue in Detroit, Michigan



1922

Originally founded as Harry Bundy and Company in 1922, Harry Warren Bundy established The Bundy Corporation in Detroit, Michigan, USA



'Bundyweld' invented, which enhanced torsion and bending qualities, increased resistance to corrosion and improved fatigue strength of tubes

2020

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2017

TI Fluid Systems plc, the parent company of the TI Automotive Group, is admitted to the London Stock Exchange; ticker symbol TIFS.



London Stock Exchange



TI Fluid Systems supplies thermal lines for cabin comfort as well as battery chiller lines for battery thermal management on the new Ford Mustang Mach-E battery electric vehicle

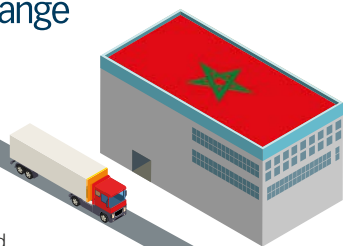
2018

TI wins first high-volume BEV Thermal program



2017

TI Automotive opened new facility in Morocco



2005

TI Automotive is first to market with its 'ship in a bottle' self-contained fuel tank that packages the fuel pump and fuel-level sensor inside the tank and meets the future LEV II evaporative emissions standards



TI Fluid Systems 2019

TI Automotive rebrands as TI Fluid Systems



2006

TI Automotive acquired Hanil Tube Corporation (South Korea)



2001

TI Automotive Ltd formed as an independent company in England

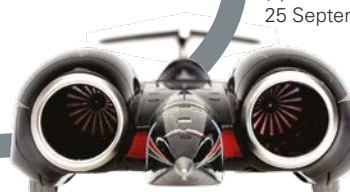
1999

TI Group acquired Walbro Corporation (USA)



1997

Bundy supplied the brake and fuel lines for the Thrust SSC (Super Sonic Car) that broke the land speed record at 714.44 mph (1,149.30 km/h) on 25 September 1997



1988

TI Group plc acquired Bundy



1996

TI Poland Brake & Fuel founded in Bielsko-Biala, Poland

1985

First facility opened in China



Our innovative products

Global market and technology leader in automotive fluid systems

TI Fluid Systems offers a portfolio of fluid storage, carrying, distribution and thermal management products with leading technology to support all propulsion systems with growing content opportunity on increasing number of EV platforms which include HEVs, BEVs and AEVs

Fluid Carrying Systems

The FCS division manufactures brake and fuel lines and thermal management fluid systems, including thermal management products.

1 Under-Hood Thermal Rubber Lines



2 AC Cabin Climate Control Lines



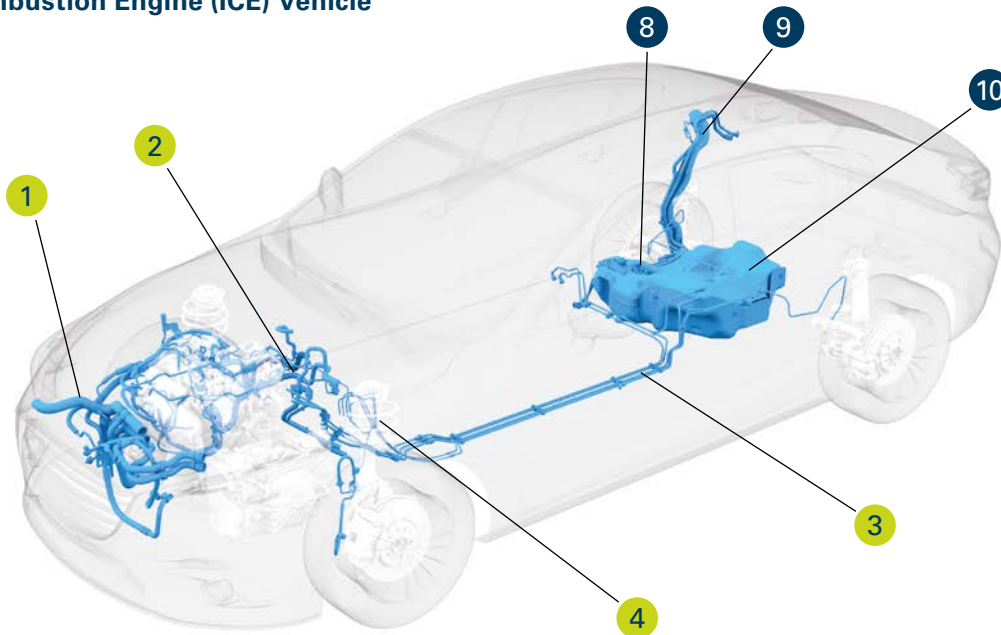
5 Chassis Thermal Plastic Manifolds



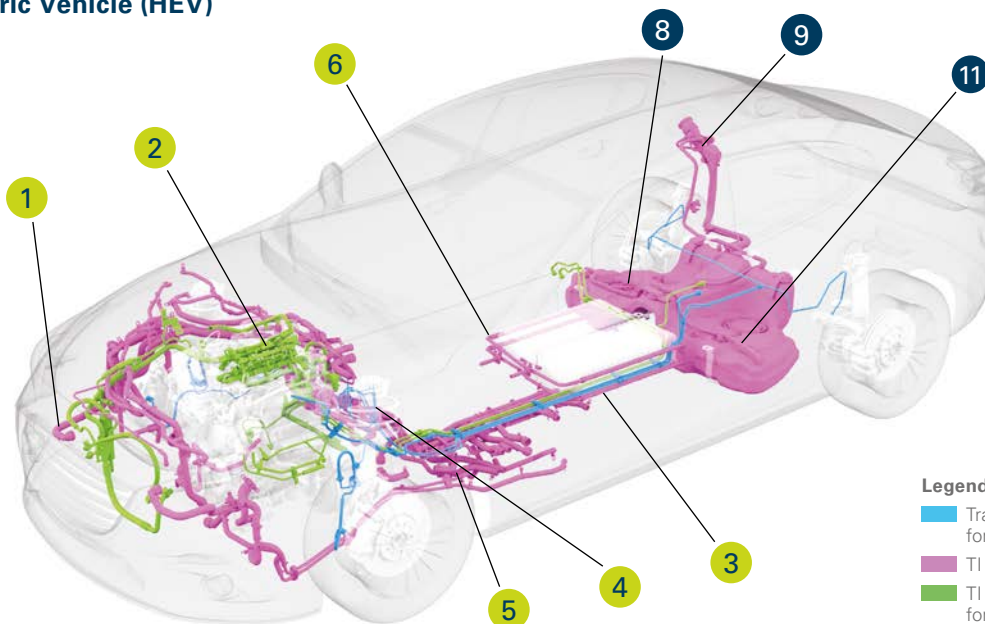
6 Battery Thermal Plastic Lines and Connectors



Internal Combustion Engine (ICE) Vehicle



Hybrid Electric Vehicle (HEV)



Legend:

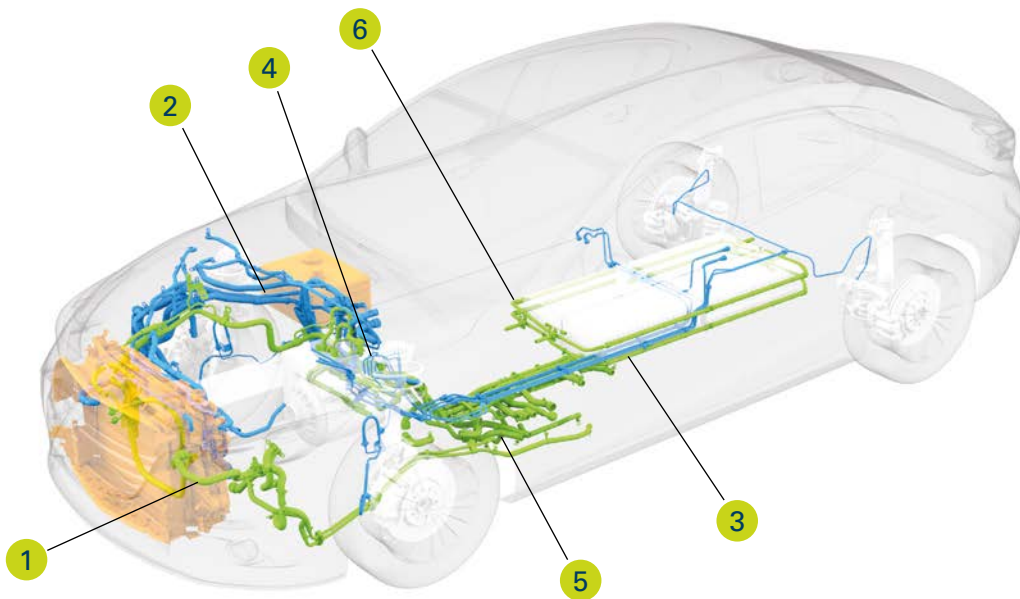
- Traditional TI products for ICE vehicles
- TI products for HEVs
- TI thermal products for BEVs
- TI products for AEVs

Fuel Tank and Delivery Systems

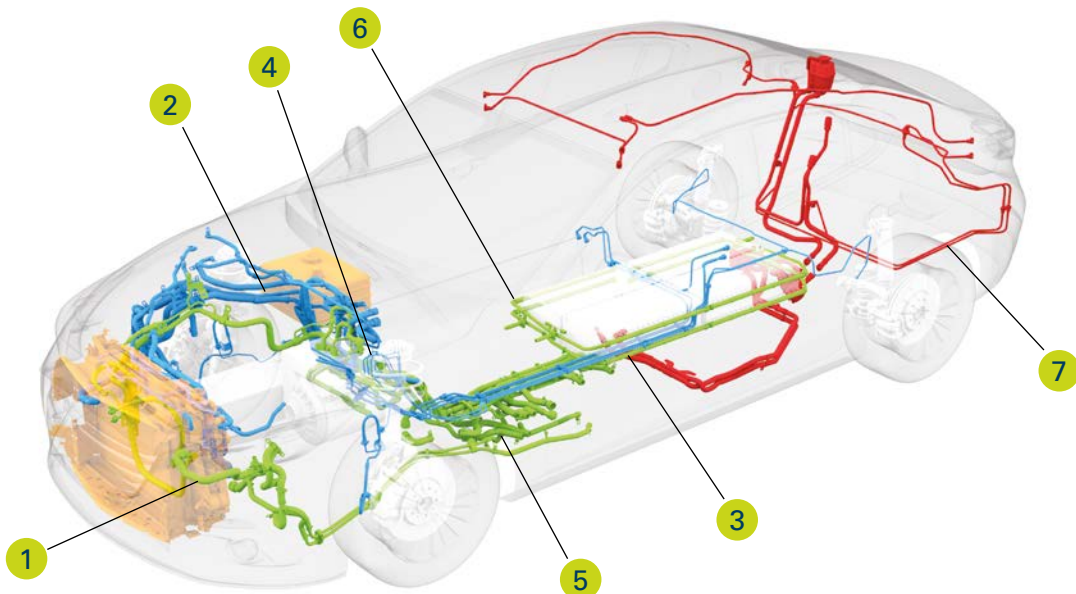
The FTDS division manufactures plastic fuel tanks, plastic filler pipes and electric fuel pumps and modules.



Battery Electric Vehicle (BEV)



Autonomous Electric Vehicle (AEV)



Key strengths

A global market leader aligning leading technology with strong customer relationships

Global market leader with strong market positions and above-market revenue performance

- Customer, platform, regional and product diversity
- Leading supplier of brake and fuel lines, with approximately 32% share of the global brake and fuel line market and #1 market position globally
- Leading supplier of plastic fuel tanks, with approximately 15% of the global plastic fuel tank market
- Embedded, long-term global customer relationships and strong close engineering collaboration provide business award opportunities
- Products typically single-sourced for life of programme
- Competitive global manufacturing footprint with flexible cost structure and approximately 69% of employees located in low cost countries.

Total revenue

€3,411m

Revenue by division

56%

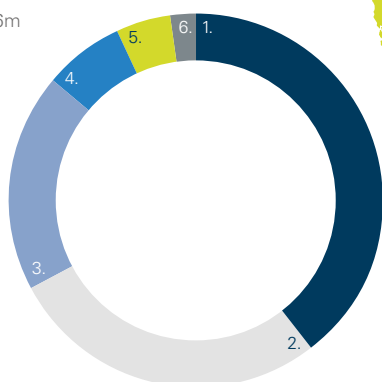
Fluid Carrying Systems

44%

Fuel Tank and Delivery Systems

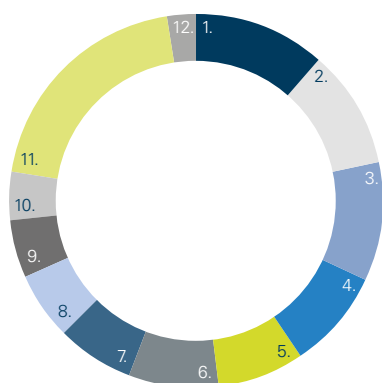
Revenue by region

1. Europe and Africa €1,368.6m
2. North America €936.7m
3. China €643.7m
4. South Korea €229.1m
5. Other Asia Pacific €157.8m
6. Latin America €75.2m



Revenue by customer

1. Daimler 11.4%
2. Hyundai 10.3%
3. Volkswagen 10.3%
4. Ford 8.6%
5. Renault-Nissan 7.7%
6. FCA 7.6%
7. Toyota 6.6%
8. PSA 5.9%
9. General Motors 5.0%
10. BMW 4.3%
11. Other OEMs 19.8%
12. Aftermarket 2.5%



Strong customer relationships and global low-cost footprint

- Highly diversified customer base
- Facilities in every major automotive manufacturing market
- Low-cost footprint includes regional manufacturing centres and assembly locations in close proximity to customers and provides logistics competitiveness
- Significant amount of revenue generated from global OEM platforms (i.e. platforms produced in three or more regions)
- Well positioned through the global manufacturing footprint to cost-effectively expand fluid handling content, business and infrastructure to OEMs transitioning to the EV market
- Locations predominantly managed by local nationals with strong stakeholder relationships and performance responsibility

Technology leader in highly engineered automotive fluid systems

- Award-winning product innovations and technologies aligned with automotive industry megatrends of emissions reduction and fuel efficiency
- Working closely with customers on design and engineering capabilities to maximise product development
- Extensive knowledge of materials and manufacturing processes together with optimal level of vertical integration
- Industry recognised innovation awards for plastic fuel tank technologies, e.g. pressurised fuel tanks for HEVs
- Successfully secured design, engineering and supply of thermal management products for BEVs with high volume global leading OEMs with a combination of traditional and lightweight material, including nylon
- Well positioned for growth in thermal management systems for EVs with global multi-layer nylon line capabilities
- Leading lightweight thermal solutions for AEVs

Management team with solid automotive experience and long track record of strong revenue growth, profitability and cash flow generation

- History of achieving leading financial metrics:
 - Revenue growth above global vehicle production
 - Adjusted EBITDA, Adjusted EBIT, Adjusted Net Income
 - Adjusted Free Cash Flow
- Strong industry reputation for technology innovation and product quality
- Financial discipline in quoting new contracts and capital allocation
- Continuous focus on business improvement efficiencies and managing fixed costs

Significant growth opportunities aligned with electrification including our strength in thermal management

- Opportunity to increase content per vehicle in growing HEV and BEV markets compared to our content on more traditional internal combustion engine ('ICE') vehicles
- Ability to use existing brake line, fuel tank and thermal management technology for HEVs
- Potential addressable market could increase significantly with BEV market development as this would typically require battery, chassis, electric motor and electronics thermal management (heating and cooling) in addition to traditional passenger cabin heating and cooling lines
- Well positioned for growth in thermal management for HEVs and BEVs due to:
 - HEVs and BEVs require more fluid handling content than ICE vehicles
 - Existing expertise to design and engineer performance-critical components to meet customer specifications using in-house 'know how' so no additional research and development cost
 - Introduction of nylon as a light-weight solution to thermal requirements that can operate at high temperatures, providing significant weight-saving advantage
 - Existing nylon extrusion capabilities and capacity in each major region
 - Longstanding customer relationships and viewed as a trusted and strategic partner to the OEMs
 - Ability to produce from existing and efficient manufacturing locations close to customers
 - Contracts for thermal systems for two high-volume BEV programmes awarded in 2018
 - Launching production in 2020
 - Continuing to collaborate with key customers on design and engineering for HEVs, BEVs and AEVs

Long established presence in China

- Operated in China for over 30 years
- Wholly-owned business supplying both global and local OEMs
- 19% of 2019 revenue from operations in China with 13 manufacturing locations
- Key contributor to our consistent above market growth

Years operating in China

>30

Percentage of 2019 revenue

19%

Manufacturing locations

13

- Baoding
- Beijing
- Changchun
- Chongqing
- Guangzhou
- Nanjing
- Qinhuangdao
- Shanghai
- Shenyang
- Tianjin
- West Shanghai
- Wuhan
- Yantai



We help make our world cleaner





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2019 has been another year of solid progress for TI Fluid Systems



Manfred Wennemer
Chairman

Dear Shareholder,

The Board is committed to the highest standards of corporate governance, which along with the Group's strategy, underpin how we create long-term sustainable value for our stakeholders.

In 2019, the Group performed well overall with particular focus on preparing for the upcoming launches of the significant thermal products for Battery Electric Vehicle (BEV) platforms that were awarded to us last year by two leading OEMs. We continue to leverage our customer relationships and use our technology leadership and global manufacturing footprint to progress our electrification strategy. Our business model has enabled us to deliver consistent financial performance, despite the current automotive market conditions. You can read more about our 2019 performance in the Chief Executive Officer's statement on page 16.

Board changes

As a Board, we have focused on succession planning, at both the Board and senior management levels, in order to ensure the continued success and sustainability of our business.

In January 2019, we announced that Timothy Knutson, our Chief Financial Officer ('CFO') and Executive Director, had notified the Board of his intention to step down at the end of 2019 in order to pursue other interests outside of the Group. Tim has been important to the success of TI Fluid Systems. He has supported the Group's strong growth trajectory over the last 10 years and, most recently, led the Company through our successful IPO. I wish him well and, on behalf of the Board, thank him for his efforts and significant achievements.

Ronald Hundzinski joined the Group as the CFO and Executive Director on 6 January 2020. I am delighted that we recruited and secured the appointment of someone of Ron's calibre. His deep automotive experience is notable as well as his track record of successful performance at BorgWarner and GKN. We look forward to him supporting the Group through the next stage of its development.

In addition to the CFO change, we have had several other changes to the Board.

Andrea Dunstan joined the Board as an Independent Director on 7 March 2019 bringing with her extensive experience and boardroom knowledge. Andrea has previously worked as Executive HR Director for Wincanton plc, AstraZeneca plc and Barclays Bank plc and, until 2017, was Chief People Officer for Premier Farnell plc.

Tim Cobbold joined the Board as Senior Independent Director on 4 November 2019. Tim has over thirty years of experience in a variety of sectors with more than ten years as Chief Executive Officer of FTSE listed organisations, including Chloride Group plc, De La Rue plc, and UBM plc. Since his appointment, Tim's experience from a UK plc background has been beneficial to the Board. We expect this benefit to continue going forward.

Paul Edgerley, a Non-Executive Director and one of the representatives of the Bain Shareholders, stepped down from the Board on 11 December 2019. I wish to thank Paul for his constructive and thoughtful contributions to the Board and his valuable guidance, especially as we prepared and successfully achieved our listing in October 2017.

Susan Levine was appointed to the Board in December 2019 and succeeds Paul as a representative of the Bain Shareholders. She currently serves as a Managing Director and the Head of NA Private Equity Talent for Bain working on a variety of senior leadership, team and organisational initiatives. We are delighted to welcome Susan to the Board and welcome her valuable expertise and experience.

Investor relations

In 2019, we continued to mature as a UK listed company. We have placed particular emphasis on engaging with our shareholders in order to provide them with a clear understanding and insight into how we strategically manage our successful business. In September 2019, we held a Capital Markets Event in London to display our products to institutional investors and analysts and provided detail around:

- Product Overview – our competitive strengths in our markets to explain why we consistently generate strong profitability
- Outperformance – background on our confidence in our ability to continue to deliver revenue outperformance versus global light vehicle production
- Electrification – review of our Electrification Strategy, recent successes and our confidence that, in the medium to long-term, our approach will provide a higher level of revenue outperformance
- Financial performance – continue emphasis on the resiliency of our business with strong margins and cash flow generation

Our Capital Markets Event was well attended, and everyone was impressed by the level of detail and potential opportunities around hybrid and electric vehicles. Accordingly, we plan to hold similar events for our shareholders in the future.

Dividend

The Board has decided to maintain the Group's dividend policy at approximately 30% of Adjusted Net Income due, in large part, to the Group's strong cash performance despite somewhat softer production volumes in 2019. We paid our interim dividend on 27 September 2019 of 3.02 euro cents per share and propose to pay a final dividend in respect of 2019 of 5.94 euro cents per share. Subject to shareholder approval at the Annual General Meeting on 14 May 2020, the final dividend will be paid on 29 May 2020 to shareholders on the register on 24 April 2020, the dividend record date.

COVID-19 Outlook

At the time of writing the challenges of COVID-19 to our industry, our company and our people are universally evident. Our management team has been fast to respond to those challenges and has kept the Board continually apprised of its actions and the sensible, considered measures it is taking.

Our people

Our people are our greatest asset. Recently, we conducted an employee engagement survey to measure how well we are doing in a number of key areas. Over 3,900 employees participated in the survey and provided us with valuable feedback. The overall results were very positive. Our employees have a high level of engagement and a clear understanding of the Group's objectives. However, we did identify several opportunities to strengthen our engagement and culture. Over the course of 2020 we are planning additional meetings, communications and training to promote a better understanding of our strategy, purpose and vision and to foster more consistent management practices.

Our performance in 2019 has only been possible as a result of the hard work and dedication of our entire team. On behalf of the Board, I would like to thank all our employees around the globe for their contribution.

Manfred Wennemer

Chairman
16 March 2020

UK Corporate Governance Code

At TI Fluid Systems we recognise the importance of effective corporate governance to the long-term success and sustainability of our business. Our robust governance framework not only satisfies the provisions of the new UK Governance Code but also supports the effective operation of our business and execution of our strategy

Our purpose

As a global market leader in automotive fluid systems, our purpose is to partner with our OEM customers to develop technology and deliver innovative products which enable our customers to make greener vehicles that help keep our environment clean and make our world a better place to live.

Our values

Our Core Values guide us in delivering a sustainable future for our business that includes a focus on safety, environmental and social impact.

Our culture

We promote a customer-focused culture and are proud of the strong and longstanding relationships we have with our OEM customers all around the world.



For more informations on our governance go to page 52

Our business continues to be resilient with strong margins and leading cash flow generation



William L. Kozyra
Chief Executive Officer and President

Dear Shareholder,

We are pleased to report overall solid performance in 2019 despite the challenging global vehicle production environment.

2019 performance

Global light vehicle production volume declined by 5.6% in 2019, compared to the prior year. We delivered revenue of €3.4 billion (-3.5% at constant currency), or 2.1% above global light vehicle production. If we include the impact of currency translation, revenue slightly declined by 1.8%.

We also continued to generate strong Adjusted EBITDA of €498 million (14.6% margin) and Adjusted EBIT of €340 million (10.0% margin). Profit for the year was €145 million (2018: €140 million) and Adjusted Free Cash Flow amounted to €172 million (2018: €146 million). These strong results compared well in our sector.

Our ability to maintain our strong financial performance with solid margins and excellent positive cash flow in the face of the prevailing market conditions demonstrates the Group's resilience and the strength of our strategy, business model and management focus.

Strategy update

In 2019, we continued our success as a leading global manufacturer of highly engineered fluid storage, carrying and delivery systems for light vehicles through the execution of our strategy. Our financial performance benefited from our commitment, focus and dedication to designing and producing products for greener vehicles. We also continue to benefit from operational flexibility and our balanced customer, platform and regional profile. We continue to be confident in our focus on electrification and our HEV and BEV strategy which is progressing well.

Use our strength in key product areas to drive the Group's market share

In 2019, we have worked to ensure the successful launch of the two significant high volume thermal product programmes for BEV platforms that were awarded to us last year by two leading high volume OEMs. Based on expected orders for thermal products on these two BEV platforms, we anticipate that the Group will have an approximate 50% share of these combined BEV platforms, representing a total lifetime revenue opportunity of approximately €700 million. These thermal programmes are expected to last for the eight to ten year life of the BEV vehicle models. Production is expected to launch in 2020 for the first of these platforms. The Group also launched and won other smaller, regional BEV platforms in 2019.

Earlier this year, the Group set up a new facility in Tangier, Morocco, to support the launch of these and future thermal products for BEVs. The 7,700 square metre facility expanded the Group's extrusion capabilities, expertise and capacity. The Group's investment in Morocco also provides logistics savings as well as a competitive cost structure with access to highly qualified labour. Our expectation is that the business in Morocco will continue to grow with the strength of our longstanding global OEM customers, which value Morocco's competitive export focus and strategic location. The facility marks the Group's second location in Morocco.

In addition, I am very pleased that our strategic investment in Morocco was done within the Group's overall capital expenditure target of 3-4% of revenue.

In 2019, the Group also won a notable programme with a Japanese OEM in North America for the supply of plastic fuel tanks. The total lifetime units of these fuel tanks is estimated at 710,000 based on customer planning volumes. A significant number of these tanks are for HEVs. We are pleased that this award, together with other recent fuel tank business awards, continue to demonstrate that our technology and advanced products are key elements that support the ongoing mission of our OEM customers to meet their stringent emission reduction and fuel efficiency targets. Our HEV fuel tank continues to be well recognised as an industry leading design and manufacturing product. Our win rate of HEV fuel tanks is increasing.



For more information on our strategy go to page 24
For more information about our governance go to page 52

The TI Group is committed to advancing products that contribute to a cleaner world

Maintain balanced customer, platform, regional and product diversification

The Group has highly diversified revenue with no dependency on one geography. In 2019, we generated approximately 40% of our revenue in Europe and Africa, 30% in Asia Pacific, 28% in North America and 2% in Latin America. This diversification continues to be a benefit for the Group.

We believe that the Group's long history of engineering and manufacturing high-quality, reliable, performance-critical products for global OEMs has built our positive reputation as an industry leader and allowed us to develop strong and lasting relationships with all of our customers. The Group has a highly diversified customer base of global and local OEMs with only three customers, individually, representing more than 10% of revenue in 2019.

Given our deep industry experience and history, we have gained familiarity with each of our customers' unique engineering, design and development processes. As a result, the Group is viewed as a 'trusted partner' by our OEM customers.

We continue to enhance our strategic position through collaboration and development projects with key customers for the design and engineering of thermal products for HEVs, BEVs and, most recently, AEVs. These projects are across different platforms and regions, including China. We continue to work with OEMs to reduce weight in the vehicle through thermal products and systems that take advantage of our technology and nylon capabilities.

Strengthen the Group's position as an advanced technology leader in fluid systems to meet industry megatrends

As the requirements of OEMs have continued to advance, the Group has capitalised on its knowledge of fluid components, lighter weight material and systems architecture to provide our OEM customers with more advanced designs and products to assist them to meet regulatory requirements and consumer expectations. Most of our products contribute to a cleaner world by making vehicles greener.

The Group continues to invest in its fluid management portfolio to include advanced products that are required to reduce emissions and improve fuel economy in vehicles such as pressurised fuel tanks and thermal management products.

The Group is the only global supplier with a fully integrated design, development, manufacturing and supply capability for the fuel tank system.

Capitalise on the Group's global scale, footprint and position

The Group has significant manufacturing presence in all of the major geographies for OEM vehicle production. In 2019, the Group had 108 locations across 28 countries on five continents. Being in close proximity to our OEM customers serves the Group very well.

With respect to China, we were able to successfully flex our cost base to mitigate the impact of the ongoing US-China trade conflict and protect our financial performance, particularly our Fluid Carrying Systems ('FCS') division which has had a large presence in China for decades. Our Fuel Tank & Delivery Systems ('FTDS') division continues to grow in China, benefiting from the ongoing conversion of heavy steel tanks to lighter weight plastic tanks as well as tighter emission standards that are creating higher demand for our partial and zero emission tanks.

In 2019, China made up 19% of the Group's revenue. China remains the world's largest vehicle market despite the short-term volatility in volumes.

Deliver strong growth, profitability and cash flow generation

The Group has a consistent record of delivering strong financial results.

In 2019, we successfully managed our fixed costs and profitability despite lower global light vehicle production volumes, particularly in China. We also successfully managed our net pricing and commodity cost impacts to maintain broadly consistent financial performance despite short-term market headwinds.

Looking ahead

We continue to build on and invest in our leadership in technology, global manufacturing and competitive cost structure to support long-term revenue growth, profitability and cash flow generation.

The impact of the current COVID-19 (coronavirus) outbreak is highly uncertain at this time. We are taking a number of mitigation actions but some negative impact in the short-term appears likely. Over the longer term, we expect to benefit not only as global light vehicle production continues to grow, but also from increased demand for our advanced fluid handling products and systems and higher content opportunities driven by the underlying megatrends of emission reduction, increased fuel efficiency and electrification. These megatrends will continue to be front and centre for our sector.

We prioritise variable and fixed cost management and capital allocation to deliver sustainable growth.

We believe the Group's strong customer relationships, extensive global footprint and trusted reputation as a leading fluid systems provider has contributed to thermal BEV collaboration agreements, HEV and BEV production contracts and will support continued growth in these markets for many years to come.

I remain excited about the path we are on and the Group's future.

Our people

The Group relies on the skills and expertise of its excellent employees worldwide, and the results of 2019 would not have been achieved without the commitment and dedication of our entire global team, whom I would like to recognise and sincerely thank.

Protecting the health and safety of our people is our highest priority. We have taken proactive actions around the world, including travel restrictions and flexible work programmes. I am happy to report that, as I am writing this statement, we are not aware of any of our employees that have been infected with COVID-19.

We will continue to manage through the difficult environment in 2020.

Bill Kozyra

Chief Executive Officer and President
16 March 2020

Global light vehicle production

Our current market is strong

Global light vehicle production remains attractive in the long-term although overall global production may be challenging in the near term.

2019

88.9m

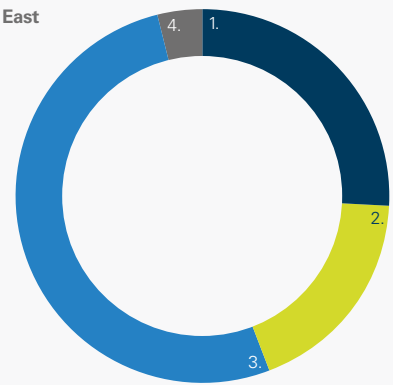
Global light vehicle production of 88.9 million vehicles

(5.6%)

Global light vehicle production change in 2019 of (5.6)%

By region

1. Europe (including Middle East and Africa) 23.1m
2. North America 16.3m
3. Asia Pacific 46.2m
4. Latin America 3.3m

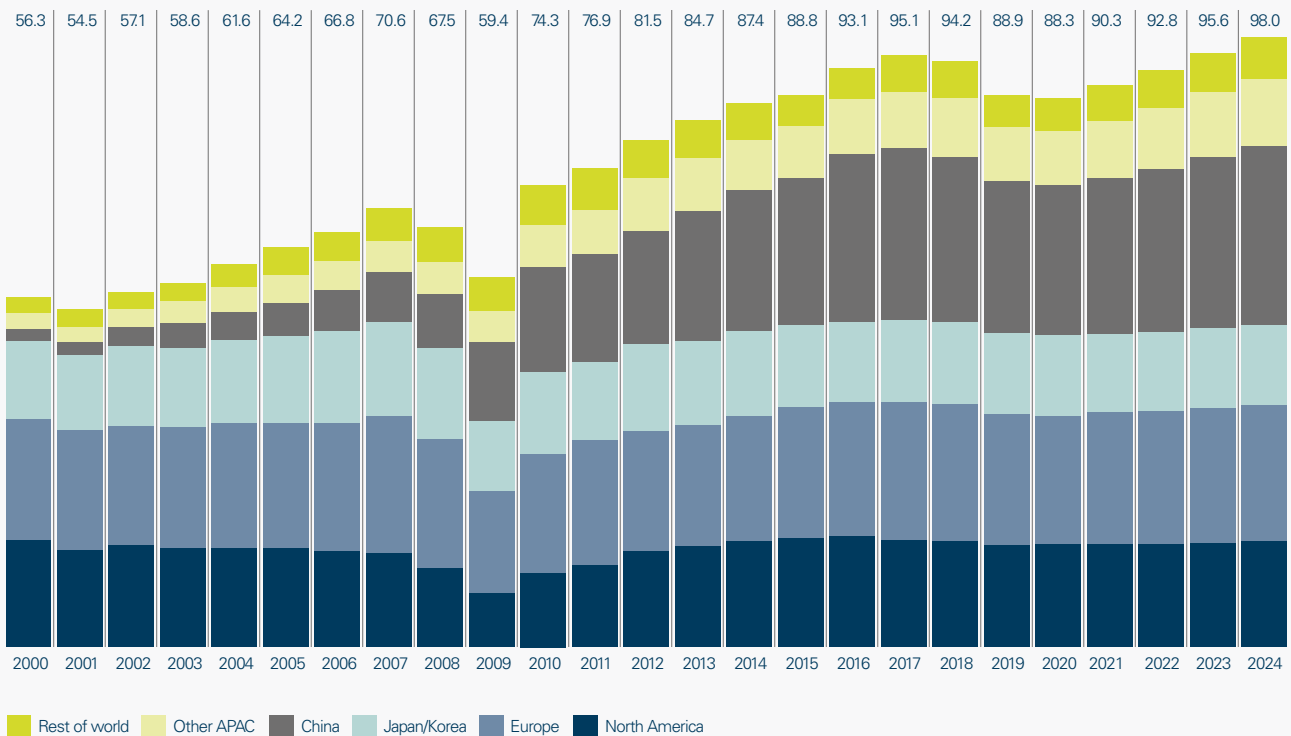


Expected growth

Expected 2019 to 2026 global light vehicle production CAGR of 2.0%.

Global light vehicle production 2000–2024 millions of units

2.9% Historical CAGR → 2.0% CAGR →



Source: IHS Markit, February 2020 and Company estimates.

Automotive megatrends

HEV and EV global vehicle production

Potential for increase in addressable market

2019

6%

HEV was 6% of the global vehicle production market

2%

BEV was 2% of the global vehicle production market

2026 (forecast)

38%

HEV is forecast to be 38% of the market

12%

BEV is forecast to be 12% of the market

Expected growth

From 2019 to 2026, HEV CAGR expected to be 33% and BEV CAGR expected to be 29%.

Source: IHS Markit, February 2020 and Company estimates.

Long-term growth drivers

Growth in emerging economies

- According to IHS Markit, global light vehicle production grew at a compound annual growth rate ('CAGR') of 2.4% from 2000 to 2019, notwithstanding the volume decline during the 2008-2009 global economic downturn. It is forecast to grow at a CAGR of 2.0% from 2019 to 2026.
- Prior to 2000, the more developed markets of North America, Western Europe, South Korea and Japan accounted for a substantial majority of global production. However, since 2000, global light vehicle production growth has largely been driven by emerging markets and, in particular, China, where production volume grew at a CAGR of 14.5% between 2000 and 2019.
- According to IHS Markit, approximately 27% of global vehicle production in 2019 was generated in China, with growth expected to continue in the long-term.
- The more developed markets of North America, Western Europe, South Korea and Japan are expected to grow at a CAGR of 0.1% with an increase of approximately 0.3 million units from 2019 to 2026, while emerging markets are forecast to grow at a CAGR of 3.6% with an increase of 12.8 million units during the same period.
- The Group has significant presence in the world's largest vehicle market, China, where it has wholly owned operations and makes up 19% of the Group's 2019 revenue.

Increasing use by OEMs of highly reliable suppliers with strong technical capabilities

- OEMs increasingly require global suppliers with a long-term track record of providing high-quality products, particularly for performance-critical components, such as fluid storage, carrying and delivery systems.
- As a result of more stringent regulatory requirements and rapidly changing consumer preferences, OEMs must continue to innovate and are therefore becoming more reliant on suppliers who can introduce new products and technologies which meet design and validation requirements in a short period of time.
- The Group has award-winning technologies and products aligned with automotive megatrends, including new product offerings designed for hybrid electric vehicle ('HEV') and battery electric vehicle ('BEV') applications.

Global platform standardisation

- Many OEMs are standardising vehicle platforms globally in an effort to reduce costs and become more competitive.
- By maximising the number of nameplates that can be produced on each platform and minimising differences in platforms between regions, OEMs can reduce design and development costs.
- IHS Markit projects that vehicle platforms that are produced in two or more regions will increase from 76% of global production in 2019 to 82% in 2026, while platforms manufactured in one region will reduce from 24% of global production to 18% in the same period.
- Accordingly, global design, manufacturing and supply chain capabilities are significant factors for certain OEMs when awarding contracts to suppliers.
- The Group is already benefiting from this platform globalisation trend. In 2019, the Group tracked 83% of its total revenue by individual platform, of which approximately 88% was from global platforms produced in two or more regions.



More stringent regulatory requirements to reduce emissions and increase fuel economy

- OEMs are required to reduce exhaust and evaporative emissions and improve fuel economy in order to meet increasingly stringent regulatory requirements in every major market.
- The relevant authorities in the United States, the European Union, China, India, Japan, South Korea and Brazil amongst others, have all instituted regulations requiring significant emissions reductions and more stringent fuel economy targets over time.

Exhaust emissions

- In an effort to protect the environment, governments have adopted requirements, focused on reducing exhaust emissions from automobiles, such as CO₂. Certain developed markets have mandated CO₂ emission reductions, with emerging markets increasingly following a similar trend.
- OEMs have sought to introduce higher-pressure fuel systems and turbochargers in order to improve the efficiency of the combustion reaction in an engine to achieve lower exhaust emissions.
- The Group's product offering includes products which optimise the efficiency of the internal combustion engine process including GDI fuel rails, fuel pumps and turbocharger engine lines.
- For example, the Group designs, engineers and manufactures efficient fuel pumps so an ICE vehicle will burn less fuel and, as a result, reduce the level of CO₂ emitted into the environment.



Evaporative emissions

- Evaporation of fuel while stored in the fuel tank has historically been a source of hydrocarbon emissions resulting from permeation through the walls and various other components on the tank.
- Regulations have been enacted that require OEMs to reduce these evaporative emissions from automotive fuel systems.
- For example, in California, USA, low emissions vehicle ('LEV') standards dictate the evaporative emissions thresholds that OEMs are required to achieve. LEV II standards, which came into effect in 2004, lowered emissions thresholds by approximately 75% and new LEV III standards, which are expected to be gradually phased in over the next decade through the 2025 model year, are expected to require a reduction of 30% in emission thresholds from 2010 levels.
- Similarly, the European Union has established an emissions target for 2021 that will require an emissions reduction of 27% from 2015 levels. In addition, China has introduced its Beijing-6 evaporative emissions targets which are similar to California's LEV II standards.
- The Group has specific technology in fuel tanks to reduce evaporative emissions. The six-layer structure, includes a barrier layer which captures the hydrocarbons inside the wall of the fuel tank and prevents them from being emitted into the environment.
- The Group is the only supplier with a fully integrated design, development, manufacturing and supply capability for the fuel tank system. The FTDS division made up 44% of the Group's revenue in 2019.

Fuel economy:

Weight reduction

- Governments globally have increased requirements on OEMs to increase fuel economy across their fleet of vehicles.
- Heavier vehicles use more fuel and emit more CO₂ into the environment. As a result, there is a growing trend among OEMs to reduce vehicle weight through the replacement of metal components with lighter plastic components.
- The Group is a beneficiary of this trend, particularly in China where the Group's plastic fuel tanks offer a lighter weight and anti-corrosive solution to steel tanks. In 2019, 40% of China's fuel tanks were still made of steel providing a continued growth opportunity.

Electrification

- To address fuel economy requirements, OEMs are using higher pressure fuel systems to optimise internal combustion engines and are increasingly adopting alternative powertrain and propulsion technologies, including HEVs and BEVs.
- IHS Markit projects CAGRs of 33% and 29% in global HEV and BEV production, respectively between 2019 and 2026 and that HEVs and BEVs will constitute approximately 38% and 12%, respectively, of global vehicle production volume by 2026.
- Electrification offers a significant content growth opportunity for the Group.

Hybrid Electric Vehicle ('HEV')

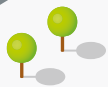
- Traditional vehicles with internal combustion engines ('ICE') typically have two main thermal management loops. HEVs generally contain traditional ICE fluid systems and can also have additional fluid handling systems to manage electrification-related component temperatures including advanced thermal management systems for the chassis, power electronics, electric motor drive and battery systems. As a result, HEVs may have up to six thermal loops.
- HEV thermal management systems typically include fluid lines and tubes, pumps, quick connectors, sensors and valves.
- In addition to increased thermal management requirements, the Group produces fuel tank systems for HEVs that can accommodate increased fuel vapour pressure which builds up during the period when the internal combustion engine is not operating and is not available to purge the fuel vapour.

Battery Electric Vehicle ('BEV') and Autonomous Electric Vehicle ('AEV')

- BEVs and AEVs are expected to have additional thermal management loops. Based on recent platform launches, we expect significantly higher line and tubing content than traditional ICEs, depending on vehicle size and system design.
- As thermal components and systems in BEVs and AEVs may not be exposed to the same heat generated by ICEs, the systems may utilise different materials, such as nylon, to help optimise system weight, temperature and pressure.
- Nylon lines have an approximate 30%-60% weight advantage as compared to rubber and aluminium lines. Therefore, the use of nylon lines would reduce vehicle weight and help to extend battery life (required for extended driving range) of EVs. The Group has existing material 'know-how' in nylon and aims to utilise its existing industrialised capacity to support nylon usage.
- In addition, thermal management systems for BEVs and AEVs will include pumps, quick connectors, sensors and valves.
- The Group is well positioned to continue capturing additional content opportunity as the market for BEVs grows and, in the longer term, the AEV market develops.

Creating consistent and long-term value for stakeholders

Key resources and relationships



Employees

- We employ 27,300 people globally across our 108 manufacturing locations, at our global and regional technical and applications centres and at our headquarters offices
- We have 11,100 employees in Europe, 6,900 in North America and 9,300 in Asia and Latin America

Customers

- Our products are sold to all major global OEMs for a wide range of light vehicle platforms and brands
- We have longstanding customer relationships with purchasing, engineering and management teams at the OEMs and are seen as a trusted strategic partner
- We continue to collaborate with OEMs on the design and engineering for new systems and products, particularly for HEV, and BEV applications but, most recently, also AEVs

Suppliers

- We purchase raw materials, including resin, steel and aluminium, as well as sub-components from suppliers located around the world
- We pursue strategic sourcing based on price, quality, reliability of supply, technology and logistics efficiency
- In some instances, certain suppliers are directed and mandated by the OEMs

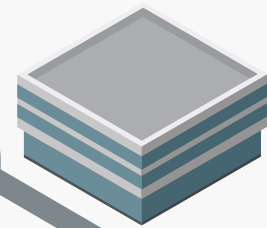
Technology

- We have made and continue to make significant investment in development of our products and manufacturing processes and protecting our intellectual property in all major markets
- We have award-winning technologies and products aligned with automotive megatrends, including new product offerings for HEV and EV applications

Governance

- We are subject to a variety of laws, rules and regulations in connection with our global operations
- We are committed to compliance and conducting our business in an ethical and legal manner

How we create value



Technology and innovation

- We seek to improve the performance and quality of products and processes and introduce new products through innovation and investments in new technology.
- We have approximately 1,100 issued and pending patents worldwide (600 in our Fluid Carrying Systems division and 500 in our Fuel Tank & Delivery Systems division)

Market leadership

- Our highly engineered, advanced products, long-term customer relationships and global footprint, including China, combine to make the Group highly competitive while delivering strong financial returns
- We are the #1 supplier of brake and fuel lines in all key regions globally and #3 supplier of plastic fuel tanks globally

Manufacturing

- Our competitive global footprint with regional manufacturing and small assembly facilities located near OEM assembly plants has been established to deliver quality products, efficient manufacturing, optimised capital allocation and minimised freight costs
- We make adjustments to our locations as necessary to better align our footprint with our customers' assembly plants
- We have also realised significant growth through winning global platforms where a limited number of suppliers are capable of meeting customer requirements in all major regions around the globe



Global market and technology leadership



Designing and manufacturing products for greener vehicles that make our environment cleaner



Sustainable profit and cash flow generation

Stakeholders who benefit

Shareholders

- We aim to generate long-term sustainable shareholder returns through the execution of our business strategy
- Our dividend policy targets 30% of Adjusted Net Income

Employees

- We seek to ensure that our workforce of 27,300 people located in 28 countries is skilled, motivated and competitively compensated
- We have policies and programmes in place to provide a safe and inclusive work environment
- We measured our success through our employee engagement survey in 2019

Customers

- We provide value to our customers through our leading product technology, strong manufacturing and quality capabilities, and efficient global footprint
- Our performance-critical products support our OEM customers to reduce automobile emissions and increase fuel efficiency, including through alternate HEV and BEV powertrains

Society

- Our technology and products contribute to greener vehicles and a cleaner environment
- We strive to reduce our own impact on the environment and to conduct our business in an ethical and legal manner in accordance with our Core Values and Code of Business Conduct
- We benefit our many local communities through the creation of employment and advancement opportunities as well as many charitable and outreach activities
- We help advance individual mobility

Leveraging our position as a leading global supplier

Strategic objective

The Group's strategy, aligned to our purpose, is to leverage its position as a leading global supplier of automotive fluid systems to provide advanced technology products that support the world's transition to greener vehicles and, thereby, deliver revenue that outperforms global light vehicle production along with strong profitability and cash flow generation.

Objective 1

Use our strength in key products to drive the Group's market share position

- Extend the Group's strong positions in brake and fuel lines and plastic fuel tanks
- Leverage technology, OEM relationships and competitive global footprint to drive organic business growth in thermal with leading products targeted for global platforms

No.1

Supplier of brake and fuel lines globally

No.3

Supplier of plastic fuel tanks globally

Progress:

- #1 supplier position of brake and fuel lines in all key regions globally
- #3 supplier position of plastic fuel tanks globally
- Trending towards > 20% market share in the HEV fuel tank market
- Focused on successfully launching the significant thermal product programmes awarded by two leading high volume OEMs in 2018 for global EV platforms. The first of these platforms is expected to launch in 2020:
 - Lifetime revenue opportunity of €700 million based on customer planning volumes
 - Sourced on these programmes for the expected 8-10 year life of the vehicles
- Recently set up a new facility in Tangier, Morocco, to support the launch of these EV programmes which expands the Group's extrusion capabilities, expertise and capacity
- Ongoing collaboration with key OEMs for the design and engineering of thermal products for EVs
- Projects are across different regions including China
- Booked significant new business awards in all regions

Objective 2

Maintain balanced customer, platform, regional and product diversification

- To mitigate the impact of regional market cyclicality and customer concentration, we strive to maintain a balanced level of customer, platform, regional and fluid handling product diversification

108

Manufacturing locations

28

Countries

Progress:

- Regional diversity with 40% of revenue in Europe, 30% in Asia, 28% in North America and 2% in Latin America
- Balanced and diversified customer portfolio with no single customer representing more than 12% of 2019 revenue
- Longstanding relationships with OEMs
- Reputation for developing high-quality products including brake and fuel lines, plastic fuel tanks and thermal management systems
- Many existing and planned collaborative design and engineering opportunities with OEMs in new technologies for HEVs, BEVs and AEVs
- Establishing relationships with new OEM entrants

Objective 3

Strengthen the Group's position as an advanced technology leader in fluid systems to address industry shift to greener vehicles to make the environment cleaner

- Continue to invest in R&D to develop products that facilitate OEMs meeting regulated emissions and fuel economy requirements
- Pursue content expansion in the electric market, where advanced thermal management systems and pressurised tanks have the potential to increase the Group's fluid handling content
- Leverage our existing nylon and light weight 'know how' and manufacturing capabilities to target key OEMs with thermal management system requirements for HEVs, BEVs and AEVs
- Continue advancing our market position in pressurised fuel tanks for the increasing HEV market

2019

Focus on products that facilitate OEMs meeting emission reduction and fuel economy requirements

Progress:

- Continue to focus on our advanced technology development centres and regional application engineering centres
- Ongoing design, development and supply of advanced systems and components on a global basis to OEMs
- Emphasis on products that facilitate OEMs meeting emission reduction and fuel economy requirements, e.g. pressurised fuel tanks and thermal management products
- Developed light weight nylon thermal products to support industry move to BEVs and AEVs

Objective 4

Capitalise on the Group's global scale, footprint and position, especially in China

- Capitalise on the Group's scale, global manufacturing footprint and established position in China and other emerging markets to be the provider of choice on OEMs' global platforms
- Leverage the industry trend of increasing standardisation of OEM platform production through breadth and scale of operations
- The Group is well-positioned in China, likely the largest long-term market for EVs

19%

Revenue from China operations

Progress:

- Significant presence in all of the major geographies for OEM vehicle production
- Manufacturing facilities near OEM assembly plants in 108 locations across 28 countries in five continents
- Decentralised business model with locally-based nationals in regions and countries, including China, with profit and cash flow responsibility as well as strong regional customer relationships
- China macroeconomic environment continues to be unsettled with ongoing US-China trade conflict
- Short-term global light vehicle production impacted by lower production in China
- Successfully flexing costs in China to align with volume decline, primarily in the FCS division
- In the FTDS division:
 - We continue to benefit from the conversion of steel to plastic tanks in China
 - Tighter emission standards in China are also leading to higher demand for partial and zero emission tanks
- 19% of revenue from China in 2019

Objective 5

Deliver strong growth, profitability and cash flow generation

- Leadership in technology, global manufacturing footprint and competitive cost structure supporting growth in revenue, Adjusted EBIT and Cash Flow generation
- Continue to prioritise variable and fixed cost management and capital allocation
- Continue to adjust costs in line with OEM production volume fluctuations
- Selectively invest capital in projects that offer attractive rates of return

€172m

Adjusted Free Cash Flow generation

Progress:

- Revenue outperformance of 2.1% on a constant currency basis and Adjusted EBIT of €340 million in 2019
- Delivered Adjusted Free Cash Flow of €172 million in 2019 (€146 million in 2018)
- Successfully managed fixed costs and profitability despite lower global light vehicle production volumes in 2019, particularly in China, as well as the Group's lower exposure to SUVs and light trucks in North America
- Successfully managed pricing and commodity cost changes in order to continue delivering strong margins and free cash flow
- Consistent performance despite short-term market headwinds
- Strengthening our culture of continuous improvement and results orientation

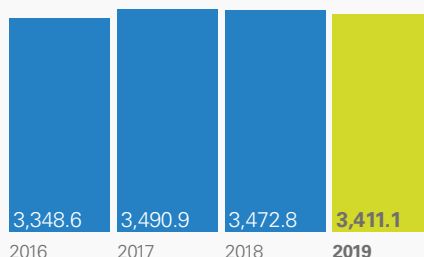
Key performance indicators

How we measure our strategic success

Revenue €m

Definition

Defined as revenue growth excluding the effects of currency translation.



2019 performance

- In 2019, global light vehicle production contracted by 5.6% to 88.9 million vehicles
- We delivered revenue of €3.4 billion (-3.5% decline at constant currency) compared to the prior year)
- 2.1% revenue outperformance at constant currency

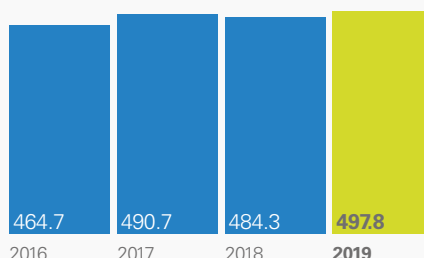
€3,411m

Adjusted EBITDA €m

Definition

Defined as profit for the period before income tax expense, net finance expense, depreciation (including PP&E impairment), amortisation (including intangible impairment), exceptional administrative expenses, net foreign exchange losses and (gains) and other reconciling items.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenue expressed as a percentage.



2019 performance

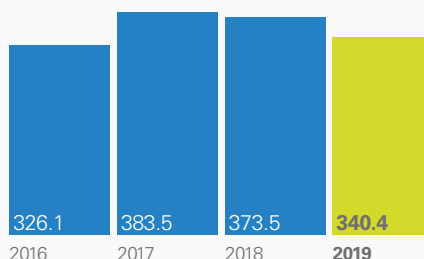
- Adjusted EBITDA was €498 million in 2019
- Adjusted EBITDA margin was 14.6% in 2019, a 0.7% increase from the prior year

€498m

Adjusted EBIT €m

Definition

Defined as Adjusted EBITDA less depreciation (including PP&E impairment), amortisation (including intangible impairment) arising on tangible and intangible assets before adjusting for any purchase price adjustments to fair values arising on acquisitions. Adjusted EBIT Margin is defined as Adjusted EBIT divided by Revenue expressed as a percentage.



2019 performance

- Adjusted EBIT was €340 million in 2019, with Adjusted EBIT margin of 10.0%

€340m



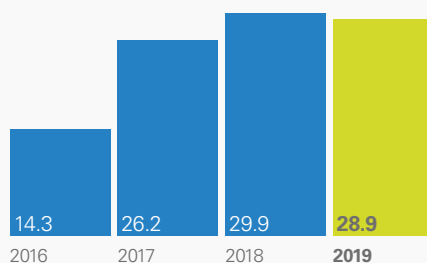
Please see page 43 for definitions of the non-IFRS measures.

The impact of adopting IFRS 16 – Leases on the results is shown on page 44.

Adjusted Basic EPS € cents

Definition

Defined as Adjusted EBITDA less net finance expense before exceptional items, income tax expense before exceptional items, depreciation and amortisation (including PP&E and intangible asset impairments) and non-controlling interests share of profit divided by the weighted average number of shares in the year.



2019 performance

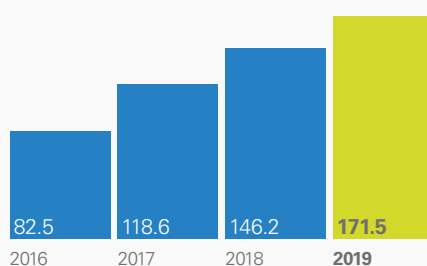
– Adjusted EPS was 28.9 euro cents in 2019, representing a decrease of 3.2% over the prior year

28.9c

Adjusted Free Cash Flow €m

Definition

Defined as cash generated from operating activities, less cash used by investing activities, adjusted for acquisitions, movements in financial assets at fair value through the profit and loss, cash payments related to IPO costs and cash received on settlement of derivatives.



2019 performance

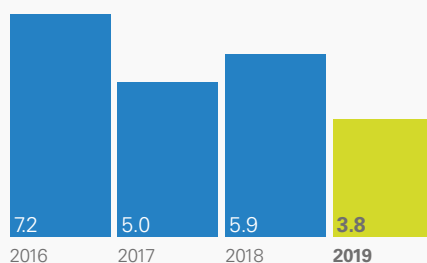
– Adjusted Free Cash Flow was €172 million in 2019, representing an increase of 17.3% over the prior year

€172m

Customer satisfaction PPM

Definition

Defined as the quantity of non-conforming pieces rejected by external customers versus pieces sold, measured in parts per million.



2019 performance

– Used as a measure to gauge customer satisfaction and level of product quality as delivered. Indicates our competitiveness relative to industry and world-class standards
– Considered world-class quality level

<4PPM



Please see page 43 for definitions of the non-IFRS measures.

The impact of adopting IFRS 16 – Leases on the results is shown on page 44.

Principal risks and uncertainties

A balanced approach to risk management and mitigation

The Board is responsible for the Group's system of risk management and internal controls. The Audit & Risk Committee supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy.

A review of the Group's risk management framework used to collate, report and manage business critical risks was presented to the Audit & Risk Committee in March 2020. The Board has concluded that a robust assessment of the Group's principal risks had been undertaken.

TI Fluid Systems' global operations are exposed to a number of risks which could, either on their own, or in combination with others, have an adverse impact on the Group's results, strategy, business performance and reputation which, in turn, could impact upon shareholder returns. The following section highlights the major risks that may affect the Group's ability to deliver the strategy, as set out on pages 28 to 31, including an assessment of any change in risk assessment this year.

The management and mitigation activities described below will help to reduce the impact or likelihood of the major risk occurring, although the Board recognises it will not be possible to eliminate these risks entirely. The Board also recognises there could be risks that may be unknown or that may be judged to be insignificant at present, but may later prove to be significant.

Global light vehicle production volumes

Risk Trend

No Change

Description

TI Fluid Systems has 108 manufacturing locations in 28 countries on five continents and a substantial amount of its revenue is closely linked to the economic cycle and the general macro-economic environment.

Impact

Historically, there has been close correlation between economic growth and the global light vehicle production volumes. The cost structure of the business, operating across manufacturing facilities in 108 locations, means that a large reduction in revenue will have an impact on profitability.

Controls and mitigation

- TI Fluid Systems' presence in 28 countries supplying a wide range of customers acts as a hedge to neutralise localised economic volatility.
- The Group has an extensive manufacturing presence in emerging and other low-cost markets which currently have relatively low rates of light vehicle penetration per head of population and are believed to have strong growth potential.
- Although the Group's products are primarily for light vehicles, it operates across both a broad geographic footprint and a diversified range of vehicle platforms, brands and models.
- A proportion of the Group's workforce in a number of local markets are employed on temporary contracts, which provides some flexibility in the cost-base.
- The Group monitors closely and responds to any changes in customer demand on a local or Group-wide basis.



For more information on our strategic objectives go to pages 24-25

Product quality

Risk Trend

No Change

Description

TI Fluid Systems' business is based on the repeatable supply and delivery of components and parts to an agreed specification and time.

Impact

Failure to meet customer requirements or specifications can have financial consequences, such as the loss of a customer, warranty claims and product liability, and cause long-term damage to the Group's reputation.

Controls and mitigation

- TI Fluid Systems operates rigorous quality control systems designed to ensure a high-quality standard for all products, including testing and validation during the design and production phases.
- The Group collaborates with key customers to evaluate and improve quality control standards and to confirm the compliance of its manufacturing processes with customers' quality standards.
- Quality systems and processes operated at local manufacturing level are subject to oversight by divisional quality teams.
- Where necessary, the Group's manufacturing facilities maintain relevant industry accreditations, such as TS 16949.
- The Group monitors the field performance of its products in order to seek to continuously improve product quality.

Competition and customer pricing pressure

Risk Trend

No Change

Description

This risk encompasses a number of identified global trends in the markets in which TI Fluid Systems operates. The Group operates in a dynamic competitive environment and faces competition from other manufacturers and suppliers of automotive components in each of the market segments in which it operates. The Group may be subject to pressure from customers to reduce costs on current contracts. The environment for bidding and securing new contract awards from OEMs is competitive.

Impact

The Group's customers face constant pressure to lower their selling and production costs to be competitive against their peers and may require reductions in the selling price of the Group's systems and components over the term of a vehicle platform or model. Commercial activity by competitors, or changes in their products or technologies, could impact upon the Group's market share and profitability.

Controls and mitigation

- The Group seeks to offset pricing pressure by achieving improved operating efficiencies and cost reductions.
- A growing trend by customers to standardise and globalise vehicle platforms has the potential to minimise the Group's exposure to the cancellation of any single vehicle platform or model.
- TI Fluid Systems has a strong reputation and industry-leading technology which supports its status as a key supplier to its customers.
- The Group engages in extensive and regular dialogue and has strong commercial and engineering relationships with key customers.
- The Group uses market intelligence and competitor analysis to support its market activities and inform investment decisions.
- Across the Group there is an emphasis on research and development and improving the technical content of products.
- The Group also leverages a robust screening process to evaluate new business proposals.
- The Group is considered to be a top supplier or strategic supplier by many of its OEM customers.

Business continuity

Risk Trend

No Change

Description

TI Fluid Systems' business is based upon reliable, high-volume manufacturing across all its locations in order to supply products to customers, often on a just-in-time basis. Business continuity encompasses a number of areas of risk to the Group, including fire, flood and other casualties, equipment breakdown, key supplier failure, exposure to price fluctuations of key raw materials, maintaining stable labour relations, and ensuring the reliability of the Group's business management systems and IT infrastructure. In addition, the Group is exposed to risks from accidents and incidents arising from health and safety failures.

Impact

A loss of production capability at a facility could lead to an inability to supply customers, reduce volumes and/or increase claims made against the business. In periods of high demand or in the event of supplier difficulties, availability of raw materials may be constrained which could interrupt production or result in price increases, all of which could have an impact on the profitability of the Group's operations. In certain circumstances the loss of a supplier, or supplier quality failing, could lead to an inability to obtain materials and sub-components necessary to supply products in a timely or efficient manner.

The loss of systems capability at a Group facility, as a result of IT failure or cyber-attack, could impact the Group's ability to operate one or more plants and supply its customers. Injuries arising from health and safety incidents could result in lost time, reduce employee morale and possible changes in working practices. Serious incidents can also have a detrimental impact on the Group's reputation.

Controls and mitigation

- The Group continues to expand its business continuity planning (BCP) to enhance the localised continuity planning strategy operated at each facility.
- The Group's global network of facilities provides a degree of backup capacity.
- The Group maintains a scheduled programme of maintenance and inspection of all equipment.
- The wide geographic spread of operations, purchasing and supply chain functions allows the Group to use a range of techniques to address potential supply disruption, such as long-term purchase contracts, dual sourcing and ongoing research and development into alternative materials and solutions.
- In certain markets the Group uses preferred suppliers for key components and materials.
- The Group maintains casualty, property and business interruption insurance, including cyber incident coverage.
- The Group participates in a number of works councils and other represented employee forums and seeks to establish and maintain good relationships with its employees and unions.
- The Group continues to assess and strengthen its cyber security programme. In 2019 the Group introduced enhanced systems penetration testing and data security audits.
- The Group's decentralised IT systems worldwide provide some resilience against the loss of production or systems capability to the Group as a whole.

- IT has developed and implemented a disruption recovery plan for the organisation.
- The Group has an embedded health and safety culture and operates a global health and safety policy, with local health and safety operations in place in each manufacturing facility.
- Health and safety performance is monitored regularly by each division and by the Group.

Product development and changes in technology

Risk Trend

No Change

Description

The automotive industry is subject to changes in technology and the Group's products are subject to changes in regulatory requirements to reduce emissions and increase fuel economy. Operating across numerous markets and territories requires compliance with a wide variety of regulations. Changes in consumer demand, e.g. the popularity of a particular vehicle type, model, platform or technology such as HEVs and EVs, may also impact on demand for the Group's products. In addition, the Group's products have performance-critical applications and have high levels of technical content and know-how.

Impact

Failure to keep up with changes in technology in the light vehicle automotive industry or in competitive technologies may render certain existing products obsolete or less attractive as well as damage the Group's market position and reputational strength. Failure to comply with all relevant regulatory requirements could affect the Group's reputation and/or its ability to operate in certain markets or territories. Changing environmental regulations could affect demand for certain products. The Group's technologies and intellectual property rights need to be kept current through continuous improvement and research and development and are susceptible to theft, infringement, loss and/or replication by competitors.

Controls and mitigation

- The Group is engaged in continued investment in alternative engineering solutions and the development of more advanced designs and innovative products to ensure compliance with changes to environmental regulations and customer demand.
- TI Fluid Systems has an international network of four technical centres which focus on research and development.
- The Group seeks to maintain close relationships and technical partnerships with key customers.
- The Group has established eight regional application centres which focus on application engineering worldwide.
- Both Group and divisional management monitor and assess relevant regulatory requirements and the likelihood and impact of any changes.
- The Group's products, materials and processes are continually developed and enhanced through research and development and technical input.
- TI Fluid Systems actively registers, manages and enforces its intellectual property rights.
- The Group operates in the automotive industry where performance-critical technology evolves and is adopted in a deliberate and measured manner.

Operating globally and regulatory compliance

Risk Trend

No Change

Description

TI Fluid Systems has operations globally, with manufacturing facilities in 28 countries across five continents. The markets in which the Group operates are covered by a range of different regulatory systems and complex compliance requirements and may also be subject to cycles, structural change and other external factors, such as changes in tariffs, customs arrangements and other regulations. In addition, operating across a number of territories exposes the Group to currency exchange rate variations.

Impact

A substantial downturn in one or more key markets could have a material adverse impact on the Group's profitability, cash flow and carrying value of its assets. Significant changes to the different regulatory systems and compliance requirements in and between the countries and regions in which the Group operates may have a negative impact on the Group's operations in a particular country or market. The risks associated with Brexit are not considered material to the Group. High foreign exchange volatility may increase financing costs.

Controls and mitigation

- The Group's international footprint provides some protection against a downturn in particular territories or regions.
- The markets and any changes to the regulatory environment in which TI Fluid Systems operates, including tariffs and trade policies, are continually monitored and assessed.
- Changes to the Group's investment strategy and cross-border relocation might result from a significant change in the regulatory environment in a particular country or region.
- The Group's treasury policy covers, inter alia, the use of currency contracts, investment hedging policy and regular reporting of foreign exchange exposure.
- Focus throughout the Group on adherence to our Code of Business Conduct (COBC), including ongoing training and review of policies and procedures.

Key personnel dependencies

Risk Trend

No Change

Description

The future success of TI Fluid Systems is dependent upon the continued services of key personnel. Succession is a routine consideration given some of the Group's key global positions at all levels, including business unit, division and Group.

Impact

TI Fluid Systems competes globally to attract and retain personnel in a number of key roles. A lack of new talent, the inability to retain and develop existing talent, or replace retiring senior management could hinder the Group's operations and strategy. A loss of key personnel, with associated intellectual property and know-how, could disrupt our business and strategy. In a number of local markets the Group may experience a shortage of skilled and experienced personnel for certain key roles.

Controls and mitigation

- The Group applies bespoke terms and conditions of employment for key personnel where appropriate.
- The Group has in place incentive arrangements, including bonuses, pensions and long-term incentive plans.
- The Group operates established recruitment and development programmes.
- Succession plans continue to be reviewed for relevant key positions.

Developing risks

The Board recognises that an essential part of risk management is the ability to monitor and respond to new and emerging risks. The existence of new and developing strategic risks potentially impacting the Group was considered at its May 2019 Board as part of its annual business strategy review and discussed further at the March 2020 Board meeting. The primary focus of these discussions was on risks that may arise in terms of technological obsolescence and customer (OEM) consolidation. The current year assessment was that neither of these new risks were material to the Group but would be monitored.

The dramatic developments in recent months concerning COVID-19 have also been a focus for the Board at the start of 2020. The COVID-19 outbreak represents a current operating performance challenge for us and the automotive industry generally. It also has the potential to impact, beyond the immediate term, the performance of the Group as further disruption may impact our customer's production activity levels, the efficiency and operations of the automotive market supply chain and the availability of resources generally. At present it is difficult to assess likely developments arising as a result of COVID-19. We believe in terms of our assessment of our principal risks that any prolonged or more significant impact from COVID-19 would manifest itself in the risks already noted above.

The Board intends to continue and enhance its assessment of emerging risks.

Our Core Values guide us in delivering a sustainable future for our business that includes a focus on safety and environmental and social impact

The values that we subscribe to as a company are embodied and reflected in our Core Values and the standards of business conduct that we follow are detailed in our Code of Business Conduct and related policies (collectively, the 'COBC'). Our COBC covers a wide range of policies and principles, including conflicts of interest, gifts and courtesies, anti-corruption, anti-bribery, fair competition (anti-trust), positive work environment (anti-discrimination and anti-harassment), health and safety, and environmental compliance. Our COBC is available on our website.

Across all our activities, we continue to develop and improve our policies and processes to promote ethical practices and compliance and to protect the people we employ, the communities we work in and the environment in which we operate. We remain committed to developing and implementing a corporate responsibility programme in order to deliver a sustainable business that benefits all of our stakeholders.

These corporate social responsibility principles are embedded in our Core Values and are part of the way we operate on a daily basis and reflect the way we interact with our people, customers and the community.

With our Core Values at its heart, our corporate responsibility programme is designed to:

- Value our employees
- Achieve sustainable financial performance and improve shareholder value
- Sustain enduring relationships with key stakeholders, especially our customers
- Make positive contributions into the communities where we operate
- Respect the environment and reduce our carbon footprint

How we do it

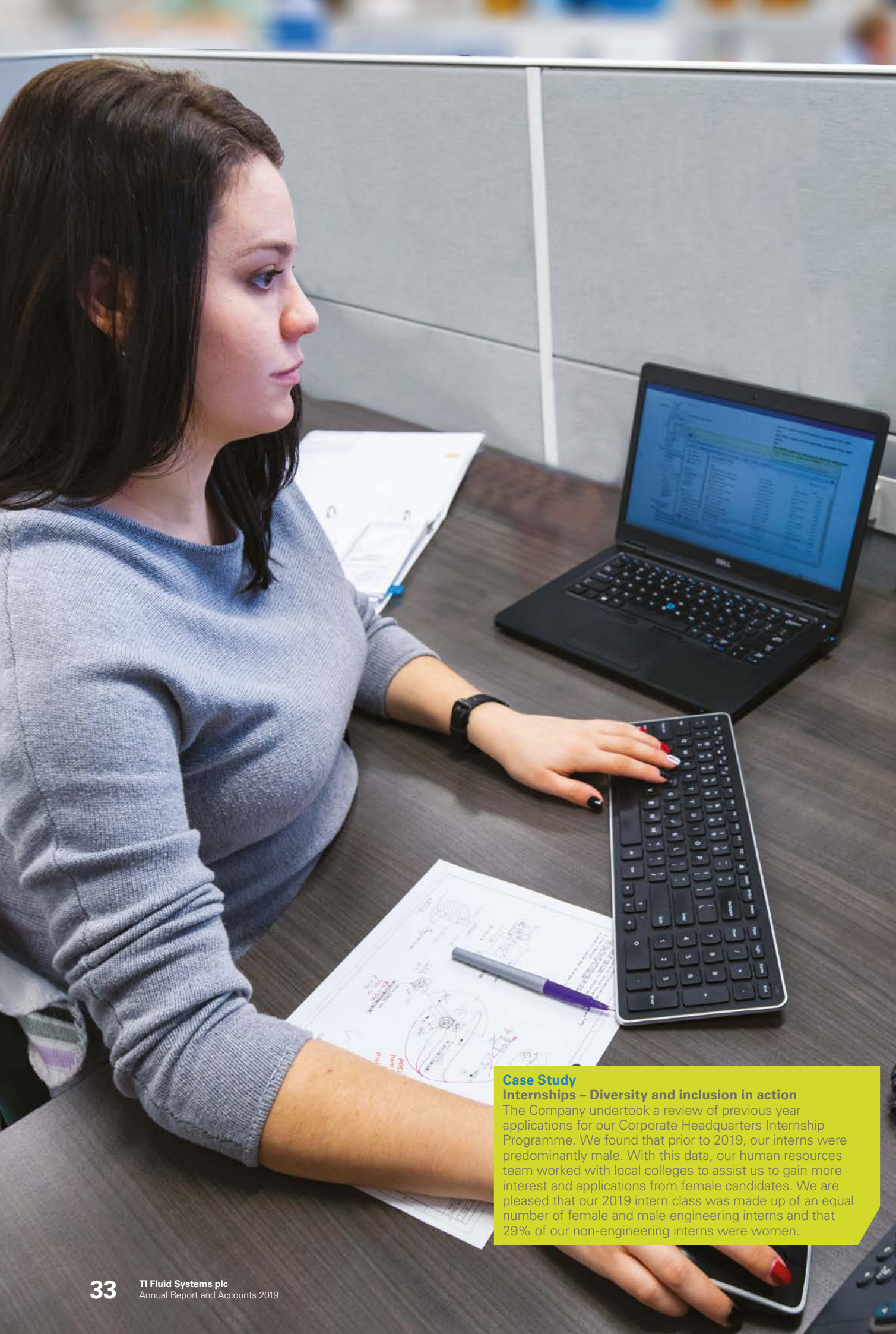
Customers

Building a foundation for positive mutual success with our customers is a core value of our Company. We promote a customer-focused culture and are proud of the strong and longstanding relationships we have with our customers all around the world. In 2019, as in past years, we received numerous awards from our customers in every region recognising our commitment to quality, delivery, safety and innovation.

Innovation and improvement

Our innovative products and Our business model can be viewed on pages 8 and 22. As a core value of our Company, we seek to push the boundaries of innovation in our field and are always working to improve our products and the way we approach our business. We seek to attract and retain talent that foster this ethos and our people are encouraged to embrace our culture of continuous improvement.

The products we are developing, on our own and with our partners, are being done so with a sustainable future in mind. Our products are already supporting our customers to reduce vehicle emissions and increase fuel efficiency as the industry optimises internal combustion engines and progresses to hybrid and electric powertrains.



Case Study
Internships – Diversity and inclusion in action
The Company undertook a review of previous year applications for our Corporate Headquarters Internship Programme. We found that prior to 2019, our interns were predominantly male. With this data, our human resources team worked with local colleges to assist us to gain more interest and applications from female candidates. We are pleased that our 2019 intern class was made up of an equal number of female and male engineering interns and that 29% of our non-engineering interns were women.

Employees

Our commitment to delivering a sustainable business for our stakeholders is embedded in our recruitment, selection, retention, development and compensation arrangements with our employees across the Group. We seek to attract, motivate and retain the best talent we can and we are focused on providing them a diverse and inclusive working environment.

Our people are considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of age, gender, sexual orientation, religion or ethnic origin. These messages are re-enforced by our Core Values.

We seek to ensure that our people benefit from effective communications and engagement, with regular business updates and briefing sessions centrally and across the Group. We also encourage our management teams to hold regular informal update meetings to keep our employees informed and engaged.

In 2019, we undertook a survey of our global staff employees to gauge their engagement levels. We are pleased to have been able to have a meaningful communication with our employees. While the results were largely positive, we are looking forward to addressing some of the few issues raised by our employees.

In 2019, the Group had 4,666 employees that received an annual salary (not compensated on an hourly basis). Our gender split in 2019 across these salaried employees was 2.34:1.00 (Male:Female) as shown in the table below:

Consistent with our diversity initiatives, in 2019 the Company is pleased to have appointed two additional female Board members. Their biographies can be found on pages 54-55. We continue to strive to bring diverse points of view to our Board and throughout our employee base.

Gender split

	Men	Percent men	Women	Percent women	Total
CEO	1	100%	0	0%	1
Executive Committee	6	100%	0	0%	6
Direct reports to Executive Committee	29	71%	12	29%	41
Other salaried employees	3,268	70%	1,398	30%	4,666
Total	3,304	70%	1,410	30%	4,714

Communities

We operate in 28 countries worldwide. Our people and all of our operations are encouraged to develop a local strategy to make positive contributions to their communities. In 2019, our employees around the globe participated and contributed to many community and charitable projects and programmes. These took place in Europe, Asia Pacific, Latin America and North America.

Ethics and compliance

Operating in an ethical and compliant manner is a Core Value of our Company. Our principles of ethical standards are enshrined in our COBC, which applies to all our employees globally. As a company, we expect all our suppliers to comply with the same standards of doing business as we set ourselves and this requirement is set out in our Global Supplier Requirements Manual.

In 2019, as part of our continued effort to ensure our compliance programme is consistent with best practices, we have created a more formal Ethics and Compliance structure to focus on improving the training we provide with respect to ethics and compliance matters. In addition, we actively promote our 'Speak-Up' culture to all our employees on a global basis. We are now using a third party to operate our whistleblowing hotline which provides employees at every location with the ability to report concerns on an anonymous basis and to do so in their local language.

The Company is committed to doing business ethically. We fully support generally accepted human rights conventions as reflected in our COBC and in our annual Modern Slavery Statement.

Environment

We encourage protection of the environment through the prevention of pollution and the conservation of resources.

Environmental, Health & Safety ('EHS') evolution

The corporate EHS department began with a Safety and Facilities Risk Management Director being appointed in 2013. The goal was to provide our plants with standards to reduce risk to our workers and better safeguard our physical assets. In 2014 we began to add regional EHS managers and expand the role of the EHS group. By 2016 we had regional EHS managers in each of our major operational regions in order to focus on improving environmental standards across the entire Group.

The EHS corporate team works closely with top management and our regional managing directors to develop and implement standardised management systems and procedures to reduce risks to our people, the environment, and our property. We have established a network of local EHS plant personnel that we meet with regularly to discuss relevant issues and best practices. The EHS management team issues regular bulletins and holds monthly calls in all regions to discuss current EHS issues facing the organisation. This network of professionals helps to drive corporate policy and procedure in a consistent way at all plants in order to continually improve the management of EHS risks and opportunities at all locations.

The corporate EHS team also manages the Group's ISO 14001 environmental management system. In 2016, only 12 plants, all located in North America, were covered. This corporate system was expanded in 2018 to all regions. As of 2019, 92 plants are included in the ISO 14001 environmental management system. This programme has resulted in a better understanding of our environmental legal requirements and our compliance status across the globe. To support the expanded environmental management system, the corporate EHS team holds a conference in each region annually that covers environmental and health and safety issues.

We have begun to develop a similar process for a corporate Occupational Health and Safety Management system, ISO 45001. This management system will be rolled out to 12 plants in 2020 and expanded in the following years.

All of these EHS activities are, ultimately, designed to improve safety and reduce risk to the organisation.

Our impact on the environment

We have procedures and policies in place to monitor the impact of our operations on the environment and collect emissions data and calculate greenhouse gas emissions for all our manufacturing locations. In the past several years we have improved the manner and method in which we collect and verify energy, waste, and water consumption data across all of our global locations. We report Carbon Dioxide Equivalent 'CO₂(e)' production on an annual basis to the Board which allows the Board to provide strategic direction and oversight back to the organisation. While we continue to improve the scope and quality of our data, we have already seen sustainability benefits. Using our data, we have driven a net reduction of the production of hazardous and non-hazardous waste and have also increased the volume of material being recycled and reused at plants in all regions.



Case Studies

Charity at work

In partnership with the Oakland County Sheriff's Office (the county in Michigan, USA where our Corporate Headquarters is situated), we held a 'Coats for the Cold' coat drive for the month of November to help those in need. At the end of November, the Sheriff's Office supplied all donated coats to local organisations who then distributed to individuals in need throughout Oakland County.

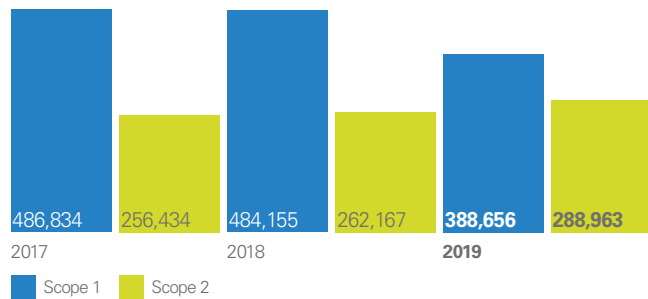
Community involvement

Our Plant 8 in the City of Reynosa, Mexico, worked with the local community to provide reconditioned plastic and metal drums that were placed in public areas for municipal trash collection. Additionally, the Plant committed to a programme to donate and plant 54 trees to the City.

We have a global energy monitoring programme which we use to calculate our CO₂(e) greenhouse gas emissions with a long-term goal of implementing efficiency programmes to reduce energy consumption and our carbon footprint and this can be seen on our website. Emissions for 2017 and 2018 were calculated using the Greenhouse Gas Protocol as a reference and include all of our manufacturing facilities and corporate offices globally. Our greenhouse gas emissions have generally decreased from 2017 to 2018. In 2019 we made a considerable effort and investment in a more formal environmental data collection and reporting platform. We now use the same system that is used by the CDP organisation to collect our data. This refined and improved data collection system will allow us to more accurately track not only our CO₂ production but all production of greenhouse gases as defined by the Kyoto Protocol. We intend to use the data generated in 2019 to re-evaluate our current corporate greenhouse gas reduction target (which is a 10% reduction by 2027).

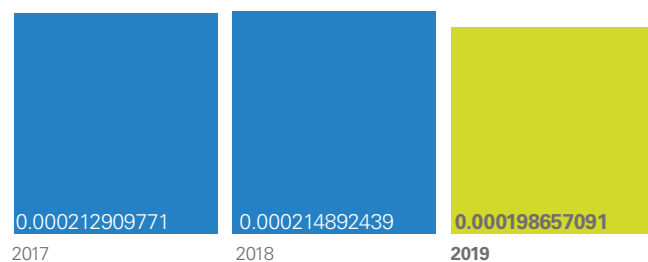
The Group's Scope 1 and 2 emissions are described in the graph below. Scope 1 estimates include emissions from fossil fuel used on premises. Scope 2 estimates are emissions from purchased electricity. Emissions for 2019 have been calculated using UL Pure Credit 360 software and the calculations are completed to include all greenhouse gases as defined by the Kyoto Protocol. Calculations are transparently shown in the system and produce results in accordance with the methods in the GHG Protocol.

Global Scope 1 and 2 emissions CO₂(e)T



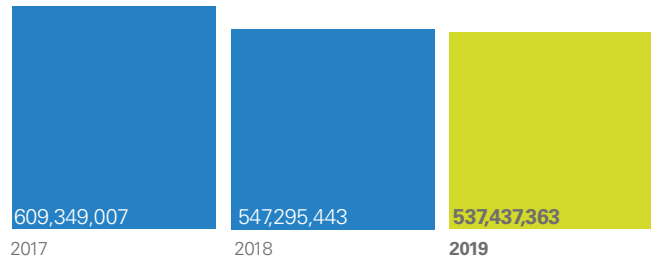
The Group's intensity factor is shown below and is based on total carbon dioxide equivalent emissions divided by revenue for the corresponding year.

Intensity factor CO₂(e)T per Euro revenue



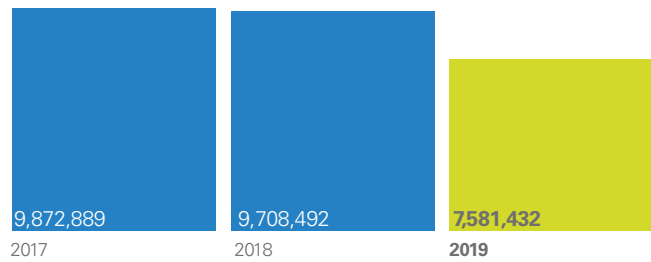
The Group's global electricity consumption in kWh is shown below.

Global electricity consumption in kWh



The Group's UK electricity consumption in kWh is shown below.

UK electricity consumption in kWh



In 2019, we began the process of assessing water resource risks and completed our first water resource risk assessment. We anticipate using our data to develop a water reduction target in 2020 for implementation by the Group in 2021 and beyond.



Case Study

Environmental – green-sourced electricity

Several of our plants in Spain have completed an innovative project to change over all of their electricity purchases to green energy sourced providers. A market-based approach utilises emission factors based on the attributes of the energy generation. Using this approach, our plants in Montornes, Vigo, Palencia and Tauste have effectively reduced their CO₂(e) emissions for purchased electrical power by 100%. The result of this green initiative is the elimination of an estimated 1,508 tonnes of CO₂(e) emissions.

Health and safety

The health and safety of our employees remains an overarching priority and is central to everything we do. We focus on safe working environments and eliminating work-related injuries and illnesses.

Leadership – Reporting to the Board

We report safety statistics to the Board at every meeting, including all potentially life threatening incidents and lost time injury frequency (LTIF) for the organisation as a whole. This same information with a detailed breakdown of injury by plant and open injury reports are provided to each regional Managing Director on a monthly basis.

Safety committees

The Corporate Safety Steering Committee consists of the Chief Legal Officer and Chief HR Officer, the Divisional Executive Vice Presidents and the Global EHS Director. The Committee is responsible for providing the architecture and direction for the Group’s safety-related programmes. This Committee determines our safety KPIs and objectives and helps to facilitate the implementation of our safety strategy.

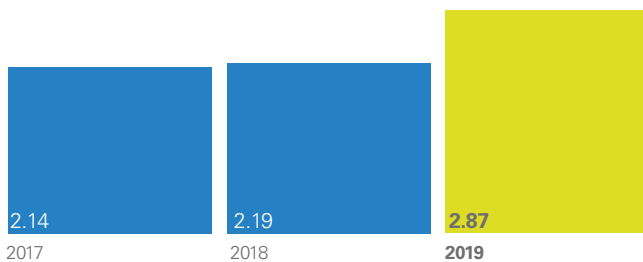
At a local level, each plant is required to have a safety committee that is comprised of the plant manager, at least one other senior manager as well as operators and supervisors working on the plant floor. The mandates of local safety committees vary depending on the plant but, generally, include hazard identification and assessments, accident investigations, safety audits, safety training, and recommending personnel protective equipment.

In 2019, we identified that working at height was a risk across our global footprint. In order to reduce that risk, we commenced a project to actively identify and mitigate work at height risks. As a result, we have established and adopted a comprehensive work at height global procedure.

Safety Data Reporting

In 2019, the Group began a programme to measure Lost Time Injury Frequency (LTIF) at each plant, by region and on a global consolidated basis. LTIF is calculated in accordance with guidance issued by the UK Health and Safety Executive (<http://www.hse.gov.uk/statistics/>). Our global LTIF for the period 2017 to 2019 is shown below. While our LTIF has increased slightly over the past few years, we believe that the increase is primarily due to more accurate and consistent reporting data. Also, the Group’s LTIF compares very favourably to industrial benchmarks.

GLOBAL – Lost Time Injury Frequency
(Lost time incidents ÷ hours worked) X 1m hours



**Case Study
Environmental – Solar panels**

As part of our commitment to environmental stewardship, a number of low carbon renewable energy projects have been completed in Europe and Asia in the form of roof top solar power generation.

For example, the roof of our plant in Jiading, China, was replaced in order to remove asbestos containing material. At the same time, we added photovoltaic solar panels across the majority of the available roof area. In 2017, the solar system generated 862,000 kWh of power which was consumed at the plant. Using this form of green energy resulted in a reduction of 413 tonnes of CO₂(e) emissions. Similarly in 2018 the solar system generated 786,000 kWh of power resulting in the reduction of 377 tonnes of CO₂(e) emissions. For 2019 the system has generated 726,000 kWh in the first three quarters of the year resulting in the reduction of 348 tonnes of CO₂(e) emissions.

We are well placed to continue outperforming global light vehicle production and delivering strong financial performance



Ronald Hundzinski
Chief Financial Officer

Global light vehicle production has a significant influence on the Group's performance. In 2019, global light vehicle production decreased by 5.6% to 88.9 million vehicles compared to the prior year. Our revenue continued to outperform global light vehicle production.

Revenue decreased by €124.1 million, or 3.5% year over year on a constant currency basis, to €3.4 billion and exceeded the global light vehicle production change by 2.1% in 2019. If we include the positive impact of currency of €62.4 million, reported revenue declined by €61.7 million, or 1.8% year over year.

We generated Adjusted EBIT of €340.4 million with a margin of 10.0%, a reduction of 0.8% from the prior year Adjusted EBIT margin. The margin decline was primarily due to lower volumes in our FCS segment, particularly in China.

We delivered Adjusted Net Income of €150.3 million, compared to €155.2 million in the prior year. Profit for the year was €144.6 million compared to €140.1 million in 2018. Basic EPS was 27.24 Euro cents, an increase of 2.7% from the prior year, and Adjusted Basic EPS was 28.91 Euro cents, a decrease of 3.2% from 2018. 2019 was also another year of strong cash flow performance, where we delivered Adjusted Free Cash Flow of €171.5 million, €144.7 million excluding the €26.8 million impact of IFRS 16 – Leases.

The new accounting standard for Leases, IFRS 16, was adopted from 1 January 2019. The Group has applied the modified retrospective approach and therefore has not restated its comparative figures. Accordingly, some of the key performance measures presented in this report are not comparable with the prior year. Table 9 on page 44 details the impact of IFRS 16 on individual line items.

Table 1: Key performance measures €m

	Management basis*			As reported		
	2019	2018	% Change	2019	2018	% Change
Revenue	3,411.1	3,472.8	(1.8)%	3,411.1	3,472.8	(1.8)%
% Change at constant currency			(3.5)%			
Adjusted EBITDA	497.8	484.3	2.8%			
Margin	14.6%	13.9%				
Adjusted EBIT/Operating Profit	340.4	373.5	(8.9)%	258.9	281.1	(7.9)%
Margin	10.0%	10.8%	(80)bps	7.6%	8.1%	(50)bps
Adjusted Net Income/Profit for the year	150.3	155.2	(3.2)%	144.6	140.1	3.2%
Adjusted Basic EPS/Basic EPS (€ cents)	28.91	29.87	(3.2)%	27.24	26.53	2.7%
Adjusted Free Cash Flow	171.5	146.2	17.3%			
Dividend (€ cents)	8.96	8.96	–%	8.96	8.96	–%

* Management basis metrics are Non-IFRS measures as defined on page 43

**Current year results include the impact of applying IFRS 16 whilst the prior year comparatives have not been restated. Impacts on our key measures are shown on page 44

Automotive markets

Global light vehicle production volumes softened by 5.6% in 2019 to 88.9 million vehicles as shown in table 2. The softening was across all major regions.

Table 2: Global light vehicle production volumes
millions of units

	2019	% Change
Europe, including Middle East and Africa	23.1	(5.9)
Asia Pacific	46.2	(6.2)
North America	16.3	(3.9)
Latin America	3.3	(4.5)
Total global volumes	88.9	(5.6)

Source: IHS Markit, February 2020 and Company estimates. Change percentages calculated using unrounded data.

Revenue

Our revenue in each of the regions and by segment is included in table 3.

Group revenue in 2019 was €3.4 billion, a decrease of 3.5% year over year at constant currency and 2.1% better than the change in global light vehicle production. Favourable exchange rate movements of €62.4 million resulted in revenue being 1.8% lower than the prior year.

In Europe and Africa, revenue at constant currency was 2.1% lower than the prior year and outperformed light vehicle production in the region by 3.8%. Europe and Africa light vehicle production declined by 5.9%. Revenue outperformance was primarily due to new business launches and favourable programme ramp up impacts, particularly in FTDS, offset by lower volumes in FCS.

In Asia Pacific, revenue at constant currency declined by 1.5% and outperformed light vehicle production in the region by 4.7%. Asia Pacific light vehicle production declined by 6.2%. The weakness in light vehicle production was most notable for us in China. The Group generates 19% of its revenue in China, driven by our longstanding market position in our brake and fuel lines business within our FCS segment. Accordingly, FCS revenue was impacted by the volume declines in China. Despite this we continued to outperform in the region, primarily through continued new business success with our fuel tanks in FTDS in China where the Group is benefiting from the automotive megatrends of reduced evaporative emissions and fuel efficiency, driven by the ongoing switch from steel to plastic fuel tanks.

In North America, revenue at constant currency was 8.6% lower than the prior year, or 4.7% below light vehicle production volume. North America light vehicle production declined by 3.9%. Revenue was impacted by OEM programme relocations to Europe and China as well as mix, with the Group's lower exposure to SUVs and light truck programmes in this region.

FCS revenue at constant currency declined by 7.2% from the prior year to €1.9 billion. The FCS segment was particularly impacted by lower production in China and mix in North America.

FTDS revenue at constant currency increased by 1.6% to €1.5 billion. FTDS continued to benefit from new wins in Asia Pacific and resilient performance in Europe.

Currency exchange rates had a net favourable impact of €62.4 million on revenue compared with the prior year. This was mostly due to weakening of the Euro against a number of key currencies in countries where the Group has manufacturing operations. Accordingly, revenue declined by 1.8% to €3.4 billion at reported rates. Table 4 sets out the movement in exchange rates most relevant to our operations.

Table 3: Revenue by region and by segment €m

	2019	2018	Change	% Change	% Change at constant currency
Total Group revenue	3,411.1	3,472.8	(61.7)	(1.8)	(3.5)
By region					
Europe and Africa	1,368.6	1,398.6	(30.0)	(2.1)	(2.1)
Asia Pacific	1,030.6	1,032.2	(1.6)	(0.2)	(1.5)
North America	936.7	971.9	(35.2)	(3.6)	(8.6)
Latin America	75.2	70.1	5.1	7.3	15.0
By segment					
Fluid Carrying Systems ("FCS")	1,917.6	2,026.7	(109.1)	(5.4)	(7.2)
Fuel Tank and Delivery Systems ("FTDS")	1,493.5	1,446.1	47.4	3.3	1.6

Table 4: Exchange rates

Key euro exchange rates	2019 average	2018 average	% Change	2019 year end	2018 year end	% Change
US dollar	1.120	1.181	(5.2)	1.122	1.147	(2.2)
Chinese renminbi	7.731	7.805	(0.9)	7.765	7.890	(1.6)
South Korean won	1,304	1,299	0.4	1,286	1,278	0.6

Operating profit, Adjusted EBITDA* and Adjusted EBIT*

We use several financial measures to manage our business, including Adjusted EBITDA and Adjusted EBIT, which are non-IFRS measures, but are measures of profitability that have been used consistently by the Group. The metrics are also used in certain of our compensation plans and to communicate to our investors. Table 5 shows a reconciliation between the reported measure, operating profit, Adjusted EBITDA and Adjusted EBIT.

Table 5: Calculation of Adjusted EBITDA* and Adjusted EBIT* €m

	2019	2018
Operating profit	258.9	281.1
Depreciation and impairment of PP&E	108.6	101.5
Depreciation of right-of-use assets	31.5	–
Amortisation and impairment of intangible assets	89.8	95.6
Share of profit of associates	0.3	0.5
EBITDA	489.1	478.7
Net foreign exchange gains	(0.5)	(1.2)
Dividend received from associates	0.5	0.2
Restructuring costs	9.0	7.1
Share of profit of associates	(0.3)	(0.5)
Adjusted EBITDA	497.8	484.3
Less:		
Depreciation and impairment of PP&E	(108.6)	(101.5)
Depreciation of right-of-use assets	(31.5)	–
Amortisation and impairment of intangible assets	(89.8)	(95.6)
Add back:		
Depreciation uplift arising on purchase accounting	14.5	15.7
Amortisation uplift arising on purchase accounting	58.0	70.6
Adjusted EBIT	340.4	373.5

* See Non-IFRS measures

Operating profit of €258.9 million (2018: €281.1 million) was impacted by lower revenue and partially offset by the adoption of IFRS 16 which had a €5.5 million positive impact being the net of the operating lease charges and the additional depreciation on the right of use assets. As part of our ongoing pension management, we executed a voluntary lump sum buyout exercise in the US. This generated a €9.1 million settlement gain. Additionally a definitive ruling on a Brazilian indirect tax matter delivered a €4.8 million benefit to our operating profit. Both these 2019 gains offset higher costs and charges incurred in prior years.

Adjusted EBITDA was €497.8 million (2018: €484.3 million) and Adjusted EBITDA margin was 14.6% (2018: 13.9%) where the lower operating profit as a result of lower revenue was offset by the impact of adopting IFRS 16 which had a €37.2 million benefit due to the reversal of the operating lease charges. The main adjusting item relates to restructuring where we took action in our operations in Europe and North America.

Adjusted EBIT was €340.4 million (2018: €373.5 million) and Adjusted EBIT margin was 10.0% (2018: 10.8%). This change was impacted by conversion on lower revenue, partially offset by reductions in overhead costs and the adoption of IFRS 16. We continue to manage our costs in line with the reduced volumes in order to minimise the impact on margins. Depreciation relating to right-of-use assets recognised as part of IFRS 16 accounted for €31.5 million of the increase in the depreciation and impairment charge of PP&E.

By segment, FCS Adjusted EBIT was €199.4 million (2018: €241.0 million) with Adjusted EBIT margin of 10.4% (2018: 11.9%). FCS continues to achieve double digit margins despite the prevailing market environment. The year over year decline in margin reflected the volume reduction particularly in China, where we have a high market share, as well as increases in resin costs.

FTDS Adjusted EBIT increased by €8.5 million to €141.0 million (2018: €132.5 million) with Adjusted EBIT margin of 9.4% (2018: 9.2%). The increase in margin reflects the benefits of mix and strong operational performance.

Net finance expense

Net finance expense for the year was €57.5 million, a decrease of €7.0 million from the prior year.

We benefited from the full year impact of the interest savings following the repayment of the 8.75% unsecured senior notes in July 2018, and a further €50 million term loan repayment in March 2019. These benefits amounted to €4.5 million. In 2018, we incurred exceptional finance costs of €11.8 million associated with the repayment of the unsecured senior notes and additional term loan debt in July 2018. There was no equivalent charge in 2019. These benefits were partially offset by €10.5 million of interest on lease liabilities, which have been recognised following the adoption of IFRS 16.

Taxation

Income tax expense before exceptional items was €57.1 million (2018: €77.0 million), which represents an Effective Tax Rate of 28.3% (2018: 35.5%). The tax expense was €19.9 million lower than 2018 due to an overall decrease in taxable profits, and the €12.2 million net benefit arising from the completion of a prior year related Research & Experimentation claim in the US. Recognition of this claim favourably impacts the Effective Tax Rate by 5.2%.

The Adjusted Effective Tax Rate, which was calculated by adjusting for the impact of UK losses where no tax relief is available, and prior year tax movements, including the Research & Experimentation benefit, was 32.3% (2018: 32.2%). This remained largely consistent with the prior year as the global mix of profits and territories in which the Group operated remained broadly the same.

Table 6 shows the calculation of the Adjusted Effective Tax Rate.

Table 6: Calculation of Adjusted Effective Tax Rate* €m

	Profit before tax 2019	Tax charge 2019	Profit before tax 2018	Tax charge 2018
As reported	201.7	(57.1)	217.1	(77.0)
Effective Tax Rate		28.3%		35.5%
Add back:				
UK book loss	35.0		62.8	
Prior year deferred tax charge		5.0		1.0
Less:				
Prior year tax benefit related to US Research & Experimentation claims		(12.2)		–
Prior year corporate tax benefit		(12.1)		(14.2)
Adjusted profit before income tax/Tax charge	236.7	(76.4)	279.9	(90.2)
Adjusted Effective Tax Rate		32.3%		32.2%

*See Non-IFRS measures

Adjusted Net Income* and profit for the year

Adjusted Net Income is a component of the Adjusted Basic EPS calculation and is also used to guide our dividend calculation. The calculation of Adjusted Net Income is shown in table 7a.

Table 7a: Adjusted Net Income* €m

	2019	2018
Adjusted EBITDA (see table 5)	497.8	484.3
Less:		
Net finance expense before exceptional items	(57.5)	(52.7)
Income tax expense before exceptional items	(57.1)	(77.0)
Depreciation and impairment of PP&E	(108.6)	(101.4)
Depreciation of right-of-use assets	(31.5)	–
Amortisation and impairment of intangible assets	(89.8)	(95.6)
Non-controlling interests share of profit	(3.0)	(2.3)
Adjusted Net Income	150.3	155.2

Table 7b: Reconciliation of profit for the year to Adjusted Net Income* €m

	2019	2018
Profit for the year	144.6	140.1
Less:		
Non-controlling interests share of profit	(3.0)	(2.3)
Net foreign exchange gains	(0.5)	(1.2)
Add back:		
Exceptional finance expenses	–	11.8
Restructuring costs	9.0	7.1
Associate income less dividend received	0.2	(0.3)
Adjusted Net Income	150.3	155.2

*See Non-IFRS measures

Profit for the year increased by €4.5 million to €144.6 million, with lower operating profit as a result of conversion of lower sales, offset by lower fixed costs, finance expense and tax.

Adjusted Net Income was €150.3 million in 2019, a decrease of 3.2% from €155.2 million in 2018, primarily driven by exceptional finance expenses added back to profit in 2018 which did not recur in 2019, and the adoption of IFRS 16. Excluding IFRS 16 impacts, the result was €155.3 million in line with 2018, despite lower revenue. The Group incurred restructuring costs of €9.0 million in the year primarily related to operations in Europe and North America (2018: €7.1 million).

Basic EPS and Adjusted Basic EPS*

On a statutory basis, Basic Earnings per Share ('EPS') was 27.24 Euro cents (2018: 26.53 Euro cents), an increase of 2.7% from the prior year, reflecting the slightly higher statutory profit arising from lower operating profit as a result of lower trading volumes offset by lower net finance expense and tax. Adjusted Basic EPS calculation is based on Adjusted Net Income and the weighted average number of shares in issue. Adjusted Basic EPS was 28.91 Euro cents per share (2018: 29.87 Euro cents per share) reflecting the decrease in Adjusted Net Income as noted above. Weighted average shares outstanding in 2019 were 519.9 million (2018: 519.5 million). The prior year comparative has been re-presented to be consistent with the 2019 number.

*See Non-IFRS measures

Dividend

The Board's dividend policy is to target an annual dividend of approximately 30% of Adjusted Net Income, one third payable following half year results and two thirds following the Group's final results.

The Board has decided to recommend a final dividend of 5.94 Euro cents per share, amounting to €30.9 million. This final dividend together with the interim dividend of 3.02 Euro cents per share paid in August 2019, makes a total dividend for 2019 of 8.96 Euro cents per share and amounts to €46.6 million. The total annual dividend is 31% of Adjusted Net Income (2018: 30%). Subject to shareholder approval at the Annual General Meeting on 14 May 2020, the final dividend will be paid on 29 May 2020. The dividend will be converted to Sterling at a fixed rate on 24 April 2020, the Dividend Record Date.

Adjusted Free Cash Flow*

The Group uses Adjusted Free Cash Flow as its primary operating measure of cash flow performance.

Table 8a: Adjusted Free Cash Flow* €m

	2019	2018
Net cash generated from operating activities	334.4	297.0
Net cash used by investing activities	(157.0)	(149.5)
Free Cash Flow	177.4	147.5
Add back:		
IPO costs (included in net cash generated from operations)	–	3.1
Deduct:		
Cash received on settlement of derivatives	(5.6)	(2.7)
Amounts received in cash from Financial Assets at FVTPL (included in net cash generated from operations)	(0.3)	(1.7)
Adjusted Free Cash Flow	171.5	146.2

Table 8b: Reconciliation of Adjusted EBITDA to Adjusted Free Cash Flow* €m

	2019	2018
Adjusted EBITDA (see Note 2)	497.8	484.3
Less:		
Net cash interest paid	(61.6)	(62.5)
Cash taxes paid	(79.7)	(88.2)
Payment for property, plant and equipment	(119.4)	(115.8)
Payment for intangible assets	(39.7)	(35.8)
Movement in working capital	2.7	(27.5)
Movement in retirement benefit obligations	(12.5)	(5.2)
Exceptional cash paid (IPO costs)	–	(3.1)
Movement in provisions and other	(10.2)	1.3
Free Cash Flow	177.4	147.5
Add back:		
IPO cash costs in net cash from operations	–	3.1
Less:		
Cash received on settlement of derivatives	(5.6)	(2.7)
Amounts received in cash from Assets at FVTPL	(0.3)	(1.7)
Adjusted Free Cash Flow	171.5	146.2

*See Non-IFRS measures

In 2019, we generated Adjusted Free Cash Flow of €171.5 million (2018: €146.2 million). The adoption of IFRS 16 had a positive €26.8 million impact on Adjusted Free Cash Flow. The Adjusted EBITDA generated by the Group was used to fund increased investment in capital equipment and intangibles. There was a €7.5 million increase in property, plant and equipment and intangibles expenditure primarily related to investment in our HEV and BEV strategy and upcoming programme launches. The increase was offset by lower working capital outflows due to lower revenue. Cash spend on restructuring activities was €6.0 million (2018: €1.7 million).

Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes. We also have major schemes in the UK, Canada and Germany. While all of our major plans are closed to new entrants, a few allow for future accrual. Our schemes are subject to periodic actuarial valuations. Our net unfunded position increased by €5.5 million to €153.7 million at the end of 2019 principally due to declining discount rates across many territories, of which all but approximately €13.1 million of the impact was offset by strong pension investment performance. Offsetting this increase was a €9.1 million gain on settlement arising from the voluntary lump sum buyout of two of our retirement plans in the US.

Net debt* and net leverage

Net debt, a non-IFRS measure, at the end of 2019 was €738.3 million, a decrease of €82.1 million from the prior year. In March 2019, the Group made a voluntary payment of \$56.5 million (€50.0 million) against its USD term loan using cash from operations. The Group's net leverage ratio was 1.5 times Adjusted EBITDA as at 31 December 2019 (2018: 1.7 times).

The Group excludes IFRS 16 lease liabilities from its net debt and net leverage ratio. If the IFRS 16 lease liabilities were to be included, the Group's net debt would be €905 million and net leverage ratio would be 1.8 times Adjusted EBITDA.

*See Non-IFRS measures

Liquidity

Our principal sources of liquidity have historically been cash generated from operating activities and amounts available under our credit facilities, that currently consist of a revolving facility under our cash flow credit agreement of \$125 million (€111.4 million) and an asset backed loan ('ABL') facility of \$100 million (€89.1 million). The availability under both facilities as of 31 December 2019 was €177.2 million.

Outlook

Despite the forecasted decline in global light vehicle production volumes in 2020, we expect that our 2020 revenue will outperform global light vehicle production volumes similar to the prior year, excluding currency movements. We also anticipate that in 2020 our Adjusted EBIT margin will be a high single digit and that Adjusted Free Cash Flow conversion will be similar to the prior year. It is our plan to continue to reduce net leverage while maintaining a consistent dividend policy. However, importantly, our outlook for 2020 does not include the impact of the ongoing COVID-19 (coronavirus) outbreak, which is continuing to evolve. In the event that the COVID-19 outbreak becomes more widespread and/or continues for an extended period of time, the impact to the automotive industry and the

Company will be difficult to predict. We will continue to take actions to mitigate the impact of COVID-19 as appropriate.

Non-IFRS measures

In addition to the results reported under IFRS, we use certain non-IFRS financial measures to monitor and measure performance of our business and operations and the profitability of our divisions. Such measures are also utilised by the Board as targets in determining compensation of certain executives and key members of management, as well as in our communications with investors. In particular, we use Adjusted EBIT, Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Free Cash Flow and Adjusted Effective Tax Rate. These non-IFRS measures are not recognised measurements of financial performance or liquidity under IFRS, and should be viewed as supplemental and not replacements or substitutes for any IFRS measures.

Adjusted EBITDA is defined as profit for the year adjusted for income tax expense, net finance expense, depreciation, amortisation and impairment of PP&E and intangible assets, net foreign exchange gains/(losses), restructuring costs and adjustment for associate income.

Adjusted EBIT is defined as Adjusted EBITDA less depreciation (including PP&E impairment) and amortisation (including intangibles impairment) arising on tangible and intangible assets before adjusting for any purchase price adjustments to fair values arising on acquisitions.

Operating profit margin is defined as operating profit expressed as a percentage of revenue.

Adjusted Net Income is defined as Adjusted EBITDA less net finance expense before exceptional items, income tax expense before exceptional items, depreciation and amortisation (including PP&E and intangible asset impairments) and non-controlling interests share of profit.

Adjusted Basic EPS is defined as Adjusted Net Income divided by the weighted average number of shares in issue in the year.

Free Cash Flow is defined as the total of net cash generated from operating activities and net cash used by investing activities.

Adjusted Free Cash Flow is defined as free cash flow adjusted for acquisitions, movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs and cash received on settlement of derivatives.

Adjusted Income Tax before Exceptional items is defined as income tax before exceptional items adjusted for the tax impact of prior year tax provisions and adjustments.

Adjusted Profit before Income Tax is defined as profit before income tax adjusted for UK losses.

Adjusted Effective Tax Rate is defined as adjusted income tax before exceptional items as a percentage of adjusted profit before income tax.

Net Debt is defined as the total of current and non-current borrowings excluding lease liabilities, net of cash and cash equivalents and financial assets at fair value through the profit and loss.

Impact of adopting IFRS 16 – Leases

Reconciliations of key performance metrics have been shown where appropriate to demonstrate the underlying performance on a like-for-like basis.

Table 9: Impact on 2019 results from adopting IFRS 16 €m

	Pre-IFRS basis	IFRS 16 basis	Net impact
Income Statement			
Revenue	–	–	–
Depreciation of right-of-use assets	–	(31.5)	(31.5)
Uncapitalised lease costs	(45.7)	(8.5)	37.2
Net foreign exchange losses on IFRS 16 Leases	–	(0.2)	(0.2)
Operating Profit	(45.7)	(40.2)	5.5
Net finance expense	–	(10.5)	(10.5)
Profit for the year	(45.7)	(50.7)	(5.0)
Balance Sheet			
Right of use assets	–	161.4	161.4
Property, Plant & Equipment	1.4	–	(1.4)
Borrowings	(1.8)	–	1.8
Lease liabilities	–	(166.7)	(166.7)
Total Balance Sheet impact	(0.4)	(5.3)	(4.9)
Cash Flow Statement			
Operating Profit	(45.7)	(40.2)	5.5
Depreciation of right-of-use assets	–	31.5	31.5
Interest paid	–	(10.5)	(10.5)
Net foreign exchange losses on IFRS 16 Leases and Other	–	0.3	0.3
Lease principal repayments	(0.3)	(27.1)	(26.8)
Total cash outflow	(46.0)	(46.0)	–
Other key performance measures			
Adjusted EBITDA	460.6	497.8	37.2
Adjusted EBITDA margin	13.5%	14.6%	1.1%
Adjusted EBIT	334.9	340.4	5.5
Adjusted EBIT margin	9.8%	10.0%	0.2%
Adjusted Net Income	155.3	150.3	(5.0)
Adjusted Free Cash Flow	144.7	171.5	26.8

Ronald Hundzinski

Chief Financial Officer
16 March 2020

Going Concern and Viability Statement

The Directors have concluded after reviewing the future funding requirements for the Group over the next 18 months by reference to the headroom on the committed banking facilities and the expected performance of the Group, that it is appropriate for the financial statements to be prepared on a going concern basis.

In accordance with paragraph 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a three-year period to 31 December 2022. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's existing committed finance facilities, the Group's strategy and the potential impact of the principal risks and how these are managed, as detailed in this Strategic report.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirement and cash flows. These plans provide information to the Directors which is used to ensure the adequacy of resources available to the Group to meet its business objectives, both in the short-term and on a strategic basis. The plans for the period commencing on 1 January 2020 were reviewed and approved by the Board on 10 December 2019.

Section 172(1) Statement

Our shareholders together with our customers, employees and community represent our key stakeholders. Engaging with, and giving consideration to, these stakeholders is central to our corporate purpose and strategy to achieve the long-term success of our business. Throughout the year, the Board's decision making is required to take into consideration the interests of these wider stakeholders within the framework set out in Section 172(1) of the Companies Act 2006. The table below summarises how our Directors have discharged this duty and serves as our Section 172 statement.

Stakeholder	Engagement	Outcomes and actions
Shareholders In addition to the controlling interest held by funds managed by Bain Capital (the 'Bain Shareholders'), our shares are held by both institutional and retail investors with a range of investment styles based throughout the world	<ul style="list-style-type: none"> – Executive Directors, supported by our investor relations team, had numerous one-on-one and group meetings and calls, engaging with shareholders representing over 70% of our current shareholders (by shareholding value) – The Company conducted our first Capital Markets Day in September 2019 to provide an in depth review of our business model, strategy and product portfolio to all shareholders – The two Non-Executive Directors who represent the Bain Shareholders attend and actively participate in our Board meetings – All shareholders are kept informed of the performance of the business on a regular basis through trading updates in January, May and November as well as the half and full year announcements in August and March 	<ul style="list-style-type: none"> – Regular updates to the entire Board by Executive Directors and brokers on share performance, shareholder register and shareholder views and sentiment – Considering investor feedback and the long-term impact to the Company and its stakeholders, the Board reviewed our capital allocation strategy, resulting in continued debt reduction, strategic capital expenditures and maintenance of the Company's dividend level for 2019 – The Board continued to review the development, and monitor implementation, of the Company's strategy, with particular emphasis on product development for HEV and EV platforms, in order to promote the sustainability and viability of the business – Review of trading updates and results announcements resulted in additional information and reporting on strategic progress – Compliance with the Relationship Agreement in place with the Bain Shareholders, which ensures the relationship is at an arm's length.

In making their assessment the Directors' have stress tested the Group's financial projections to 31 December 2022 by modelling the impact of 15% lower global production volumes, the effect of a 5% operating margin reduction caused by increased costs and a 0.5% sales price reduction. The impact of this scenario would be to reduce available liquidity to €342m (31 December 2019: €745m) at the end of the three-year review period.

The downside financial impact of Brexit has also been modelled as an example of supply chain disruption and is not expected to materially impact the viability of the Group due to the relatively small scale of the UK operations. The Directors also considered the beneficial impact arising from potential mitigating actions and also assumed that the term loan facilities (€1.2bn) will be in place throughout the viability review period.

Considering the Group's current financial position, the geographic spread of its operations, its established customer relationships, its principal risks, headroom under the committed banking facilities and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be viable and able to continue in operation meeting its liabilities as they fall due over the period of at least three years to 31 December 2022.

Compliance Statements

continued

Stakeholder	Engagement	Outcomes and actions
<p>Employees We have a global workforce made up of 27,300 employees and contractors (4,666 salaried and 22,634 hourly) that work at our 108 locations in 28 countries</p>	<ul style="list-style-type: none"> - Conducted an Employee Engagement and Culture Survey (see page 15 for more information on the survey process and results) - Held All Employee meetings and calls throughout the year to provide updates on financial performance and objectives, including compliance and safety initiatives, and to answer employee questions - Our designated Non-Executive Director for workforce engagement attended an All Employee meeting to discuss the Board's role and hear directly from employees - Conference with Global Top Management Team held to discuss areas of focus and strategic initiatives, including an informal, interactive dinner with the entire Board - EHS personnel, including Global EHS Director, visited numerous facilities in each region to provide training, assess site conditions and compliance and obtain feedback on EHS-related matters (see pages 35 to 36 for more information on our EHS activities) 	<ul style="list-style-type: none"> - Implemented an enhanced whistleblowing platform (Safecall) together with training and communication programmes to ensure a strong global culture of compliance - Based on results of the Employee Engagement and Culture Survey, we are planning additional meetings, communications and training to promote a better understanding of our purpose and vision and to foster more consistent management practices - Reviewed results of Employee Engagement and Culture Survey with the Board to ensure continued and consistent development of our culture and opportunities for positive employee engagement - Regular review of injury and turnover data with the Board to ensure focus and support for safety training and protocols and competitive workforce remuneration - The Board continues to encourage management to find ways of improving diversity and inclusion throughout the organisation
<p>Customers Our primary customers are multinational and local automotive OEMs (original equipment manufacturers)</p>	<ul style="list-style-type: none"> - We have extensive and regular contact with our OEM customers at all organisational levels and in all regions regarding sourcing, commercial matters, product performance and quality, programme launches and the development and planning of new products - With respect to significant commercial matters and strategic initiatives, our Executive Vice Presidents and CEO communicate directly with senior Executives and Directors at the customer level 	<ul style="list-style-type: none"> - The Board receives regular updates from the Executive Directors and other senior management on commercial matters and customer relationships, including new business awards and strategic development programmes - Our corporate purpose and business strategy has been established, and is monitored by, the Board - The Board reviews and approves major capital investment and product development strategy to promote manufacturing footprint and technology alignment with our customers, including supporting new business and development activities focused on HEV and EV platforms - Annual budget and long-term plan approved by the Board incorporates our strategic growth with our customers, including through long-term product development and alignment

Stakeholder	Engagement	Outcomes and actions
Community As a global company, our community encompasses our wider society and environment as well as the local communities around the world where each of our 108 locations operate	<ul style="list-style-type: none"> – Consistent with our Core Values, each of our facilities around the world seeks to be a responsible member of its local community – Expansion of our EHS group has improved our processes to measure, report and assess our GHG emissions (carbon footprint), representing the environmental impact that our operations have on the wider community – Our Code of Business Conduct includes policies and principles to promote our reputation in our community for high standards of business conduct, including anti-corruption, anti bribery, fair competition (anti-trust), and positive work environment and inclusion (anti-discrimination and anti-harassment) 	<ul style="list-style-type: none"> – The Board annually reviews and approves our Core Values and Code of Business Conduct as well as our modern slavery and tax policies – Our technology development strategy is focused on products that help customers reduce automobile emissions, increase fuel efficiency and deploy alternate HEV and BEV powertrains (alignment with 'green' megatrends) – With support from the Board, the Group plans to increase focus on community and environmental impact throughout our business with the following initiatives: <ul style="list-style-type: none"> – identify and implement additional measures to reduce our carbon footprint and waste – continue to support local community engagement and charitable initiatives – development of corporate scholarship programmes to promote science, technology, engineering and mathematics (STEM) education opportunities

Non-financial Information Statement

Under the Non-financial Reporting Requirements of the Companies Act 2006, the Group is required to disclose additional non-financial information in certain specified categories. The table below highlights how we have met the requirements and where to locate the information.

Reporting requirement	Non-financial information	Pages
Business Model	The Group uses non-financial information in all aspects of its business, from development of its business model and strategy to reviewing and measuring principal risks and the performance of the business. Our key non-financial performance indicator is PPM which measures our product quality and, indirectly, customer satisfaction.	
	Our business model	22
	Our strategy	24
	Key performance indicators	26
	Principal risks and uncertainties	28
	Audit & Risk Committee report	64
Environmental Matters	Our business strategy places a focus on developing and supplying leading technology products to help our customers make more environmentally-friendly vehicles. In addition, our own impact on the environment, including our greenhouse gas emissions, is being measured and reviewed for improvement initiatives. We also seek to ensure responsible sourcing through our Global Supplier Requirements Manual as well as our purchasing terms and conditions, which can be found on our website.	
	Business model: Contribution to environmentally-friendly products	23
	Corporate responsibility: Pollution prevention and resource conservation	34
	Details of our Toxic Substances Reduction programme can be found on our website	

Compliance Statements

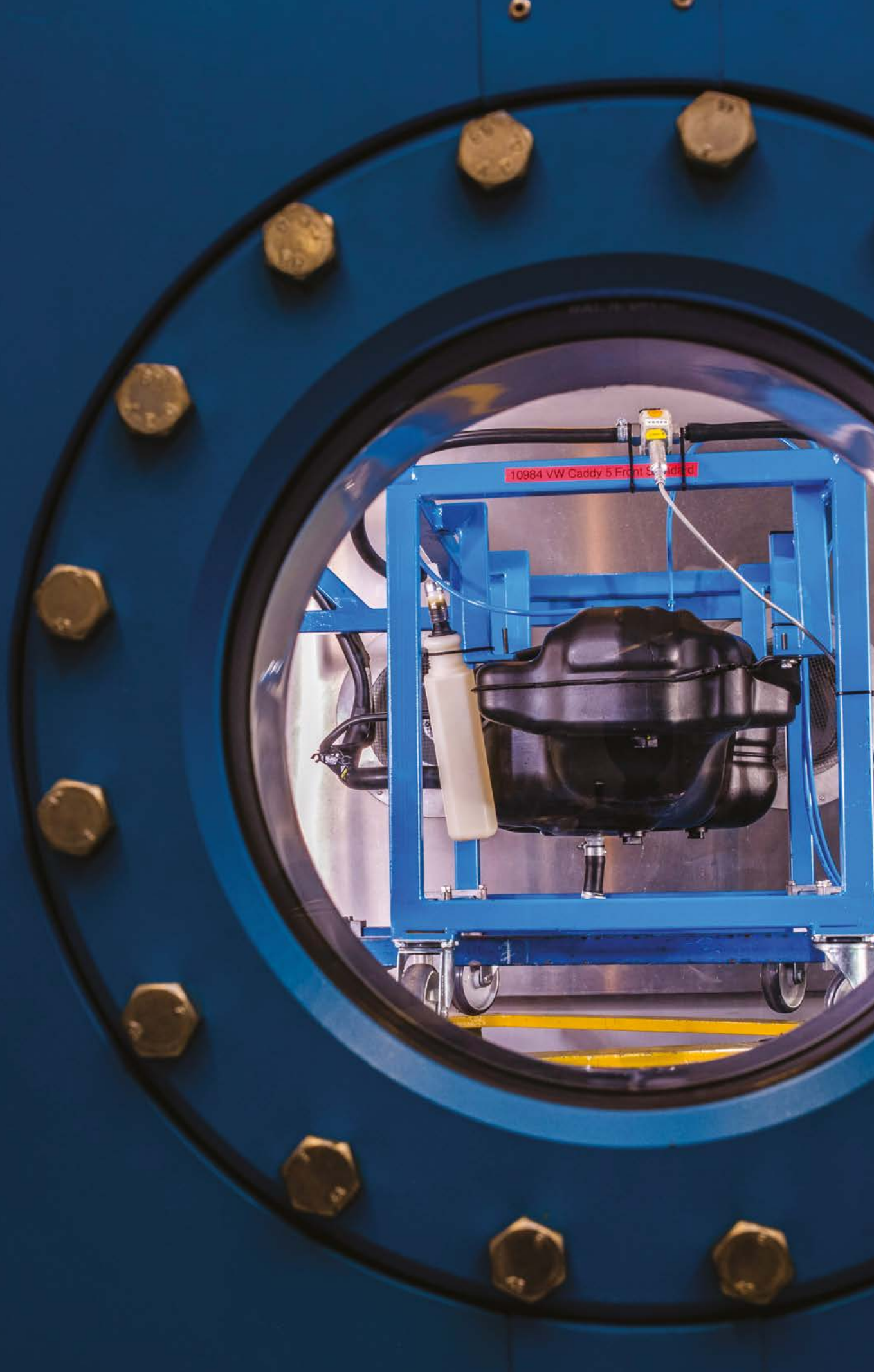
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Reporting requirement	Non-financial information	Pages
Employees	We value our workforce. We are strongly committed to the engagement, development and recognition of our employees and seek to provide a positive culture together with an inclusive work environment. We have programmes to protect their health and safety.	
	Business Model: Employee skills and motivation	23
	Principal risks and uncertainties: Succession of key personnel	31
	Code of Business Conduct	32
	Core Values	32
	Corporate responsibility:	
	– Employment policies, culture, diversity and employee engagement survey	33-34
	– Health and safety programmes	37
	Directors' report: diversity and inclusion, employee development	81-82
Business practices and social matters	The Group continues to develop and strengthen its culture of compliance and has articulated to all employees that each employee is expected to conduct business in an ethical and legal manner consistent with our Core Values and in strict accordance with our Code of Business Conduct (COBC). The Group conducts regular training on our COBC which includes elements related to anti-trust and anti-bribery (including the UK Bribery Act). In 2019 we engaged Safecall to provide a whistleblowing hotline to allow our employees to report concerns anonymously. We take the protection of human rights seriously and have zero tolerance for the use of slave and child labour. We also seek to make a positive impact in the many local communities where we operate through local charitable and outreach activities.	
	Business model: Compliance with laws and regulations	22
	Principal risks and uncertainties: Operating globally and regulatory compliance	31
	Corporate responsibility:	
	– Code of Business Conduct	32
	– Ethics and Compliance	34
	– Community involvement	24-25
	– Whistleblowing	61
	Details of the Group's Tax Strategy as well as our policy regarding Slavery and Human Trafficking can be found on our website	

The Strategic report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board and signed on its behalf by

Matthew Paroly

Company Secretary
16 March 2020





Corporate Governance

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Chairman's introduction to Corporate Governance

At TI Fluid Systems we recognise the importance of effective Corporate Governance in supporting the long-term success and sustainability of our business.



Dear Shareholder,

On behalf of the Board, I am pleased to present TI Fluid Systems' Corporate Governance report for 2019. Strong governance remains a priority for the Board and executive leadership in order to promote the strategic development and sustainable success of the Group. I am happy to report that the Company has embraced, and is currently in full compliance with, the recommended governance principles and practices set forth in the new UK Corporate Governance Code 2018 (the 'UK Governance Code').

Corporate Governance

At TI Fluid Systems, we recognise the importance of effective Corporate Governance in supporting the long-term success and sustainability of our business. Our robust governance framework not only satisfies the provisions of the UK Governance Code but also supports the effective operation of our business and execution of our strategy.

In leading the Group, the Board has actively engaged with our shareholders and also considered our wider stakeholders. Setting the tone for the organisation, including the culture, values and behaviours, is viewed as a vital responsibility of the Board. Adoption of our Statement of Purpose page 1 has helped the Board provide the Group with clarity and alignment with the business strategies outlined in the Strategic report on pages 24 to 25. We recognise that sound Corporate Governance enables informed, clear and consistent management and decision-making from the Board and the entire management team which, in turn, promotes effective stewardship to ensure the delivery of our strategic objectives and sustained success.

There has been considerable focus on Corporate Governance in the UK in the last year as a result of the application of the new UK Governance Code as well as a number of other new reporting requirements, including stakeholder disclosure and executive remuneration. The Directors' and Corporate Governance reports which follow this introduction further explain how we are approaching these important governance issues.

Evolving Board and Committee composition

We have a qualified and capable Board comprised of Directors with a broad range of relevant skills and experience. As I discussed in greater detail in my Chairman's statement, our Board composition continues to evolve. We have sought candidates for appointment who will contribute to the further diversity and depth of the Board. We recently added two highly qualified Non-Executive Directors: Tim Cobbold in November 2019 and Susan Levine in December 2019. Ronald Hundzinski, our new Chief Financial Officer, also joined the Board in January 2020. All are welcome additions who will further strengthen the Board. Full biographies of each of the Directors are set out on pages 54 to 55.

To assist the Board in its oversight functions, the Audit & Risk, Nomination and Remuneration Committees have met and carried out their areas of responsibility as noted on page 53. In December 2019, we reviewed and updated the membership of each Committee in order to ensure the continued effectiveness of each Committee.

Ongoing Board and Committee evaluation

I am pleased to report the Board and its Committees are operating effectively. That said, and as noted previously, the Board and its Committee performance has been kept under ongoing review. In 2019, we engaged an outside advisor, Lintstock, to conduct a review of the Board's effectiveness in keeping with the recommendation of the UK Governance Code that externally facilitated reviews be done at least every three years. The review was designed to follow-up on areas for development identified in last year's internal evaluation and to consider additional areas of Board performance with reference to relevant external guidance and best practice.

Overall the results of the Board effectiveness review were very positive with progress identified in several key areas compared to 2018. The evaluation also highlighted a number of ongoing priorities for the Board which we look forward to progressing in 2020. More details of the evaluation and a summary of the key outcomes can be found in the Directors' report on page 59.

I look forward to working with the Board in 2020 in seeking excellence in governance both in the boardroom and throughout the Group. TI Fluid Systems has an exciting future and we have a strong and committed team to make the most of the opportunities that lie ahead.

Manfred Wennemer
Chairman

The Governance Structure

The Board

Leadership, strategy and development; controls and values.

Manfred Wennemer

Independent Non-Executive Chairman

Ronald Hundzinski¹

Chief Financial Officer

Stephen Thomas

Non-Executive Director

William L. Kozyra

Chief Executive Officer and President

Tim Cobbold²

Senior Independent Director

John Smith

Independent Non-Executive Director

Susan Levine³

Non-Executive Director

Andrea Dunstan

Independent Non-Executive Director

Elaine Sarsynski

Independent Non-Executive Director

Jeffrey Vanneste

Independent Non-Executive Director

1. Ronald Hundzinski was appointed on 6 January 2020 and will be standing for election at the AGM.
2. Tim Cobbold was appointed on 4 November 2019 and will be standing for election at the AGM.
3. Susan Levine was appointed on 11 December 2019 and will be standing for election at the AGM.

Nomination Committee

Manfred Wennemer

Chair

Tim Cobbold


Members

Key responsibilities

Evaluating the size, structure and composition of the Board

Assisting the Board in relation to the composition of the Board, including evaluating the balance of skills, knowledge, experience and diversity

Consideration to succession planning

 More information: Nomination Committee report on page 62

Audit & Risk Committee

Jeffrey Vanneste

Chair

Elaine Sarsynski


Members

Key responsibilities

Reviewing and monitoring the integrity of the financial statements

Ensuring effective systems of internal controls, internal audit and risk management are maintained

Advising on the appointment of the external auditors and monitoring non-audit work undertaken by the external auditor

 More information: Audit & Risk Committee report on page 64

Remuneration Committee

Andrea Dunstan

Chair

John Smith

Members

Key responsibilities

Setting the Remuneration Policy for all Executive Directors and the Chairman

Determine remuneration packages, including bonuses and awards, for Executive Directors and Senior Management in consultation with the Chairman and Chief Executive Officer, as appropriate

 More information: Remuneration Committee report on page 69

For the year ending 31 December 2019, the Company has applied all the main provisions of the UK Governance Code and has complied with all of the provisions save as noted below:

Code Provision 12

Detail – the UK Governance Code requires that the Board should appoint one of the Independent Non-Executive Directors to be the Senior Independent Director.

Explanation of non-compliance – Due to the resignation of Neil Carson in mid May 2019, the Board temporarily did not have a Senior Independent Director from mid May 2019 until early November 2019 when Tim Cobbold was appointed to the Board as Senior Independent Director.

Board of Directors

Manfred Wennemer



N

Independent Non-Executive Chairman

Appointment: September 2016
Nationality: Germany

Skills and experience

Manfred was appointed as Non-Executive Chairman of TI Fluid Systems in October 2017 having been appointed to the Board in September 2016. He has held a number of positions at Continental, including Chief Executive Officer and Chairman of ContiTech. Manfred is Chairman of the Supervisory Board of Jost Werke. He is also Chairman of the Shareholder Committee of Hella KGaA Hueck and a member of the Supervisory Board of PIAB International.

William (Bill) L. Kozyra



Chief Executive Officer and President

Appointment: June 2008
Nationality: United States of America

Skills and experience

Bill was appointed as Chief Executive Officer and President of TI Fluid Systems in June 2008. Prior to joining the Group, Bill held a number of senior executive positions, including that of President and Chief Executive Officer of Continental AG North America and a member of the Executive Board of Continental AG and senior roles at ITT Automotive and Bosch Braking Systems. Bill is also a Non-Executive Director of American Axle & Manufacturing Holdings.

Ronald Hundzinski



Chief Financial Officer

Appointment: January 2020
Nationality: United States of America

Skills and experience

Ronald was appointed as Chief Financial Officer of TI Fluid Systems in January 2020. Ronald was previously Executive Vice President – Finance at Tenneco, Inc. During the past thirty-five years, Ronald held a variety of leadership positions in finance at Emerson Electric, GKN, Meridian Automotive and BorgWarner. Ronald served as Chief Financial Officer and Executive Vice President of BorgWarner from 2012 to 2018 and is a Non-Executive Director of Gentherm.

Tim Cobbold



N

Senior Independent Director

Appointment: November 2019
Nationality: United Kingdom

Skills and experience

Tim was appointed as the Senior Independent Director of TI Fluid Systems in November 2019. Tim was formerly Chief Executive Officer of Chloride Group plc, De La Rue plc and UBM plc. He served as a Non-Executive Director of Drax Group plc for nine years until September 2019 and is currently a Non-Executive Director at Rotork plc following his appointment in 2018.

Susan Levine



Non-Executive Director

Appointment: December 2019
Nationality: United States of America

Skills and experience

Susan was appointed as a Non-Executive Director of TI Fluid Systems in December 2019. Susan is currently a Managing Director and Head of Private Equity Talent of Bain Capital. Susan was formerly at Bain & Company and is involved in a variety of diversity and inclusion initiatives. Susan serves on the Boards of the Massachusetts Society for the Prevention of Cruelty to Children, Eliot Community Human Services, The Fessenden School and 3Point Foundation. She also serves on the Board of Governors for the Georgetown University Alumni Association.

Elaine Sarsynski



A

Independent Non-Executive Director

Appointment: August 2018
Nationality: United States of America

Skills and experience

Elaine was appointed as a Non-Executive Director of TI Fluid Systems in August 2018. Elaine is currently a Non-Executive Director of AXA SA and a member of its Audit Committee. Elaine is also a Non-Executive Director of Horizon Technology Finance Corporation and is a member of its Audit Committee and Chair of its Nominating and Corporate Governance Committee. Elaine was previously President of MassMutual Retirement Services and Chairwoman, CEO and President of MassMutual International.

Stephen Thomas



N

Non-Executive Director

Appointment: July 2015
Nationality: United States of America

Skills and experience

Stephen was appointed as a Director of TI Fluid Systems in July 2015 and was formally appointed as a Non-Executive Director of the Company in October 2017. Stephen joined Bain Capital in 2007 and has been a Managing Director since 2015. Prior to joining Bain Capital, Stephen was a Manager at Bain & Company. Stephen is a Non-Executive Director of American Trailer Works and Innocor Inc.

John Smith



A R

Independent Non-Executive Director

Appointment: October 2017
Nationality: United States of America

Skills and experience

John was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. John has over 48 years of experience in the automotive industry, including 42 years working with General Motors in developing new technologies. John held a range of senior positions with General Motors, most recently as Group Vice President, Corporate Planning & Alliances. John is principal of Eagle Advisors and is also a Non-Executive Director of American Axle & Manufacturing Holdings, serving on its Audit Committee and as Chair of its Technology Committee.

Matthew Paroly



Company Secretary

Appointment: July 2014
Nationality: United States of America

Skills and experience

Matthew was appointed as Chief Legal Officer and Company Secretary of TI Fluid Systems in July 2014. Matthew has more than 20 years of experience in private law practice and in-house executive and legal positions with both public and private companies. Prior to joining TI Fluid Systems, Matthew worked with several automotive suppliers and manufacturers, including Nexteer Automotive, Fisker Automotive, Meridian Automotive Systems and Delphi Corporation. Matthew is a member of the State Bar of Michigan.

Andrea Dunstan



R

Independent Non-Executive Director

Appointment: March 2019
Nationality: United Kingdom

Skills and experience

Andrea was appointed as an Independent Non-Executive Director of TI Fluid Systems in March 2019. Andrea has been an Executive HR Director for a number of companies, including Wincanton plc, AstraZeneca plc and Barclays Bank plc, and most recently until 2017 was Chief People Officer for Premier Farnell plc. Currently, she is a Non-Executive Director and chair of the Remuneration Committee at both Macfarlane Group plc and Sumo Group plc as well as an Executive Council member for the University of Salford.

Jeffrey Vanneste



A R

Independent Non-Executive Director

Appointment: October 2017
Nationality: United States of America

Skills and experience

Jeff was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. Jeff was Senior Vice President, Chief Financial Officer and a member of the Executive Council of Lear Corporation for more than 7 years until October 2019 when he transitioned to a non-executive advisory role before retiring at the end of February 2020. Prior to joining Lear, Jeff was Executive Vice President and Chief Financial Officer for International Automotive Components Group. Jeff had previously spent over 15 years working with Lear in various positions. Jeff qualified as an accountant with Coopers & Lybrand (currently, PricewaterhouseCoopers LLP).

Key to committee membership

- A** Audit & Risk Committee
- N** Nomination Committee
- R** Remuneration Committee
- X** Committee Chair

A summary of the main matters reserved for decision by the Board is set out below:

Strategy and management

- Oversight of the Group's operations
- Approval of the long-term objectives and commercial strategy review
- Approval of the annual financial budget and four-year Medium Term Plan
- Review of performance in light of the Group's strategic aims, objectives, business plan and budgets

Corporate structure and share capital

- Changes to the Group's capital structure
- Major changes to the Group's corporate structure
- Significant changes to the Group's management and control structure
- Issues of public debt by the Company

Financial reporting and controls

- Approval of financial statements
- Setting the Company's dividend policy
- Approval of significant changes in accounting policy

Internal controls

- Ensuring maintenance of a sound system of internal control and risk management
- Approval of the Group's compliance policies

Contracts

- Approval of major capital projects
- Approval of larger-scale non-standard contracts
- Approval of acquisitions and joint ventures

Board membership

- Changes to the structure, size and composition of the Board
- Appointments to the Board, including selection and appointment of the Chairman, Chief Executive Officer, Senior Independent Director and Company Secretary
- Membership and chairs of Board Committees
- Approval of the continuation in office of Directors, including Executive Directors

Remuneration

- Determine the Remuneration Policy for Directors, Chief Executive Officer and other senior executives
- Determine the remuneration of the Non-Executive Directors
- Introduction of new share incentive plans or major changes to existing plans
- Approval of new incentive plans to be put to shareholders for approval

Delegation of authority

- Approval of the written division of responsibilities between the Chairman and the Chief Executive Officer
- Establishing Board Committees, approving their terms of reference and receiving reports from the Board Committees

Corporate Governance

- Review the Group's overall Corporate Governance structure
- Determining the independence of Non-Executive Directors
- Undertaking a formal and rigorous review of the Board's performance, that of its Committees and individual Directors and the division of responsibilities
- Consider the balance of interests between shareholders, employees, customers and the community

Policies

- Approval of policies, including the Code of Business Conduct, as well as the Anti-Corruption, Diversity and Inclusion, Health & Safety, Environmental, Modern Slavery, Group Dealing and Tax Strategy policies

Other areas

- Making of political donations
- Approve the overall levels of insurance for the Group
- Appointment of external auditors
- Shareholder engagement and general meetings
- Annual budgets and financial expenditure and commitments above levels set by the Board

The role and structure of the Board

The Board is responsible for the leadership and oversight of the Group and has overall authority for the management of the Group's business, strategy and culture. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including operational, financial and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Board operates in accordance with the Company's Articles of Association and the Board's written 'Delegation of Authority' which were approved by the Board in July 2015 and updated in October 2017. The Board has established a number of Committees, as set out on page 59. Each Committee has its own terms of reference which are reviewed at least annually.

The Board currently consists of ten members: the Independent Non-Executive Chairman, the Senior Independent Director, four other Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors (who are nominees of the Bain Shareholders under the relationship agreement discussed on page 60).

The Board generally meets five times a year, with additional ad-hoc meetings called as and when circumstances require. There is an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate time in the financial year.

In the period from 1 January 2019 to 31 December 2019 there were nine Board meetings. In addition, in the same period, there were five meetings of the Audit & Risk Committee, three meetings of the Remuneration Committee and two meetings of the Nomination Committee.

The table below shows the Directors' attendance at meetings of the Board and Committee(s) of which they were members and they were eligible to attend in the period from 1 January 2019 to 31 December 2019:

	Board	Audit & Risk	Remuneration	Nomination
Manfred Wennemer	9/9	–	–	2/2
William L. Kozyra	9/9	–	–	–
Timothy Knutson	9/9	–	–	–
Neil Carson	2/2	2/2	2/2	1/1
Tim Cobbold	2/2	–	–	–
Andrea Dunstan	7/7	–	–	–
Paul Edgerley	8/9	–	–	2/2
Susan Levine	–	–	–	–
Elaine Sarsynski	9/9	–	3/3	–
John Smith	9/9	5/5	3/3	–
Stephen Thomas	9/9	–	–	–
Jeffrey Vanneste	9/9	5/5	3/3	–

A summary of the key areas of responsibility of the Chairman and Chief Executive Officer are set out below:

Chairman Responsibilities

- Responsibility for the leadership and effective running of the Board and chairing its meetings
- Ensuring the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives
- Setting the agenda for and frequency of meetings of the Board and ensuring the Board receives accurate, timely and clear information on which to base decisions
- Ensuring that adequate time is available for the Board to consider all agenda items
- Promote a culture of openness and debate and facilitate the effective contribution and active engagement of all Directors
- Ensuring there is effective communication between the Group and its shareholders and that the Board understands the views of major investors in the Group
- Promoting the highest standards of integrity, probity and corporate governance
- Ensuring constructive relations between the Non-Executive and Executive Directors
- Regularly considering the Board's succession planning and composition
- Ensuring that the performance of the Board, its Committees and individual Directors are formally and rigorously evaluated at least once a year
- Provide an independent perspective and constructive challenge

Chief Executive Officer Responsibilities

- Responsible for running the business of the Company and its subsidiaries
- Proposing and developing the Group's strategy and overall commercial objectives
- Regularly reviewing the Group's operational performance, cost control and operating efficiencies and recommending to the Board the annual budget and financial plans for the Group
- Report to the Chairman and the Board on the progress of the strategy, the Group's performance and operational matters
- Maintaining a dialogue with the Chairman and the Board on important and strategic issues facing the Group
- Providing a structure for the timely and accurate disclosure of information
- Ensuring the Board's strategies, objectives and decisions are implemented in a timely and effective manner
- Develop senior talent and succession planning
- Progressing in conjunction with the Chief Financial Officer and, where relevant, the Chairman, the Company's communication programme with its shareholders
- Ensuring effective communication with shareholders, employees and other stakeholders, in order to understand their concerns and communicate issues to the Board
- Promoting and conducting the affairs of the Group with the highest standards of integrity, probity and Corporate Governance
- Safeguarding the reputation of the Group and managing the Group's risk profile
- Maintain strong relationships with OEM customers

All Directors are expected to attend all meetings of the Board and any Committees of which they are a member and are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors.

Key Board roles and responsibilities

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer which is written and approved by the Board. The roles of the Chairman and Chief Executive Officer are separately held and the role of each are clear and distinct. The division of responsibilities between the Chairman and Chief Executive Officer are set out in written terms of reference which were adopted by the Board on 24 October 2017.

Board evaluation

We engaged the services of Lintstock to assist with the Board's 2019 effectiveness review. Lintstock is a Corporate Governance advisory firm specialising in Board reviews and has no other relationship with the Company. The first stage of the exercise involved Lintstock engaging with the Chairman and Chief Legal Officer & Company Secretary to scope the evaluation and design Board review survey content tailored to the specific circumstances of the Company. All Board members were then invited to complete an online survey addressing the effectiveness of the Board in key areas, including composition and dynamics, engagement with stakeholders, management and focus of meetings, support and information received, and oversight of strategy, risk and succession. The performance of the Chair and the Committees was also assessed, and Board members completed a separate survey addressing their own individual contribution to the Board. The Board members' anonymity was guaranteed throughout the process to promote open and candid feedback. Lintstock then analysed the Board members' input and produced narrative reports on the performance of the Board, the Committees and the Chair, which were considered at the December 2019 Board meeting. Reports on individual performance were also submitted to facilitate the Chair's one-on-one discussions with Board members.

Based, in part, on the review conducted by Lintstock, the Board has agreed to continue to maintain focus on the following key areas in 2020 with the core objective of delivering strong and sustainable financial performance by the Group:

- Strategies relating to electrification, manufacturing footprint and capital allocation
- Talent development and executive succession planning
- Opportunities for the Board to deepen its engagement with the business through plant visits and management meetings

Senior Independent Director

The UK Corporate Governance Code recommends that the Board of Directors of a company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to act as a sounding board for the Chairman and to support him in the delivery of his objectives. The Senior Independent Director is also responsible for leading the Non-Executive Directors in monitoring and evaluating the performance of the Chairman and being available to shareholders if they have any concerns which contact through the normal channels of the Chairman, the Chief Executive Officer or the Chief Financial Officer has failed to resolve or for which such communication is inappropriate. Neil Carson had been appointed as the Company's Senior Independent Non-Executive Director. Following Mr Carson's departure from the Board, the Board searched for a qualified candidate to be appointed to the Board as an additional Independent Non-Executive Director and Tim Cobbold was appointed to serve as Senior Independent Director.

The Audit & Risk Committee

The Audit & Risk Committee is comprised of three Independent Non-Executive Directors. The Audit & Risk Committee Chair is Jeffrey Vanneste.

The main roles and responsibilities of the Audit & Risk Committee are set out in written terms of reference and are available on the Company's website (tifluidsystems.com).

Details of the Audit & Risk Committee's activities can be found in the Audit & Risk Committee report on pages 64 to 68.

The Remuneration Committee

The Remuneration Committee is comprised of three Independent Non-Executive Directors. The Remuneration Committee Chair is Andrea Dunstan.

The main roles and responsibilities of the Remuneration Committee are set out in written terms of reference and are available on the Company's website (tifluidsystems.com).

Details of the Remuneration Committee's activities can be found in the Remuneration Committee report on pages 69 to 79.

The Nomination Committee

The Nomination Committee is comprised of the Chairman, the Senior Independent Director and a Non-Executive Director. The Nomination Committee Chair is Manfred Wennemer.

The main roles and responsibilities of the Nomination Committee are set out in written terms of reference and are available on the Company's website (tifluidsystems.com).

Details of the Nomination Committee's activities can be found in the Nomination Committee report on pages 62 to 63.

Balance and independence

In accordance with the main principle B.1 of the Corporate Governance Code, the Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. The size and composition of the Board is kept under review by the Nomination Committee to ensure an appropriate balance of skills and experience is maintained.

The Code recommends, in the case of a FTSE 350 company, that at least half the Board of Directors (excluding the Chairman) should comprise 'independent' Non-Executive Directors. The Board satisfies that recommendation and comprises the Non-Executive Chairman, who is considered to be independent, two Executive Directors and seven Non-Executive Directors, of whom five are considered to be independent. The five Non-Executive Directors that are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement, are Tim Cobbold, Andrea Dunstan, Elaine Sarsynski, John Smith and Jeffrey Vanneste.

As the Board composition changes over time and when evaluating candidates for Board membership, candidates are considered on merit, taking account of their relevant skills and experience as well as recognising the benefits of diversity including gender, nationality, ethnicity and age. Currently, three Directors, representing 30% of the Board, are female. Seven Directors are US nationals, two Directors are UK nationals and one is a German national.

Disclosure of relationship agreement with Bain

Details of substantial shareholdings in the Company's ordinary share capital are set out in the Directors' report on page 81.

On 25 October 2017, the Company entered into a relationship agreement with its largest shareholders, the funds managed by Bain Capital and BC Omega Holdco, Ltd. (the 'Bain Shareholders'). The principal purpose of the relationship agreement is to ensure that following the Company's Admission and Listing, the Company is able to carry on its business independently of the Bain Shareholders and that transactions and relationships between the Company and the Bain Shareholders are conducted at arm's length and on normal commercial terms. The Board confirms that the Company and, so far as it is aware, Bain Capital, BC Omega Holdco, Ltd. and the Bain Shareholders have complied with all of their respective undertakings and obligations set forth in the relationship agreement.

Under the relationship agreement, the Bain Shareholders have a right to nominate for appointment to the Board: (a) two Directors for so long as the Bain Shareholders and their associates' shareholding in the Company is equal to or more than 25%; and (b) one Director for so long as the Bain Shareholders and their associates' shareholding in the Company is equal to more than 10% but less than 25%. The terms of the appointment of these Directors under the relationship agreement does not specify the amount of time they are expected to devote to the Company's business. However, it is estimated they will commit a minimum of one day per month which is calculated based on the time required to prepare for attending Board and Committee meetings, and additional duties such as attendance at the Annual General Meeting and meetings with shareholders.

Length of appointment

Non-Executive Directors are appointed for terms of three years, subject to the particular Director being re-elected by shareholders, for up to the normal maximum of three terms (nine years).

Conflicts of interest

The Company's Articles of Association set out the policy for dealing with Directors' conflicts of interest and are in line with the Companies Act 2006. The Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation.

Diversity

The Company's Diversity and Inclusion Policy confirms that the Company does not discriminate on the grounds of gender, age, ethnicity, sexual orientation, religion or belief, disability, gender reassignment, marital or civil partnership status, pregnancy or maternity, race, colour, nationality, political affiliation, socio-economic or veteran status. The policy notes the Company strives to make progress on diversity, equity and inclusion in its workforce and treats all associates with dignity and respect, and on a fair and equitable basis.

Training and development

In preparation for admission, all Directors received an induction briefing from the Company's legal advisers on the duties and responsibilities as Directors of a publicly quoted company. In addition, upon their appointment, all Directors receive an induction programme arranged by the Company Secretary, including plant visits to Germany and meetings with key members of senior management in order to familiarise themselves with the Group. Specific training on Directors' Duties and the new Corporate Governance requirements has been provided to new Board members by our legal advisers.

Information and support

To enable the Board to function effectively and to assist the Directors in discharging their responsibilities, full and timely access is given to all relevant information to the Board. In the case of Board meetings this consists of a formal agenda and a comprehensive set of papers including regular business progress reports. An established procedure is in place to ensure that such information is provided to Directors in a timely manner in advance of meetings. Specific business-related presentations are given by senior management when appropriate.

The Company Secretary works closely with the Chairman, the Chief Executive Officer and the chairs of the Board Committees to ensure that Board procedures, including setting agendas and the timely distribution of papers, are complied with and that there are good communications flows between the Board and its Committees, and between senior management and Non-Executive Directors. The Company Secretary is also available to all Directors to provide advice and support, including facilitating induction programmes. All Directors are able to take independent professional advice at the Company's expense in the furtherance of their duties where considered necessary.

Election or re-election of Directors

At the forthcoming Annual General Meeting on 14 May 2020 all the current Directors will be offering themselves for election or re-election.

Whistleblowing

The Company has established procedures by which employees may, in confidence, raise concerns relating to fraud, non-compliance or other illegal or unethical conduct in the workplace. The Whistleblowing Policy applies to all employees of the Group. The Audit & Risk Committee is responsible for monitoring the Group's whistleblowing arrangements and the policy is reviewed periodically by the Board.

Shareholder engagement

Prior to the IPO, the Company's shareholders comprised funds managed by Bain Capital and a number of members of management. As a result of the IPO, a larger shareholder base has developed. Investor relations activity and a review of the shareholder register are regular items in the Board information pack.

The Executive Directors regularly meet with a large number of investors and have active discussions with shareholders and investors, both on an individual basis and through roadshow events. The Company aims to maintain a constructive dialogue with key stakeholders, including institutional investors, to discuss issues relating to the performance of the Group, including strategy and new developments. The first Capital Markets Event was held in September 2019. The Company has an investor relations website which is publicly available and provides relevant information to both institutional investors and private shareholders, including performance updates and announcements by the Company.

Annual General Meeting

The Company's Annual General Meeting will take place on 14 May 2020. A separate notice convening the Annual General Meeting is being sent out with this Annual Report and Accounts. Separate votes are held for each proposed resolution. All Directors attend the meeting. Details of the resolutions to be proposed at the Annual General Meeting on 14 May 2020 and an explanation of the items of special business can be found in the circular that contains the notice convening the Annual General Meeting.

Directors' duties – compliance with Section 172 of the Companies Act 2006

In accordance with the requirements of Section 172 of the Companies Act 2006, the Board seeks to promote the success of the Company for the benefit of its members as a whole and in doing so have regard for the interests of stakeholders including customers, employees, suppliers, regulators and the wider society in which it operates. A summary of considerations undertaken by the Board in accordance with Section 172 is set forth on pages 45-47.

Approved by order of the Board

Manfred Wennemer

Chairman
16 March 2020

Nomination Committee report



Manfred Wennemer

Nomination Committee Chair

Key highlights

- Appointment of Senior Independent Director – Tim Cobbold
- Appointment of Non-Executive Directors – Andrea Dunstan and Susan Levine
- Appointment of Chief Financial Officer – Ronald Hundzinski
- Review of the composition of the Committees of the Board
- Externally facilitated evaluation of the Board and Committees

Dear Shareholder,

On behalf of the Board, I am pleased to present the Nomination Committee's report for the year ended 31 December 2019. The Committee leads the process for nominations to the Board, making recommendations to the Board based on achieving the necessary mix of skills, knowledge and experience to drive the strategic objectives of the business. The year has been both a busy and productive one for the Committee, particularly with the significant turnover on the Board.

While we will certainly miss Neil Carson, Paul Edgerley and Tim Knutson who stepped down during the year, we are delighted to welcome Andrea Dunstan, Tim Cobbold, Susan Levine and Ron Hundzinski to the Board. Each of these new Directors will further enhance the experience and capabilities of our already strong Board.

While significant time was devoted to recruiting new Directors, the Committee proposed, and the Board adopted, several changes in the composition of the Board's three Committees (Remuneration, Audit & Risk and Nomination) to achieve better alignment of individual Director's strengths and utilisation of their skills. The Committee also led the Board's review of the effectiveness of the Board and Committees through an externally facilitated evaluation conducted by Lintstock.

Appointment of Chief Financial Officer

In December 2019, the Board announced that the search for a new Chief Financial Officer successfully concluded with the appointment of Ronald Hundzinski. Ron brings considerable finance leadership experience to the Board and to the Group. During the past thirty-five years, Ron has held a variety of leadership positions in finance at Tenneco, Borg Warner, GKN, Emerson Electric and Meridian Automotive. He served as Chief Financial Officer and Executive Vice President of BorgWarner from 2012 through 2018. Ron is also currently a Non-Executive Director of Gentherm, a publicly traded company on the New York Stock Exchange and is slated to become Chairman of Gentherm's Board in May 2020.

Russell Reynolds, an executive search firm with no connections to the Company or any Directors, was engaged to assist with the search for our new CFO, including a comprehensive assessment process. Prior to his appointment, Ron met with the Chairman, the Chief Executive Officer and several members of the Board.

Appointment of Non-Executive Directors

The Board is pleased that three highly-qualified Non-Executive Directors were appointed to the Board in 2019.

Andrea Dunstan joined the Board as an Independent Non-Executive Director in March 2019 and, in December 2019, was appointed Chair of our Remuneration Committee and brings considerable experience as she is currently Chair of the Remuneration Committee at both Sumo Group plc and Macfarlane Group plc. She also chairs the Remuneration Committee of the University of Salford.

Tim Cobbold joined the Board in November 2019 to serve as the Board's Senior Independent Director and, in December 2020, was appointed to the Nomination Committee.

Susan Levine joined the Board as a Non-Executive Director in December 2019 and replaced Paul Edgerley as one of the two representatives of the Bain Shareholders on our Board.

Each new Director brings unique experience, skills and perspective that will enhance the capabilities of our Board. Biographies for Andrea, Tim and Susan can be found on pages 54-55.

Spencer Stuart, an executive search firm with no connections to the Company or any Directors, was engaged to assist with the search for our new Independent Non-Executive Directors. Prior to their appointments, Andrea, Tim and Susan met with the Chairman, the Chief Executive Officer and several other members of the Board.

Diversity

The Committee also recognises the importance of diversity and remains committed to having a diverse Board. We are pleased that women now comprise 30% of our Board.

Of course, diversity does not apply only to the Board but extends to the senior leadership team and beyond. As such, we are committed to support management to achieve a broader, more diverse senior leadership team while ensuring that promotions and appointments are made on merit and there is an appropriate balance of skills and experience at all levels of the organisation. To that end, widened search criteria are being used to encourage a diverse set of candidates for senior leadership positions comprised of both internal and external candidates.

At 31 December 2019, women represented approximately 30% of the Group's total salaried workforce. At present, the Executive Committee (CEO and his direct reports) does not include any women but 29% of senior management reporting to the Executive Committee are women.

Board independence

The 2018 Corporate Governance Code requires that at least half the Board, excluding the Chairman, should consist of Non-Executive Directors determined by the Board to be independent. Throughout the year the Board has been fully compliant on independence. As at 31 December 2019, the Board was comprised of ten Directors, including the Independent Non-Executive Chairman, the Senior Independent Director, four other Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Committee memberships

The Nomination Committee has overseen changes to the membership of all of the Committees of the Board and the changes were announced in December 2019 including the appointment of Andrea Dunstan as Chair of the Remuneration Committee. She will bring the necessary mix of skills and knowledge of best practice to the Committee to support the Board in ensuring that remuneration is appropriate and that the right people are recruited and in place to drive the strategic objectives of the business.

Annual Board and Committee evaluation

The Committee initiated the annual review of the effectiveness of the Board and Committees which was facilitated by a third-party advisory firm, Lintstock, in keeping with the recommendation of the UK Governance Code that externally-facilitated reviews be done at least every three years.

The review was designed to follow-up on areas for development identified in last year's internal evaluation and to consider additional areas of Board and Committee performance with reference to relevant external guidance and best practice.

Overall the results of the Board effectiveness review were very positive with progress identified in several key areas compared to 2018. The evaluation also highlighted a number of ongoing priorities for the Board which we look forward to progressing in 2020.

More details of the evaluation process and a summary of the key outcomes can be found in the Directors' report on page 59.

Membership and terms of reference of the Nomination Committee

The Committee, following the announcement of the changes to Committee composition in December 2019, is comprised of the Chairman, Manfred Wennemer, Stephen Thomas and Tim Cobbold. The Board considers the majority of the members of the Nomination Committee to be independent.

The Nomination Committee is responsible for ensuring that the Board and its Committees have the appropriate balance of skills, knowledge and experience to effectively lead the Company both in the present and the future. The current Terms of Reference of the Nomination Committee, approved in October 2017 and reviewed for appropriateness in March 2019, are available to view on the Company's website.

Key issues reviewed by the Committee in the year

During the year ended 31 December 2019, the Nomination Committee has met twice formally and had several informal telephone discussions in order to consider the following issues:

- A review of the composition of the Board and Committee membership
- Re-appointment of the Non-Executive Directors at the upcoming AGM
- Appointment of Tim Cobbold, Ron Hundzinski, Andrea Dunstan and Susan Levine and oversight of their induction plan
- A review of site visits undertaken by Board members
- Coordinate annual Board training including UK Corporate Governance changes
- Progress on succession planning
- Updates on diversity and inclusion on the Board and throughout the organisation
- Annual review of the effectiveness of the Chairman and the Chief Executive Officer, led by the Senior Independent Director and Chairman respectively
- Annual review of Independence of Non-Executive Directors in line with the criteria set by the Code
- Review the balance of skills, knowledge, experience and diversity on the Board
- Maintaining the Board evaluation programme

Focus on 2020

The Nomination Committee plans to consider the areas listed below during the year ahead:

- Review of the skills and independence of each of the Non-Executive Directors
- Recommend the election or re-election of all Directors
- Promote Board and management diversity
- Review the Committee Terms of Reference
- Further review and development of succession planning

Manfred Wennemer

Nomination Committee Chair
16 March 2020

Audit & Risk Committee report



Jeffrey Vanneste
Audit & Risk Committee Chair

Dear Shareholder,

I am pleased to present my report as Chair of the Audit & Risk Committee which outlines the Committee's composition, main responsibilities and key areas of focus during the year.

The core responsibility of the Committee continues to be to provide an independent oversight in relation to the integrity of financial reporting, the extent and effectiveness of internal financial controls and assurance processes; the monitoring of key risk management systems and processes and assessment of the effectiveness and independence of the Group's external auditors. This report covers the activities of the Committee throughout 2019 and up to the date of this report.

The terms of reference of the Audit & Risk Committee are available to view on the Company's website (tifluidsystems.com).

Membership of the Audit & Risk Committee

The Audit & Risk Committee comprises Independent Non-Executive Directors of the Company as set out in the table below. Brief biographical information on the members of the Audit & Risk Committee are listed on pages 54 to 55 including details of experience and competence relevant to the sector. The Company Secretary, who is also Chief Legal Officer, acts as secretary to the Committee.

The following table shows the number of meetings held during 2019 and the attendance record of individual members of the Committee:

Name of member	Date of appointment to the Committee	Date of resignation from the Committee	Number of meetings attended	Maximum number of meetings the member could have attended
Jeffrey Vanneste	25 October 2017		5	5
Neil Carson	25 October 2017	16 May 2019	2	2
John Smith	25 October 2017		5	5
Elaine Sarsynski	12 December 2019		–	–

The Audit & Risk Committee is ordinarily scheduled to meet once a quarter through the year and its agenda is linked to both the Group's external reporting timetable and the internal financial cycle. The Audit & Risk Committee invites the Chief Executive Officer and President, the Chief Financial Officer, the Group Controller and Vice President Risk and other senior finance personnel, together with other senior representatives of the external and internal auditors, to attend certain meetings. All other members of the Board have an open invitation to attend the meetings. Elaine Sarsynski, who was appointed to the Committee in December 2019, was not a member of the Committee at the time of any of the Committee's meetings in 2019.

In 2019, an additional meeting was held to review and discuss a letter received from the Financial Reporting Council ('FRC') in respect of the Group's 2018 Annual Report. Details of this matter are covered in this report. Following the year-end, the Committee met to approve the 2019 Post-Close Trading Statement prior to its release on 27 January 2020 and review the Group's 2019 Annual Report.

The Committee, when necessary, will meet in private with the internal and external auditors without management present as part of the overall meeting structure. As the Chair of the Committee, I had a number of private discussions with the lead external audit partner.

The role of the Audit & Risk Committee

The primary function of the Audit & Risk Committee is to assist the Board in discharging its responsibilities with regard to financial reporting and the external and internal audit, including:

- reviewing and monitoring the integrity of the Group’s annual and interim financial statements
- advising on the appointment of the external auditors and overseeing the Group’s relationship with its external auditors
- reviewing the scope and effectiveness of the external audit process
- reviewing the independence and objectivity of the external auditors
- reviewing and monitoring the extent of the non-audit work undertaken by the Group’s external auditors
- making recommendations to the Board on accounting policies
- reviewing correspondence received and proposed responses to communications received from relevant UK regulatory bodies
- reviewing the effectiveness of the Group’s internal control and risk management programmes
- monitoring the activities and effectiveness of the Group’s internal audit function
- receiving reports from the Group’s internal and external auditors
- making recommendations to the Board for a resolution to be put to the shareholders for the appointment of the external auditors, approval of their remuneration and terms of their engagement
- review of the Group risk registers and advising the Board on the effectiveness of risk action plans, as appropriate
- reviewing the adequacy and effectiveness of the whistleblowing and anti-bribery policy and procedures.

Oversight of financial reporting

The Committee acts in an oversight role in respect of the Annual Report and other announcements with financial content, all of which are prepared by management. The Committee received reports on the Annual and Interim financial statements from management and the external auditor. The Auditor’s report including a summary of key audit matters is set out on pages 86 to 93.

The Committee has:

- considered the significant accounting judgements and policies adopted in respect of the Interim and Annual financial statements and agreed their appropriateness
- examined key points of disclosure and presentation to ensure the adequacy, clarity and completeness of the financial statements
- reviewed the content of the proposed news releases issued in conjunction with half year and full year results as well as reviewing, on behalf of the Board, the quarterly Trading Updates issued in May and November 2019, respectively
- discussed audit reports with the external auditors which highlighted key accounting matters and significant judgements in respect of each set of financial statements
- reviewed and discussed reports to support management’s assessment of the going concern judgement and the viability statement set out on page 45
- the Group’s risk related to Brexit was considered and supported as being limited.

Financial Reporting Council

Following receipt of a request for information from the FRC in respect of the Group’s 2018 Annual Report and Accounts, the Committee met to discuss and review with management and the external auditors the proposed approach to responding to the FRC. Following this meeting, each Committee member reviewed the draft response letter from the Company before approving its release by the Company.

The FRC review was limited in its scope and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. As such the correspondence between the FRC and the Company does not provide any assurance that our 2018 report and accounts are correct in all material respects.

Correspondence with the FRC was satisfactorily concluded in January 2020 with the Company having explained its position on the matters raised by the FRC (presentation of adjusted EPS, critical accounting estimates and judgements, goodwill impairment and non-financial information disclosures) and agreeing to enhance the presentation and disclosures of certain items in this Annual Report.

At its meeting in March 2020, the Committee received a report from management that highlighted how the specific matters raised by the FRC had been addressed. The Company’s 2019 disclosures in this regard were also discussed and reviewed by the Committee with the external auditors.

Significant accounting matters

The issues and judgements considered below were identified by the Committee as significant to the preparation of the 2019 Financial Statements:

Key accounting judgements	Work undertaken
<p>Warranty provision The Group is subject to warranty claims in the event that its products fail to perform as per specifications. Warranty provisions are made to cover potential exposures that relate to specific customer claims.</p> <p>Key judgements are made in calculating the provision and these are dependent on the customer, complexity of the issue and the negotiation process. The outcome of claims is often difficult to predict and quantify.</p>	<p>We considered the judgements made by management in assessing the likelihood and quantification of material exposures. This included:</p> <ul style="list-style-type: none"> – understanding the nature of the specific claims and correspondence with customers – assessing management’s evaluation of the likelihood and quantum of exposure and the status of negotiations with the customer. <p>We obtained the external auditor’s views in relation to the appropriateness of the approach taken by management.</p> <p>Taking into account the evidence presented and explanations given by management, we concluded that the judgements taken in respect of warranty matters were reasonable and appropriate.</p>
<p>Goodwill and intangible assets impairment All cash-generating units ('CGUs') containing goodwill and intangible assets are tested for impairment annually. The determination of CGUs and the recoverable amount requires judgement by management in both identifying and valuing the relevant CGUs.</p> <p>Key judgements and estimates are involved in completion of impairment reviews including cash flow forecasts, discount rates and long-term growth rates. A change in these assumptions can result in a material change in the valuation of the assets.</p>	<p>As part of the annual impairment review, we considered a summary report from management explaining the methodology, assumptions and results of the impairment test.</p> <p>We specifically reviewed the discount and growth rates used to calculate expected future cash flows at their present value ensuring appropriate consideration of inherent risk and geography had been factored in. Furthermore, we discussed the underlying future cash flow assumptions in the impairment assessments.</p> <p>Additionally, our review considered the disclosures of key estimates and judgements in the financial statements along with the extent and appropriateness of sensitivities performed by management and the extent of disclosures made. Specifically pre- and post-tax discount rate disclosures were noted by our review.</p> <p>The impairment reviews were also an area of focus for PricewaterhouseCoopers LLP and we considered their report.</p> <p>We were satisfied with the approach taken by management and concluded that the judgements and estimates used in the impairment assessment were reasonable and the conclusion of no impairment in 2019 was appropriate.</p>
<p>Deferred tax asset recognition and provision for uncertain tax positions The Group has a wide geographic footprint and is subject to tax laws in many jurisdictions.</p> <p>Provisions are made for uncertain tax positions which involve judgement and estimates by management as to the likelihood of their realisation.</p> <p>Recognition of deferred tax assets also involves judgement as to their realisation, including whether there will be sufficient taxable profits in future periods to support recognition.</p>	<p>We reviewed summary reports from management in respect of estimates of tax exposures to assess the reasonableness of the Group’s tax provisions. Information provided has included specialist tax advice in applicable jurisdictions and updates on specific ongoing audits.</p> <p>The recognition of deferred tax assets was reviewed including the Company’s assessment of the availability of future profits to support recoverability.</p> <p>PricewaterhouseCoopers LLP also reported to the Committee its findings in this area which have been reviewed and considered.</p> <p>The Committee was satisfied with the judgements, estimates and that disclosures were reasonable and appropriate.</p>

The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the Financial Statements.

Other financial reporting matters

Presentation of financial statements

The Board continues to use adjusted results as the measure of ongoing performance of the Group and its Divisions. This approach necessitates the exclusion of certain items of income or charge that are felt to distort comparability of performance. In considering the presentation of the 2019 financial statements the Committee re-assessed the appropriateness of the non-IFRS measures used by the Group and considered the extent and clarity of explanation supporting the use of these measures. Additionally, the Committee considered the enhancements made in the 2019 Annual Report made to improve the presentational balance between non-IFRS measures and measures directly stemming from the financial statements. The Committee was satisfied that the 2019 Annual Report disclosures were appropriate.

New accounting standards

2019 has seen the Group adopt IFRS 16 Leases. In conjunction with the Annual and Interim 2019 Financial Statements the Committee received reports and explanations of the impact of this standard including the details of the necessary disclosures. The Committee considered the appropriateness of disclosures and judgements made with regard to these standards and were satisfied with the approach and treatments adopted.

External auditors

The Audit & Risk Committee are very aware that the effectiveness and independence of the external auditor is central to ensuring the integrity of the Group's published financial information.

During 2019, the Committee's engagement with the external auditor has mainly focused on:

- the review and approval of PricewaterhouseCoopers LLP's 2019 audit plan, terms of engagement and fee for the audit of the 2019 financial statements
- review of the independence, objectivity and effectiveness of PricewaterhouseCoopers LLP
- concluding a recommendation to the Board to reappoint PricewaterhouseCoopers LLP
- satisfying ourselves that the level of non-audit services provided by PricewaterhouseCoopers LLP was compliant with external regulation and internal policies
- considering feedback received from the external auditor on the results of an FRC Audit Quality Review Team ("AQRT") review of their 2018 Group audit of our 2018 Group Financial Statements

The Committee approved the proposed external audit plan and its scope at its meeting in November 2019. Our consideration of the plan involved an assessment of the size of entities covered and the level of risk associated with those entities. The Committee was satisfied that the proposed risk-based approach was appropriate and commensurate with the Group's risk appetite in respect of external audit assurance. The key audit matters identified by PricewaterhouseCoopers LLP are set out in its report on page 86 to 93 and were reviewed by the Committee in approving the 2019 audit scope and plan.

Following receipt of the final report from the AQRT, the Committee discussed the findings with the audit partner. Whilst there were no significant findings, some matters were identified as requiring improvement. PwC have reported to the Committee their response to the findings and how the suggested improvements were incorporated into the current audit.

In assessing the effectiveness of PricewaterhouseCoopers LLP, the Committee had regard to a number of factors which included but were not limited to:

- their feedback and insights on the Group's business, internal control systems and attitude towards control
- the planning process and final audit plan for the 2019 financial statements
- the quality of reporting to the Committee
- their performance during the 2019 half-year review process
- feedback from senior management on the quality of engagement with them

In summary, the Committee considers both PricewaterhouseCoopers LLP and its audit processes to be effective. PricewaterhouseCoopers LLP have a good understanding of the Group and its businesses including the financial reporting and control challenges facing the Group. This understanding is accompanied by robust challenge of the significant judgements made by management.

Auditor independence and non-audit services

In order to ensure the external auditors' independence, the Committee annually reviews the Company's relationship with its auditors and assesses the level of controls and procedures in place to ensure the required level of independence and that the Company has an objective and professional relationship with PricewaterhouseCoopers LLP.

The Committee has received confirmation from PricewaterhouseCoopers LLP that they remained independent and objective within the context of applicable professional standards throughout 2019 and the duration of the 2019 audit appointment.

In order to safeguard auditor independence the Committee has adopted a formal policy governing the engagement of the external auditor. This policy effectively limits the use of the external auditor to work that is required by law or regulations and of an assurance nature only. All other non-audit services are considered on a case by case basis in light of prevailing regulations and ethical standards.

Any proposed non-audit service engagement has to be approved by the Group Controller & VP Risk on behalf of the Committee and only if it is within acceptable financial parameters and confirmation has been received from PricewaterhouseCoopers LLP that the service does not contravene regulatory independence and ethical requirements. There were no significant engagements of the external auditors for non-audit services during 2019. Details of the fees paid to PricewaterhouseCoopers LLP in 2019 can be found in Note 31 on page 152 of the Financial Statements.

Having considered all factors the Committee has concluded that PricewaterhouseCoopers LLP remain appropriately independent.

Taking all matters of effectiveness, independence and objectivity into consideration, the Committee has concluded that it was appropriate to recommend to the Board of Directors the reappointment of PricewaterhouseCoopers LLP as the Company's auditors for 2020.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation Order 2014 for the financial year under review.

Internal control and risk management

The Group continued in 2019 to refine its processes and controls globally to reflect changes to its internal control framework. The Group's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit & Risk Committee, in addition to review by the internal and external auditors. Control deficiencies identified are followed up with action plans that are reviewed by the Audit & Risk Committee. The Board has established policies and procedures, including delegations of authority, which have been communicated across the Group.

In executing the Committee's remit for monitoring the financial reporting process and for reviewing the effectiveness of the Group's system of internal controls, the Committee undertook the following review work:

- considered reports from Internal Audit on the outcomes of the 2019 Plan
- discussed the status and actions relating to control issues raised via the Group's whistleblowing hotline
- monitored the feedback from special project reviews performed by Internal Audit
- reviewed and approved the proposed Internal Audit plan for 2020
- discussed with the external audit their findings and perspectives on the Group's internal control framework

Internal Audit plays an important role in assessing the effectiveness of internal controls by a programme of reviews of key business risks across the Group. The Group has a dedicated Internal Audit function and a formal audit plan is in place to address the key risks across the Group. The Audit & Risk Committee considers and approves the internal audit plan, which is based on an assessment of the key risks faced by the Group. Progress in respect of the plan is monitored throughout the year and care is taken to ensure that the Internal Audit function has sufficient resource to complete the plan. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group. The Director of Internal Audit reports ultimately to the Chair of the Audit & Risk Committee, although he reports on a day-to-day basis to the Chief Financial Officer. A report on completed internal audits is presented to the Committee and, where appropriate, action plans are reviewed.

The system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and we can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a clear organisational structure with defined authority levels. The day-to-day running of the Group's business is delegated to the Executive Directors of the Group.

The Board has overall responsibility for the Group's risk appetite and ensuring there is an effective risk management framework. The Board has delegated responsibility for review of the risk management programme and effectiveness of internal controls to the Audit & Risk Committee. Further information on the Group's formative risk management programme and the risks and uncertainties which are judged to have the most significant impact on the Group's long-term performance and prospects are set out on pages 28-31.

The Audit & Risk Committee has reviewed the assessment of the Group's principal risks, the impact on the prospects for the Group and the mitigating actions, and the Board has confirmed that a robust assessment of the Group's principal risks had been undertaken. This assessment also included a discussion of emerging risks potentially facing the Group.

Other matters

During the year the Committee:

- received an overview report on the Group's Insurance programme including details of the 2019 renewal pricing
- reviewed and approved the Parent Profit and Loss Account for the year on behalf of the Board pursuant to compliance with s408 Companies Act 2006
- received update briefings on the progress being made with the implementation of a new Group-wide financial reporting system
- reviewed and recommended to the Board the proposal for the level of the 2019 Interim dividend
- reviewed and recommended a proposed term loan repayment made by management
- reviewed the activities of the Group's Treasury function
- received its annual update on the Group's cyber security activities including the programme of activities to enhance resilience across the Group in this area.

Jeffrey Vanneste

Audit & Risk Committee Chair
16 March 2020

Annual statement by the Chair of the Remuneration Committee



Andrea Dunstan
Remuneration Committee Chair

Dear Shareholder,

I am pleased to present this Directors' Remuneration Report, my first as Chair of the Remuneration Committee.

Remuneration structure

As TI Fluid Systems is the only automotive supplier listed on the FTSE 250 and with its management team based in the United States, similar to several other competing tier one automotive suppliers, our remuneration structure and practices seek to balance the need to be competitive in the Company's native labour market while taking into account investor perspectives and UK governance requirements. Within this report we have complied with listing requirements and have, where appropriate, given additional information and comparison to automotive peers with whom we compete for top executive talent. It is worth noting that the Board has determined that a key leadership success factor in the automotive industry is not only experience in industrial/manufacturing but also a deep understanding of commercial practices, customer needs and technologies relevant to the automotive industry.

We are pleased to report that the Company has complied with all UK remuneration structure standards while balancing incentive compensation arrangements to reflect the competitive US market in which our Executive Directors operate. We believe this approach balances the compliance and regulatory requirements of a FTSE 250 company while attempting to attract, motivate and retain top automotive expertise.

Furthermore, the Board and Remuneration Committee are sensitive to the UK remuneration environment and seek out opportunities to adjust the compensation practices of the Company closer to UK norms to the extent those adjustments do not limit the Company's ability to attract and retain experienced and qualified automotive industry executives. An example of this sensitivity can be seen in our new CFO's compensation arrangements which are outlined on page 74.

We remind investors and proxy agencies that the Company's overall compensation structure is less attractive compared with similarly experienced executives in the automotive industry, where earning potential is much higher and plan designs do not include incentive holding periods after vesting. Furthermore, we note that we already operate a market-leading approach on executive pensions. Our Executive Directors' pensions are in line with the wider US workforce which is below traditional pension provisions in the UK and Europe.

In the interests of succinct reporting, the Directors' Remuneration Policy, which remains unchanged, is not reproduced in full in this report and can be found in our 2017 Annual Report, on our website (tifluidsystems.com).

Remuneration decisions for 2019

The management team performed well despite challenging industry conditions (a 5.6% reduction in global automotive production volumes) with revenue, EBIT and Free Cash Flow outperformance against consensus. Importantly, the Group significantly progressed its EV strategy, preparing to launch production of thermal products for two high volume BEV programs while continuing to win development opportunities and supply programs for both HEV and BEV platforms. Furthermore the Company achieved a 59% share price appreciation during the calendar year. In line with these excellent results, the CEO will receive a salary increase of 5% effective from 1 January 2020 pay which was in-line with the range of increases awarded to the US workforce and takes into account the CEO's excellent performance and considers, in part, the lack of base pay increases in many of the past years. It is worth noting, even with this increase in base pay, the CEO's total compensation is well below his automotive peers when considering the CEO's track record of success and seniority. At the time of writing, the CEO decided to delay the implementation of his increase in base pay without prejudicing the effective date, in light of the current economic scenario related to the COVID-19 pandemic. The Executive Directors received an annual bonus equal to 60% of the maximum opportunity. In-line with the Policy, the portion of the bonus over 100% of salary was paid in Company shares deferred for two years. Our first LTIP awards were granted in 2018 and are due to vest based on performance to 31 December 2020. Therefore, there were no awards due to vest based on performance to 31 December 2019.

CFO transition

On 31 December 2019 our CFO Timothy Knutson stepped down from the Board to pursue interests outside of the Group. Taking into account his performance and contribution to the business over his tenure as CFO since 2008 and recognising that he worked an extended notice period, Timothy was treated as a good leaver under the Company's incentive plans. In accordance with our Remuneration Policy and, recognising that he was employed for the entire year, he remained eligible for an annual bonus in respect of 2019. His bonus was paid partly in cash and partly deferred into shares for two years. His outstanding share awards will subsist to their normal delivery dates, subject to time and performance pro-rating as appropriate. Further details on Timothy's remuneration can be found on page 72.

As announced on 18 November 2019, Ronald Hundzinski was appointed as our new CFO with effect from 6 January 2020 and his compensation package has been set in line with our Remuneration Policy. Ron will participate in the 401(k) pension scheme on the same basis as other US employees, in-line with our normal approach. Further details on Ronald's remuneration can be found on page 74.

Remuneration for 2020

The Remuneration Committee reviews ABP and LTIP performance measures and weightings each year to ensure that they are aligned with our strategic priorities and take into account market conditions.

For 2020, the ABP profit metric was changed from Adjusted EBIT to Adjusted EBIT Margin. EBIT Margin is a key measure of Company performance and its use in the ABP ensures management's continued focus on maintaining profitability in what could be another year of suppressed automotive production. The Committee considers that the combination of EBIT Margin, free cash flow and strategic performance in the ABP appropriately aligns with the Company's strategy and provides a rounded assessment of performance.

For LTIP awards in 2020 the Committee has introduced a third metric of Cumulative Adjusted Free Cash Flow in order to provide a more balanced measure of long-term performance. Cash Flow is one of the Company's KPIs internally and externally as it represents the cash that can ultimately be returned to our shareholders as dividends or reinvested into the business.

Further details on 2020 Remuneration can be found on page 77.

Corporate Governance

During the year the Remuneration Committee undertook a review of our remuneration arrangements in light of the revised UK Corporate Governance Code to ensure our continued compliance. The Committee was pleased to find that our Remuneration Policy was already largely aligned with the new Code. For example our Executive Directors, who are based in the US, currently participate in the same pension arrangements as the rest of our US workforce and we already have a two-year holding period on our LTIP. Careful consideration was also given to the way in which we align our Executives' interests with our shareholders on departure. Following departure, outstanding share awards continue to their original delivery date including any applicable deferral or holding period, providing strong alignment with shareholders.

Remuneration Policy review

In accordance with the normal three-year timeframe we will be putting our Remuneration Policy to a shareholder vote at the 2021 AGM. In advance of this, the Committee will undertake a review of our Policy to ensure that it supports the Group's strategy and promotes long-term sustainable success. In addition, I intend to meet with some of our shareholders well before the 2021 AGM in order to establish a dialogue and gain a better appreciation of their perspective on our remuneration philosophy and compensation arrangements.

Andrea Dunstan

Remuneration Committee Chair
16 March 2020

Remuneration in brief

The table below summarises the Directors' Remuneration Policy, the remuneration outcomes in respect of 2019 and the implementation of the Policy for 2020.

Element and overview of policy	Outcomes in respect of 2019	Implementation for 2020																									
<p>Base salary Set at a level which is market competitive to attract and retain executives and at a level which reflects an individual's experience, role, competency and performance.</p>	<p>A 3% increase in annual base pay was approved for the CEO, consistent with the wider US workforce.</p> <p>Salaries for 2019 were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>2019 €000</th> <th>Increase in salary</th> </tr> </thead> <tbody> <tr> <td>Executive Director</td> <td></td> <td></td> </tr> <tr> <td>William Kozyra</td> <td>966</td> <td>3%</td> </tr> <tr> <td>Timothy Knutson</td> <td>580</td> <td>Nil</td> </tr> </tbody> </table> <p>€1 = \$1.12</p>		2019 €000	Increase in salary	Executive Director			William Kozyra	966	3%	Timothy Knutson	580	Nil	<p>A 5% increase in annual base pay which was in-line with the range of increases awarded to the US workforce has been approved for the CEO, considering US peer group benchmarks, the CEO's excellent performance and prior years pay practices.</p> <p>Salaries effective 1 January 2020 are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>2020 €000</th> <th>Increase in salary</th> </tr> </thead> <tbody> <tr> <td>Executive Director</td> <td></td> <td></td> </tr> <tr> <td>William Kozyra</td> <td>1,014</td> <td>5%</td> </tr> <tr> <td>Ronald Hundzinski*</td> <td>536</td> <td>Nil</td> </tr> </tbody> </table> <p>*Ronald Hundzinski's employment began on 6 January 2020. €1 = \$1.12</p>		2020 €000	Increase in salary	Executive Director			William Kozyra	1,014	5%	Ronald Hundzinski*	536	Nil	
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<p>Benefits Provide a benefits package in line with practice relative to the Company's comparator group.</p>	<p>Access to existing health insurance, car and perquisite allowance.</p>	<p>No changes for 2020. Benefits remain in line with Remuneration Policy.</p>																									
<p>Pension Nominal matching defined contribution retirement savings plan.</p>	<p>Total matching contribution up to the 401k tax deferral limit, resulting in contributions of €11,250 (€1 = \$1.12) in respect of 2019 for each Executive Director.</p>	<p>No substantial changes for 2020. Pensions remain in line with Remuneration Policy and in line with the wider workforce in the US which are below typical pension provisions in Europe.</p>																									
<p>Annual and deferred bonus Annual incentive of up to 300% of base pay based on financial and strategic targets.</p> <p>Up to the first 100% of salary is paid in cash, with any element above 100% of salary deferred into ordinary shares and subject to a holding period of two years.</p>	<p>Maximum opportunity of 300% of salary for both CEO and CFO.</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>Weight</th> <th>Achievement</th> </tr> </thead> <tbody> <tr> <td>Adjusted EBIT</td> <td>40%</td> <td>0%</td> </tr> <tr> <td>Adjusted Free Cash Flow</td> <td>40%</td> <td>40%</td> </tr> <tr> <td>Strategic initiative</td> <td>20%</td> <td>20%</td> </tr> <tr> <td>Total</td> <td>100%</td> <td>60%</td> </tr> </tbody> </table>	Metric	Weight	Achievement	Adjusted EBIT	40%	0%	Adjusted Free Cash Flow	40%	40%	Strategic initiative	20%	20%	Total	100%	60%	<p>The maximum opportunity for the CEO and CFO will be 300% and 250% of salary respectively.</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>Adjusted EBIT margin</td> <td>40%</td> </tr> <tr> <td>Adjusted Free Cash Flow</td> <td>40%</td> </tr> <tr> <td>Strategic initiative</td> <td>20%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table>	Metric	Weight	Adjusted EBIT margin	40%	Adjusted Free Cash Flow	40%	Strategic initiative	20%	Total	100%
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Metric	Weight																										
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Strategic initiative	20%																										
Total	100%																										
<p>Long-Term Incentive Plan (LTIP) Annual share award of up to 300% of base pay. Vesting is subject to performance conditions measured over a three-year period; with an opportunity to earn up to a further 33% of the maximum award for outperformance (up to 400% of base salary in total).</p> <p>Awards are subject to a post-vesting holding period of two years.</p>	<p>In 2019, grants of 300% of salary were made for the base LTIP subject to the following performance conditions:</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>Adjusted Basic Earnings Per Share Growth</td> <td>80%</td> </tr> <tr> <td>Relative Adjusted Total Shareholder Return versus the FTSE 250</td> <td>20%</td> </tr> </tbody> </table> <p>The CEO and CFO grants for outperformance were 100% of salary based on the outperformance condition of Adjusted Basic Earnings Per Share Growth.</p>	Metric	Weight	Adjusted Basic Earnings Per Share Growth	80%	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	<p>In 2020 the Committee intends to make Conditional Share Award grants of 300% of salary for both the CEO and CFO. The outperformance grant of up to an additional 100% of base salary will apply for the CEO only.</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>Adjusted Basic Earnings Per Share Growth</td> <td>40%</td> </tr> <tr> <td>Cumulative Adjusted Free Cash Flow</td> <td>40%</td> </tr> <tr> <td>Relative Adjusted Total Shareholder Return versus the FTSE 250</td> <td>20%</td> </tr> </tbody> </table>	Metric	Weight	Adjusted Basic Earnings Per Share Growth	40%	Cumulative Adjusted Free Cash Flow	40%	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%											
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<p>Shareholding guidelines Executive Directors are required to build up to and hold a shareholding equal to 300% of salary.</p>	<p>Both Executive Directors far exceeded the shareholding guidelines.</p>	<p>The shareholding guidelines will continue to apply. On departure, outstanding incentive awards for good leavers will continue to their normal delivery date, including any holding period, subject to time and performance pro-rating.</p>																									

Annual report on remuneration

Remuneration – Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Executive and Non-Executive Director for the year ended 31 December 2019 and the prior year:

	Basic salary/ Fees ¹ €000		Taxable benefits ¹ €000		Annual bonus ¹ €000		LTIP ^{1,8} €000		Pension ¹ €000		Other ¹ €000		Total ¹ €000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors														
William Kozyra	966	938	55	71	1,738	1,688	–	–	11	11	8	9	2,778	2,717
Timothy Knutson ²	580	580	32	34	1,045	1,045	–	–	11	11	8	9	1,676	1,679
Non-Executive Directors														
Manfred Wennemer	351	341	–	–	–	–	–	–	–	–	–	–	351	341
John Smith	110	107	–	–	–	–	–	–	–	–	–	–	110	107
Jeffrey Vanneste	110	107	–	–	–	–	–	–	–	–	–	–	110	107
Elaine Sarsynski	110	41	–	–	–	–	–	–	–	–	–	–	110	41
Andrea Dunstan ³	90	–	–	–	–	–	–	–	–	–	–	–	90	–
Tim Cobbold ⁴	21	–	–	–	–	–	–	–	–	–	–	–	21	–
Neil Carson ⁵	52	133	–	–	–	–	–	–	–	–	–	–	52	133
Stephen Thomas ⁶	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Susan Levine ^{6,7}	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Paul Edgerley ^{6,7}	–	–	–	–	–	–	–	–	–	–	–	–	–	–

1 Figures in the table above are converted at the following exchange rates: €1 = \$1.12 and €1 = £0.88 except as otherwise noted.

2 Timothy Knutson, former Chief Financial Officer, informed the Group on 28 January 2019 that he wished to pursue other interests outside of the Group but remained in his positions until 31 December 2019.

3 Andrea Dunstan was appointed as an Independent Non-Executive Director of the Company on 7 March 2019.

4 Tim Cobbold was appointed as Senior Independent Director of the Company on 4 November 2019.

5 Neil Carson stepped down as a Director of the Company due to other Board commitments with effect from the Company's Annual General Meeting in May 2019.

6 Stephen Thomas, Susan Levine, and Paul Edgerley represent the Bain Shareholders, the Company's largest shareholder, and are not remunerated and receive no payment from the Company with respect to their qualifying services as Non-Executive Directors.

7 Susan Levine was appointed as a Non-Executive Director of the Company replacing Paul Edgerley as one of the two nominees of the Bain Shareholders to the Board with effect from 11 December 2019.

8 The Company's first LTIP awards were granted in 2018 and are due to vest in respect of performance to 31 December 2020. Therefore, none of the amounts shown above are attributable to share price changes.

Executive Directors

Salary

Salary reviews will normally be carried out every year and take effect from January in the following year. Mr Kozyra's base pay was adjusted by 3% in line with the wider US workforce. As a result of Mr Knutson's resignation in January 2019, no base pay adjustment was implemented.

	2019 €000	2018 €000	Increase in salary
Executive Director			
William Kozyra	966	938	3.0%
Timothy Knutson	580	580	Nil

€1 = \$1.12

Pension

Executive Directors have a nominal matching defined contribution retirement savings plan consistent with the retirement saving plan offered to all staff employees in the United States. For 2019 the total matching contribution resulted in contributions of €11,250 (€1 = \$1.12) for each Executive Director.

Annual bonus for 2019 performance

The operation of the bonus plan for 2019 was consistent with the framework detailed in the Remuneration Policy. As in prior years under this Remuneration Policy, many planned and unplanned factors impact performance; and as such management is expected to manage up/downside impacts to achieve desired results. The Committee has considered these factors and management performance and is pleased to report outcomes against ABP performance targets as follows:

Performance condition	Weighting	Threshold	Target	Maximum	Actual performance	Achievement
Adjusted Earnings Before Interest and Taxes	40%	€365m	€375m	€385m	€333m	0%
Adjusted Free Cash Flow	40%	€132m	€142m	€152m	€167m	40%
Strategic initiative	20%				Achieved (see below)	20%
Total	100%					60%

Constant exchange rates used in considering achievements levels.

2019 Annual Bonus Plan (ABP) strategic objective

Given the Company's continued focus on electric vehicles, a single strategic objective, weighted at 20% of the ABP was implemented in 2019:

Strategic objective	Performance	Achievement
Achieve new business awards and engineering system development agreements for thermal product that supports our Electric Vehicle (EV) strategy and obtain pressurized tank awards that supports significant market share trend for this product area in the full plug-in Hybrid Electric Vehicle (HEV) market.	The Company, with the direct personal involvement of the Executive Directors, achieved this strategic initiative with: <ul style="list-style-type: none"> – almost €1 billion in lifetime Thermal product sales; – significant pressurized tank awards of full plug in HEV market; and – six joint development agreements in place. 	Taking into account the strong performance against the objective the Remuneration Committee determined that the strategic objective had been achieved in full.

In-line with the Remuneration Policy, the 2019 ABP award consists of a cash payment of up to 100% of base salary, with the remaining portion deferred into ordinary shares and subject to a holding period of two years. The final bonuses including the portion deferred into shares were as follows:

	% achievement of maximum	Annual bonus award		
		Total award amount €000	Portion paid in cash €000	Portion deferred in shares €000
Executive Director				
William Kozyra	60%	1,738	966	772
Timothy Knutson	60%	1,045	580	465

€1 = \$1.12

LTIP Awards
Awards granted during the year

The Remuneration Policy provides for Long-Term Conditional Share Award Grants of 300% of base salary, with the potential to increase to 400% of base salary with outperformance.

In 2019, Executive Directors received a maximum grant (with outperformance) of 400% of base salary for both the CEO and CFO. The following table sets out the performance conditions which will be assessed over a three-year performance period (2019 to 2021):

Plan	Performance condition	Weighting	Vesting at threshold	Threshold	Maximum	Number of shares granted		% of base salary at Grant Price of £1.925	
						CEO	CFO	CEO	CFO
Basic	Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	80%	20%	4%	10%	1,022,805	614,723	240%	240%
	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	25%	Median	Upper quartile	255,701	153,681	60%	60%
	Total	100%				1,278,506	768,404	300%	300%
Outperformance	Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	100%	N/A	N/A	12%	426,169	256,135	100%	100%
	Total					1,704,675	1,024,539	400%	400%

Vesting will occur on a straight-line basis between Threshold and Maximum.

A holding period of two years post-vesting will be applied to the LTIP awards.

Payments to past Directors and payments for loss of office

During the year, the Company has not made any payments to past Directors; neither has it made any payments to Directors for loss of office.

Timothy Knutson, CFO, stepped down from the Board on 31 December 2019. Timothy continued to receive full salary, benefits and incentive eligibility for the duration of his employment without any payment for loss of office or cessation of employment. As Timothy was employed for the entire 2019 financial year, in accordance with the terms of his service agreement and the Company's remuneration policy, he remained eligible for a 2019 annual bonus. Taking into account Timothy's performance and contribution to the business over his tenure since 2008, and recognising that he worked an extended notice period in order to complete an orderly transition with his successor, he was treated as a 'good leaver' for the purposes of his outstanding incentives and will retain unvested conditional share awards made under the LTIP. In line with the plan rules these awards will be pro-rated to reflect Timothy's period of employment and will remain capable of vesting at the normal time subject to the achievement of performance conditions. To the extent the awards vest, a further two-year holding period will apply. Timothy will also retain all deferred share awards which will be available to him at the normal time.

Remuneration arrangements for Ronald Hundzinski

As announced on 18 November 2019 Ronald Hundzinski was appointed the Group's new CFO effective 6 January 2020. Ronald's remuneration arrangements are well within with our Remuneration Policy and below that of his predecessor:

- Ronald was appointed on a salary of €535,714 (€1 = \$1.12).
- His pension arrangements will be in-line with the retirement saving plan offered to all staff employees in the United States.
- Ronald will be eligible for a maximum bonus opportunity for 2020 of 250% of base salary, below the ABP limit of 300% of base salary.

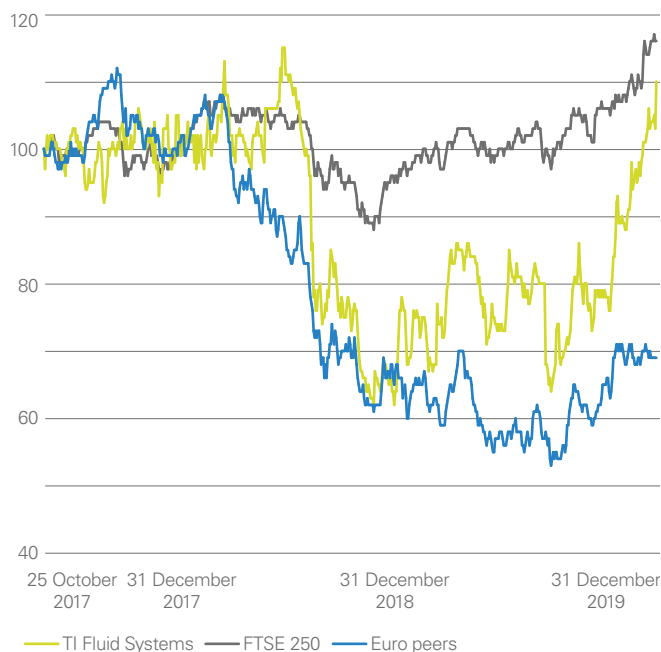
On joining the Group, in line with the Remuneration Policy, Ronald received buyout awards to compensate him for forfeited incentives awarded to him by his former employer. All awards match the time horizons and form and are of equivalent value to the awards forfeited. The following buyout was agreed:

- A cash award with a value of €223,214 (€1 = \$1.12) was paid on 17 January 2020 to compensate Ronald for a cash bonus of equivalent value which was repaid to his former employer.
- A restricted share award of 815,674 company shares was granted on 27 March 2020 to compensate Ronald for forfeited restricted share awards. The award vests, subject to continued employment, in accordance with the original time frame: 361,635 shares on 27 March 2020, 361,635 shares on 5 February 2021 and 92,404 shares on 5 February 2022.

Statement of Directors' shareholdings and share interests (audited information)

Interests of the Executive and Non-Executive Directors in the share capital of the Company as at 31 December 2019 are shown in the table below:

	Shares held directly			Other shares held	Options		Shareholding requirements	
	Current shareholding	Beneficially owned	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Vested but unexercised	Unvested	% of salary	Shareholding requirement met?
Executive Directors								
William Kozyra	7,660,693	7,433,622	227,071	2,904,675	0	0	300%	Yes
Timothy Knutson	3,709,488	3,568,921	140,567	1,724,539	0	0	300%	Yes
Non-Executive Directors								
Manfred Wennemer	185,364	185,364	0	0	0	0	n/a	
John Smith	58,483	58,483	0	0	0	0	n/a	
Jeffrey Vanneste	58,483	58,483	0	0	0	0	n/a	
Elaine Sarsynski	0	0	0	0	0	0	n/a	
Andrea Dunstan	0	0	0	0	0	0	n/a	
Tim Cobbold	0	0	0	0	0	0	n/a	



Total Shareholder Return

The chart shows the Company's Total Shareholder Return ('TSR') relative to the FTSE 250 index as well as a set of European automotive peers. The FTSE 250 index was chosen as it is the comparator group against which TSR performance is measured under our LTIP. In addition, we have shown the performance of a set of European automotive peers to provide a relevant sector comparison. The chart shows the total return to investors since the Company listed on the London Stock Exchange on 25 October 2017.

Historical CEO payouts

The following table sets out details of the CEO's single figure and incentive payouts for the last three financial years.

Year	CEO	CEO single figure of total remuneration €000	Annual bonus award (% of maximum)	Long-term incentives vesting (% of maximum)
2019	William Kozyra	2,778	60%	0%
2018	William Kozyra	2,717	60%	0%
2017	William Kozyra	8,551	Not applicable	Not applicable

€1 = \$1.12

See notes under single figure table. The ABP and LTIP in place prior to the IPO were not subject to a maximum.

Pay ratio data

The following table sets out pay ratio data in respect of the CEO's total remuneration compared to the 25th percentile, median and 75th percentile UK employee.

Year	Method	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2019	Option A	93:1	77:1	47:1

Employee	2019 Single figure remuneration €000	Salary component €000
Chief Executive Officer	2,778	966
UK employee at 25th percentile	30	29
UK employee at median	36	33
UK employee at 75th percentile	60	57

€1 = \$1.12 and €1 = £0.88

Supporting information for reporting

The Regulations provide flexibility to adopt one of three methods of calculation and we have chosen Option A to calculate the CEO Pay Ratio as it is the most statistically accurate manner to calculate the ratios and the recommended approach. Employees included in the pay ratio calculation were active employees on 31 December 2019. The total pay and benefits of employees identified at the 25th, 50th and 75th percentiles were used to calculate the pay ratios to be consistent with the calculation of the CEO's remuneration for the purposes of the Single Total Figure of Remuneration (STFR), found on page 72. Total pay and benefits for the UK comparison employees includes base salary, bonus, pension benefits, taxable benefits, and any share-based remuneration. Total pay and benefits were annualised to convert to full-time equivalent employee pay and benefits.

Factors influencing our CEO pay ratio

Our CEO pay ratio data compares the CEO's remuneration to selected UK employees, as required by the regulations. Our UK workforce represents around 1% of our total employee population and is largely made up of production-related employees in the manufacturing industry. These employees have a different eligibility to variable incentives than our US-based CEO. Taking this into account the Committee considers that the CEO pay ratios are appropriately aligned with our remuneration principles and are consistent with the relative roles and responsibilities. A significant proportion of the CEO's remuneration is delivered in variable pay in-line with our remuneration structure supporting our high-performance culture with appropriate reward for superior performance. As a result the pay ratios are likely to fluctuate in-line with performance depending on the outcome of incentive plans each year.

While the Company complies with all UK remuneration structure standards, we believe it is difficult to deduce relevant comparative information from this pay ratio calculation, as we compare a US based CEO against UK based employees as required by the Code. Also relevant, is that when we compare 23 automotive supply CEO's compensation based in Europe and the United States with TI Fluid Systems median UK based employees, we find that Mr. Kozyra is ranked at the 57th percentile, well below what might be expected for a CEO of his experience and track record of creating shareholder value.

Percentage change in the remuneration of the Chief Executive Officer compared with employees

	%increase/(decrease) in remuneration in 2019 compared with remuneration in 2018	
	CEO	All employees
Base salary	3.0%	6.4%
Annual bonus	3.0%	(15.7%)
Benefits	No material change in benefits policy or cost between 2018 and 2019	No material change in benefits policy or cost between 2018 and 2019

Base salary comparator group is all employees globally. Annual bonus comparator group is all annual incentive eligible employees.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2019 and 2018 financial periods. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2019 financial year €m	Disbursements from profit in 2018 financial year €m
Profit distribution by way of dividend	46.6	22.5
Overall spend on pay including Executive Directors	825.5	834.5

Implementation of Remuneration Policy for Executive Directors in 2020

The following section summarises how remuneration arrangements will be operated from 1 January 2020 onwards.

Base salary

The Remuneration Committee reviewed Executive Director base pay and agreed to increase the base salary of the CEO by 5%, effective from 1 January 2020 which was in-line with the range of increases awarded to the US workforce and takes into account the CEO's excellent performance and considers, in part, the lack of base pay increases in many of the past years. It is worth noting, even with this increase in base pay, the CEO's total compensation is well below his automotive peers when considering the CEO's track record of success and seniority. The table below sets out the annual base salary of the Chief Executive Officer and Chief Financial Officer in 2020, and the comparison with the annual salary received in 2019. As announced in November 2019, Ronald Hundzinski joined the Group effective 6 January 2020.

Executive Director	2020 €000	2019 €000	Increase in salary
William Kozyra	1,014	966	5%
Ronald Hundzinski	536	N/A	Nil

€1 = \$1.12

Benefits and pension

No changes in benefit and pension schemes. Please refer to Remuneration Policy for details.

Annual bonus ('ABP')

The maximum opportunity for the year ending 31 December 2020 for the CEO and CFO will be 300% and 250% of salary respectively.

Consistent with the Remuneration Policy any awards under the ABP will consist of a cash payment of up to 100% of base salary, with the remainder of any bonus payment under the ABP deferred into an award of shares to be held for two years which will also be subject to malus and clawback provisions as detailed in the Policy.

During the year the Remuneration Committee reviewed the metrics under the ABP to confirm that they continued to be appropriate and aligned with our strategic priorities for the year. Reflecting the importance of maintaining margins in what might be another year of suppressed automotive production the Committee has decided to amend the metric linked to Adjusted Earnings Before Interest and Taxes so that it is focussed on EBIT margin. This ensures that management will continue to be focused on a key financial metric and maintaining the Company's profitability. The Committee considers that the combination of EBIT Margin, free cash flow and strategic performance in the ABP appropriately aligns with the Company's strategy and provides a rounded assessment of performance.

The proposed target levels are challenging with performance conditions comprising of Adjusted Earnings Before Interest and Taxes Margin (40%), Adjusted Free Cash Flow (40%) and Strategic Initiative (20%). Specific targets will not be disclosed because the Remuneration Committee consider forward-looking targets to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Remuneration report to the extent that they do not remain commercially sensitive.

Long-Term Incentive Plan ('LTIP')

LTIP Awards

It is intended the Executive Directors will receive an LTIP award in 2020 of 300% of salary for the CEO and CFO (which can increase to 400% base salary for the CEO if outperformance is achieved). The following table sets out the performance measures applicable to awards:

Performance condition	Weighting	Vesting at threshold	Threshold	Maximum	Outperformance
Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	40%	20%	4%	10%	12%
Cumulative Adjusted Free Cash Flow	40%	20%	TBD	TBD	0%
Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	25%	Median	Upper quartile	Not applicable

Vesting will occur on a straight-line basis between Threshold and Maximum.

The outperformance condition for the 2020 awards is Adjusted Basic Earnings Per Share Growth of 12% Compound Annual Growth Rate. Achievement of this will trigger an award of 100% of base salary for the CEO.

All measures are assessed over a three-year performance period (2020 to 2022). A holding period of two years post-vesting will be applied to the LTIP awards. This LTIP design is unchanged from prior year.

The Committee has introduced Cumulative Adjusted Free Cash Flow as a third LTIP metric in order to provide a more balanced assessment of long-term performance. Adjusted Free Cash Flow is one of the Company's KPIs internally and externally as it represents the cash that can ultimately be returned to our shareholders as dividends or reinvested into the business. At the time of writing, the COVID-19 virus was spreading globally, creating uncertainty and a wide range of potential outcomes. Taking into account this uncertainty the Committee is in the process of considering the targets for the Adjusted Free Cash Flow measure. Stretching targets will be set in-line with our normal approach to encourage and support a high-performance culture with appropriate reward for superior performance. Targets will be disclosed to shareholders at the time the awards are granted and will be included in next year's Directors' Remuneration Report.

Implementation of Non-Executive Director Remuneration Policy in 2020

Chairman and Non-Executive Director fees

The fee levels that will apply for 2020 are set out below.

	2020	2019
Base fees		
Chairman	£318,270	£309,000
Senior Independent Director	£124,125	£120,510
Non-Executive Director	£99,725	£96,820
Additional fees		
Audit & Risk Committee Chair	Included in base fees	Included in base fees
Remuneration Committee Chair	Included in base fees	Included in base fees

Remuneration Committee

Membership

The Remuneration Committee consists of Non-Executive Directors. During 2019 its members were Neil Carson (Chair, stepped down as a Director on 16 May 2019), Andrea Dunstan (Chair, appointed 10 December 2019), John Smith, Jeffrey Vanneste and Elaine Sarsynski (stepped down as a member of the Committee on 10 December 2019). There were two formal meetings of the Committee during the year.

The Board considers each Committee member to be independent in accordance with the UK Corporate Governance Code (the 'Code'). The Chairman of the Board, Chief Executive and/or other persons may also attend meetings of the Committee by invitation but will not be present when matters relating to their own remuneration are discussed.

Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference which are available to shareholders on request and on the Company's website (tifluidsystems.com). Its role includes:

- setting the Remuneration Policy for all Executive Directors of the Company, the Chairman of the Board and senior management;
- within the terms of the Remuneration Policy and in consultation with the Chairman of the Board and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director and the Chairman including bonuses, incentive payments and share option or other share awards;
- approve the design of, and determine targets for, the ABP and LTIP and approve total annual payments made under such schemes;
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

In carrying out its duties, the Remuneration Committee takes into account any legal and regulatory requirements, including the UK Corporate Governance Code and the UK Listing Rules. Determining the fees of the Non-Executive Directors is a matter for the Executive Directors and the Chairman.

Advisers to the Committee

The Committee receives advice and guidance on Executive Directors' remuneration from the Chief Human Resources & Communications Officer and the Company Secretary in respect of the UK Corporate Governance Code and share schemes. The Company Secretary acts as Secretary to the Committee and ensures that the Remuneration Committee fulfils its duties under its terms of reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK.

Following a competitive tender process in 2018, the Committee appointed Deloitte LLP as its independent advisers. Deloitte is a founding member of the Remuneration Consultants Group and operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received from Deloitte is objective and independent.

Total fees for the year in relation to executive remuneration consulting were £28,050. In the year, Deloitte also provided advice in relation to share schemes and employment taxes.

Statement of shareholder voting

The voting outcomes in respect of the Directors' Remuneration report at the 2019 AGM and the Directors' Remuneration Policy at the 2018 AGM were as follows:

	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld
Directors' Remuneration report (2019 AGM)	445,307,033	94.23%	27,256,232	5.77%	472,563,265	84,285
Directors' Remuneration Policy (2018 AGM)	424,188,516	87.68%	59,588,154	12.32%	483,776,670	–

Approval

This report was approved by the Board of Directors, on the recommendation of the Remuneration Committee, on 6 March 2020 and signed on its behalf by:

Andrea Dunstan

Chair of the Remuneration Committee
16 March 2020

Directors' report

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 31 December 2019. The Directors' report comprises pages 80 to 82 and the sections of the Annual Report incorporated by reference as set out below, which taken together contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4.

	Pages
Board membership	54-55
Dividends	80
Directors' long-term incentives	74
Corporate governance report	56
Future developments of our business and the Group	24-25 (Our Strategy)
Employee equality, diversity and involvement	81-82
Post balance sheet events	165
Information to the independent auditor	82
Issued Share Capital	135
Subsidiaries	160-163
Section 172(1) statement	45
Non-Financial Information statement	47

General information

The Company was incorporated and registered in England and Wales on 22 January 2015 as a limited company with the name Omega Holdco II Limited and with registered number 09402231. It is domiciled in England and Wales. On 27 September 2016, the Company changed its name to TI Fluid Systems Limited and on 18 October 2017 the Company was re-registered as a public company limited by shares with the name TI Fluid Systems plc. The Company is premium listed on the London Stock Exchange. The Company's registered address is 4650 Kingsgate, Oxford Business Park South, Cascade Way, Oxford OX4 2SU.

Subsidiaries

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are listed on pages 160-163.

Articles of Association

The Company's Articles of Association are available on request to the Company Secretary at the registered address. Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the Company's shareholders.

Share capital

On 31 December 2019, the Company had 520,269,141 Ordinary Shares of 1 pence each in issue. There were no ordinary shares held in Treasury, no restrictions on transfer of issued shares and no shares hold special rights regarding the control of the company. All of the issued ordinary shares carry voting rights of one vote per share. Details of the changes in issued share capital during the year are shown in Note 21 on page 135.

Voting

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles of Association of the Company ('the Articles'), on a show of hands every member who is present in person or by proxy or represented by a corporate representative at a general meeting of the Company has one vote. On a poll, every member who is present in person or by proxy or represented by a corporate representative has one vote for every share of which he or she is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, is accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register in respect of the joint holding.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 94. The interim dividend of 3.02 Euro cents converted to 2.76p was paid on 27 September 2019. The Directors recommend a payment of a final dividend of 5.94 Euro cents per share on 29 May 2020 subject to approval at the Annual General Meeting on 14 May 2020 with a record date of 24 April 2020.

Employee Benefit Trust

Equiniti Trust (Jersey) Limited, as a Trustee of the TI Fluid Systems Employee Benefit Trust holds 0.081% of the issued share capital of the Company as at 31 December 2019 on trust for the benefit of the employees of the Company. The voting rights in relation to these shares are exercised by the Trustee and the Trustee is obliged to waive all dividends on the shares unless requested to do otherwise by the Company in writing.

Directors and Directors' interests

The Directors who served the Company during 2019 and at the date of this report are listed on pages 54-55, which include brief biographical details. Their remuneration and interests in the share capital of the Company are set out in the Report on Directors' Remuneration on pages 69 to 79.

The following Board changes have occurred since 1 January 2019:

Director	Date of appointment
Andrea Dunstan	7 March 2019
Tim Cobbold	4 November 2019
Susan Levine	11 December 2019
Ronald Hundzinski	6 January 2020
Director	Date of resignation
Neil Carson	16 May 2019
Paul Edgerley	11 December 2019
Timothy Knutson	31 December 2019

The Company has adopted best practice guidelines and the 2018 UK Corporate Governance Code. Executive and Non-Executive Directors will offer themselves for election and re-election respectively at the 2019 Annual General Meeting. The rules for appointment and replacement of Directors are contained in the Company's Articles. They include the number of Directors must not be less than two or more than 15 in number and the Board may appoint any person to be a Director. Any Director so appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election. Details of the Directors' service contracts, letters of appointment and interest in the shares of the Company are shown in the Report on Directors' Remuneration on pages 69 to 79.

Substantial shareholdings

As at 31 December 2019 and 16 March 2020, the following interests in 3% or more of the Company's ordinary share capital had been notified to the Company:

Shareholder	Number of shares	Percentage held (%)
BC Omega Holdco Ltd	282,303,985	54.26
Liontrust Special Situations Fund	31,554,313	6.07
Franklin UK Mid Cap Fund	18,500,000	3.56

Change of Control

The Company has in place a number of agreements with advisers, financial institutions and customers which contain certain termination rights which would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and that their disclosure would be seriously prejudicial to the Company; accordingly, they do not intend to disclose specific details of these. In addition, all of the Company's share schemes contain provisions which, in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Directors' indemnity

The Company's Articles of Association provide, subject to the provision of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company and the Group.

Directors' and officers' liability insurance cover is in place in respect of all the Company's Directors.

Directors' powers

As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all powers of the Company. The Directors were granted authority at the last Annual General Meeting held in 2019 to allot relevant securities up to a nominal amount of £1,734,230. At this year's Annual General Meeting, shareholders will be asked to grant an authority to allot relevant securities up to the same nominal amount of £1,734,230, such authority to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 16 August 2021).

Special resolutions will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount of £260,135 being 5% of the Company's issued ordinary share capital as at 6 April 2020. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2020 or 16 August 2021 (or, if earlier, until the close of business on 16 August 2021). This disapplication authority is in line with institutional shareholder guidance, and in particular with the Pre-emption Group's Statement of Principles (the 'Pre-emption Principles'). The Pre-emption Principles were revised in 2015 to allow the authority for an issue of shares otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the Company's issued ordinary share capital, provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. The Directors have no present intention of exercising either authority.

The Company was also authorised at the Annual General Meeting held in 2019 to make market purchases of up to 52,026,914 Ordinary Shares being 10% of the Company's issued ordinary share capital at at 6 April 2020 and sets the minimum and maximum prices which may be paid. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2020 or 16 August 2021 (or, if earlier, until the close of business on 16 August 2021).

Our people

The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to age, sex, race, ethnicity, religion, sexual orientation or disability not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through formal and informal meetings. It is the Group's policy to ensure that all employees are made aware of significant matters affecting the performance of the Group through the operation of employee forums, information bulletins, informal meetings, team briefings, internal newsletters and the Group's website and intranet.

Diversity

Details of diversity can be found in the Nomination Committee report on pages 62 to 63 in terms of the Board and senior leadership team balance and their independence. Employee diversity information and our Core Values are shown in the Corporate Responsibility report on page 32 to 37.

Suppliers, Customer and Others

As set out in the Large Company Regulations, Schedule 7, Part 4, paragraph 11B, the Directors confirm that they have regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year. Details can be found as to how the Board fulfils this duty can be found in the Section 172(1) statement on page 45 and throughout the Strategic Report located on pages 14 to 48.

Research and Development

The Company's primary activities in the field of research and development are engineering, prototyping, validation and testing activities related to products and product enhancements, with emphasis on HEV and EV applications. Details of the activities can be found in Note 1.6 on page 103 and expenditure in Note 5.2 on page 116 in the Group Financial Statements.

Key performance indicators

Details of the Group's key performance indicators can be found on page 26.

Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the Group can be found in the Strategic Report on pages 28 to 31.

Financial instruments

An explanation of the Group's treasury policies and existing financial instruments are set out in Note 1.10.3 on page 106 and Note 3 on page 115 of the financial statements. Details of how we use hedging to manage foreign currency and interest rate risks can be found in Note 3.3 in Group Financial Statements on page 114.

Annual General Meeting

A separate notice convening the Annual General Meeting of the Company to be held on 14 May 2020 will be sent out with this Annual Report and Accounts and will also be available on our website.

Corporate Governance

The Company's statement on Corporate Governance can be found in the Corporate Governance report on pages 52 to 83. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross reference.

Disclosure Statements

In line with the Corporate Governance Code 2018 the disclosure statements have been prepared and collated on pages 45 to 48.

- Section 172(1) statement summarising the key areas of disclosure in this Annual Report required by the Non-Financial Directive can be found on pages 45 to 47. The Board of directors of TI Fluid Systems plc consider, both individually and together, that they have acted in the way they judge to be in good faith and would be most likely to promote the success of the company for the benefit of its members as a whole. The Board decision making process takes into regard the stakeholders and matters set out in Section 172(1) (a-f) of the Act in the decisions taken during the year ended 31 December 2019 detailed on page 56
- Non-Financial Information Statement can be found on pages 47-48
- Greenhouse gas emissions report can be found in the Corporate Responsibility report on page 36

Independent Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- in so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps necessary to be aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

Matthew Paroly

Company Secretary
16 March 2020

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) 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 group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable IFRS as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements
- 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 group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Board of Directors section of this report confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company
 - the group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
 - the Strategic Review includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.
- In the case of each director in office at the date the Directors' Report is approved:
- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
 - they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

This responsibility statement was approved by the Board of Directors on 16 March 2020 and is signed on its behalf by:

By order of the Board

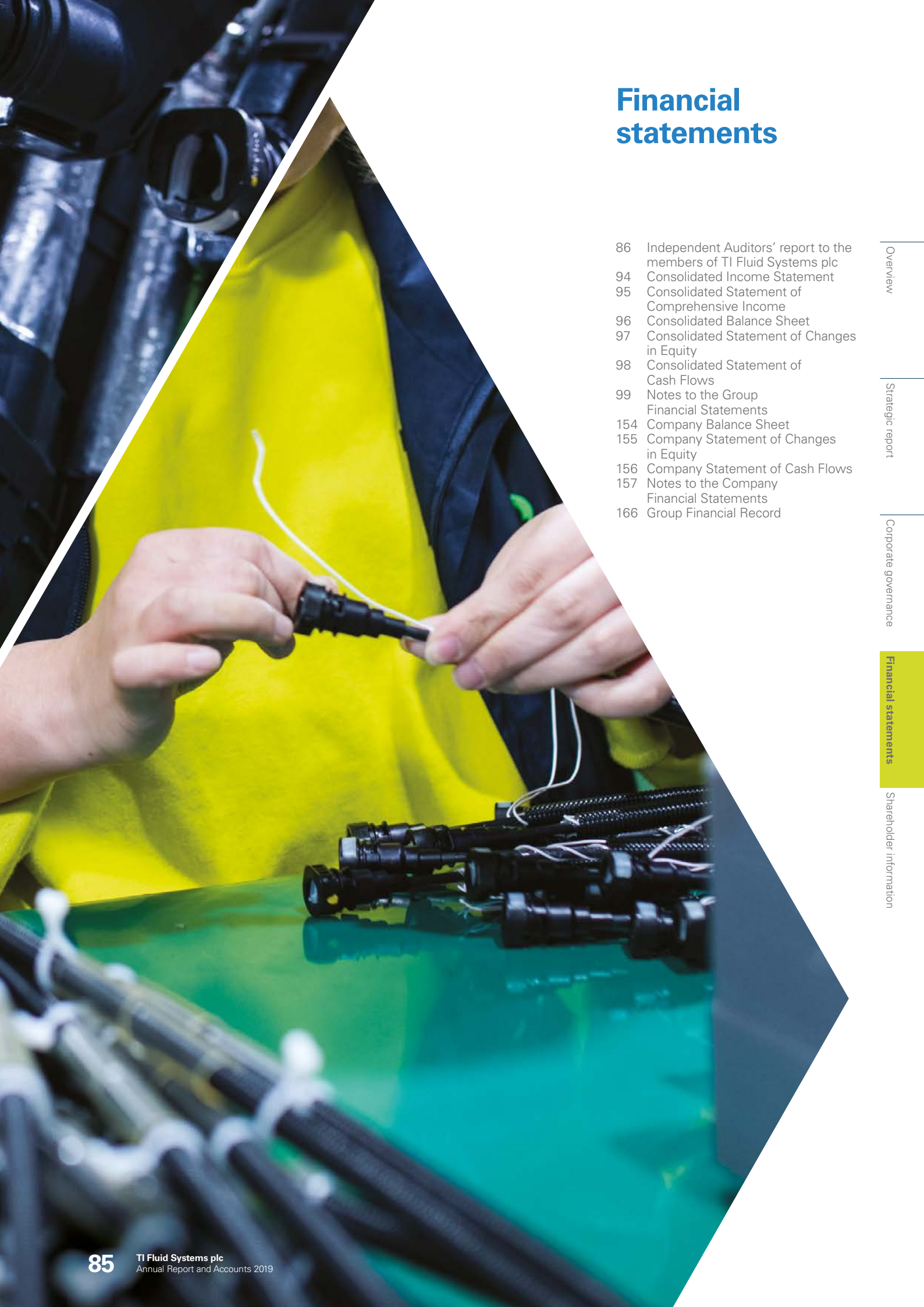
William L. Kozyra

Chief Executive Officer and President

Ronald Hundzinski

Chief Financial Officer





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Report on the audit of the financial statements

Opinion

- In our opinion, TI Fluid Systems plc's Group financial statements and company financial statements (the "financial statements"):
- give a true and fair view of the state of the Group's and of the company's affairs as at 31 December 2019 and of the Group's profit and the Group's and the company's cash flows for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
 - have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2019; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

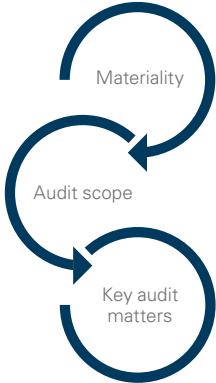
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the company.

Other than those disclosed in note 31 to the financial statements, we have provided no non-audit services to the Group or the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

	<ul style="list-style-type: none">– Overall Group materiality: €9.0 million (2018: €10.5 million), based on 5% of profit before tax, adjusted for exceptional items.– Overall company materiality: €8.5 million (2018: €8.9 million), based on 1% of net assets.
	<ul style="list-style-type: none">– There are no significant components within the Group.– Following our assessment of the risks of material misstatement in the Group financial statements, we performed full scope audit work on 18 (2018: 15) components. In addition, targeted specified procedures were performed on eight (2018: eight) components.– The Group audit team in the UK performed audit procedures on the consolidation and accounting areas that are centralised in the UK, including goodwill and intangible asset impairment assessments, corporate taxation, defined benefit pension obligations and treasury balances and transactions.– This scope of work provided coverage of 74% (2018: 70%) of revenue, 72% (2018: 67%) of operating profit and 74% (2018: 75%) of net assets.
	<p>Our assessment of the risk of material misstatement also informed our views on the areas of particular focus in our work which are listed below:</p> <ul style="list-style-type: none">– warranty provisioning;– deferred tax asset recognition and provisioning for uncertain tax positions; and– goodwill and intangible assets impairment assessment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, the UK Corporate Governance Code, UK tax legislation and equivalent local laws and regulations applicable to component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries (for example journal entries to increase profit) and bias in relation to judgements and estimates, particularly in the area of warranty provisioning. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- validating the support behind assumptions and judgements made by management in their significant accounting estimates including comparison against possible alternatives, for example in relation to retirement benefit obligations;
- identifying and substantively testing higher risk journal entries, in particular any that increased profit, that had unusual account combinations or were posted by senior management;
- discussions with internal audit, the Group's legal counsel and senior Group and divisional management including views on accounting judgements and estimates, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reading the minutes of the Board meetings;
- review of internal audit reports in so far as they related to the financial statements;
- review of legal expense accounts to identify significant legal spend which may be indicative of serious breaches of laws and regulations; and
- review of component teams' working papers in Belgium, Brazil, China, Germany, India, Korea, Mexico, Poland, Turkey and USA with a particular focus on their significant matters.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Warranty provisioning Refer to the Audit & Risk Committee report on page 66, Note 1 (Summary of Significant Accounting Policies) and Note 28 (Provisions).</p> <p>The Group is exposed to warranty claims in the event that products fail to perform in accordance with previously agreed specifications. Warranty provisions are made to cover potential liabilities which arise from this situation. The warranty provision at 31 December 2019 to cover potential exposures on existing claims is €13.9 million (2018: €18.4 million).</p> <p>The outcome of warranty claims is often difficult to predict as the settlement can be dependent on the customer relationship, the complexity of the issue and the negotiation process. Due to this, there is a possibility for a range of outcomes on warranty matters.</p>	<p>We focused on the judgements and estimates made by management in assessing the likelihood and quantification of material exposures. Our procedures, at a Group and component level, were designed to assess sufficiency of the warranty provision and included:</p> <ul style="list-style-type: none"> – understanding the nature of the specific claims through discussions with management and reviewing correspondence with customers; – assessing management's evaluation of the likelihood and extent of exposure, the terms of the contract with the customer, the underlying issue with the relevant product and the status of negotiations with the customer; – discussing with senior Group and divisional executives and personnel involved in the negotiation of the specific issues and making enquiries to assess whether all material open issues have been assessed for provisioning purposes; – reviewing internal management reporting to assess whether all material open issues have been considered in the context of completeness of warranty provisioning; – discussions with executive management to understand the status of negotiations on the specific issues; – challenging management on the extent of the warranty provision based on information available and presenting and evaluating alternate settlement scenarios; and – evaluating historical settlements against the initial provisions to assess management's ability to make accurate estimates. <p>Based on the work performed and our evaluation of the range of possible outcomes on each matter individually and in aggregate we believe the warranty provision is materially correct.</p>
<p>Deferred tax asset (DTA) recognition and provisioning for uncertain tax positions (UTPs) Refer to the Audit & Risk Committee report on page 66, Note 1 (Summary of Significant Accounting Policies) and Note 12 (Income Tax).</p> <p>The Group has a wide geographic footprint and is subject to tax laws in a number of jurisdictions. The Group has recognised provisions against UTPs, the valuation of which is an inherently judgemental area. As at 31 December 2019, the Group has UTP provisions of €33.8 million (2018: €34.7 million).</p> <p>As at 31 December 2019, the Group has recognised €25.1 million (2018: €34.9 million) of DTAs on the balance sheet, the valuation of which involves judgement and estimates. Realisation of the assets will be dependent on a number of factors including appropriate taxable temporary timing differences and whether there will be sufficient taxable profits in future periods.</p>	<p>In conjunction with our tax specialists, we evaluated and challenged management's judgements and estimates in respect of tax exposures to assess the sufficiency of the Group provisions. Our procedures included:</p> <p>Provisioning for uncertain tax positions</p> <ul style="list-style-type: none"> – reviewing recent correspondence with relevant tax authorities and assessing the complexity and developments in the tax environment in the relevant territories; – obtaining and evaluating certain third party tax opinions that the Group has obtained to assess the appropriateness of assumptions used; – involving our subject matter experts in the relevant territory to understand and evaluate the tax practices and assessing the provision in this context; and – presenting and evaluating alternative scenarios to assess the impact of a range of possible outcomes and the impact of these outcomes on the provision. <p>Deferred tax asset recognition</p> <ul style="list-style-type: none"> – we evaluated management's assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by evaluating the future cash flow forecasts and the process by which they were prepared, including testing the underlying calculations and comparing forecasts to historical performance; and – assessing the recoverability of DTAs by considering the future forecast taxable profit as per the Board approved medium term plans. <p>Based on the evidence obtained we consider that the UTP provisions and DTAs are materially correct and that the related disclosures are appropriate.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill and intangible assets impairment assessment Refer to the Audit & Risk Committee report on page 66, Note 1 (Summary of Significant Accounting Policies) and Note 14 (Intangible Assets).</p> <p>The Group holds goodwill of €739.0 million (2018: €733.3 million) and intangible assets of €443.2 million (2018: €496.5 million) as at 31 December 2019.</p> <p>All Cash Generating Units (CGUs) containing goodwill must be tested for impairment annually. The determination of the recoverable amount requires judgement by management in valuing the relevant CGUs through value in use models utilising discounted cash flows calculations.</p> <p>There are judgements and estimates involved in management's impairment review including cash flow forecasts, discount rates and long term growth rates. A change in these assumptions could result in changes to the recoverable amount attributed to the CGUs.</p>	<p>We reviewed management's impairment model and focused our audit on challenging the key judgements and estimates. Procedures performed included:</p> <ul style="list-style-type: none"> – verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the latest medium term plan approved by the Board; – evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the CGU's performance; – evaluating management's forecasting accuracy by comparing previous period outturn with forecasts for those periods made as part of the Board approved medium term plans; – validating the source of industry volume data which management used to prepare their plans and assessing the credibility of the source by testing the accuracy of past volume predictions in the market; – on a sample basis, obtaining evidence in the form of award letters from customers for future business; – engaging our valuation specialists to assess the appropriateness of discount rates and long term growth rates considering the risks specific to the geographies and relevant industry of the CGUs being tested for impairment; – evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and performing independent sensitivity calculations to quantify the downside changes to management's model required to result in an impairment; and – assessing the appropriateness of the related disclosures in the financial statements. <p>Based on this work, we consider that the carrying value of goodwill is materially correct and we believe that the disclosures in the financial statements are appropriate.</p>

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the company, the accounting processes and controls, and the industry in which they operate.

The Group operates across four geographical territories of Europe, North America, Asia Pacific and Latin America and two divisions of Fluid Carrying Systems (FCS) and Fluid Tank Delivery Systems (FTDS). Each division consists of a large number of components spread across a number of countries. Overall, the Group operates in 108 locations across 28 countries.

We did not identify any individually significant components within the Group. We scoped our work to ensure that overall we have sufficient coverage to express the required opinion in compliance with applicable Auditing Standards. We have revised the components in scope for a full scope audit to include components with specific risks.

We have performed full scope audits on the financial information of 18 components (2018: 15 components) and specific audit procedures based on risk and materiality on the financial information of eight components (2018: eight components). This is supplemented by analytical procedures on the components that are not in scope. The Group audit team in the UK performed audit procedures on the consolidation and accounting areas that are centralised in the UK, including goodwill and intangible asset impairment assessments, corporate taxation, defined benefit pension obligations and treasury balances and transactions.

The coverage for both the current and prior year is sufficient and is in compliance with the applicable auditing standards. Our audit involves full scope audits of components in Belgium, Brazil, China, Czech Republic, Germany, Korea, India, Poland, Spain, Turkey and targeted specified procedures for the components in Mexico and the USA.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for components in Belgium, Brazil, China, Germany, India, Korea, Mexico, Poland, Turkey and the USA with a particular focus on their significant risks. In addition, senior members of the Group engagement team visited component teams in Belgium, Brazil, China, India, Mexico, Poland and the USA. These visits included meetings with component management and with the component auditors.

The Group audit team has performed the audit of the parent company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	€9.0 million (2018: €10.5 million).	€8.5 million (2018: €8.9 million).
How we determined it	5% of profit before tax, adjusted for exceptional items.	1% of net assets.
Rationale for benchmark applied	Profit before tax adjusted for exceptional items is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. Adjusting for exceptional items provides a consistent year on year basis for determining materiality. Materiality was determined as 5% of profit before tax, adjusted for exceptional items at the planning stage based on forecast results. We reassessed our preliminary assessment of materiality in light of the Group's actual results which did not result in a change.	There is no trading activity within the company and net assets are therefore an appropriate benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €450,000 and €5,000,000.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €450,000 (Group audit) (2018: €520,000) and €430,000 (Company audit) (2018: €450,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

<p>Strategic Report and Directors' Report</p>	<p>In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)</p> <p>In light of the knowledge and understanding of the Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)</p>
<p>The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group</p>	<p>We have nothing material to add or draw attention to regarding:</p> <ul style="list-style-type: none"> – The directors' confirmation on page 28 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. – The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. – The directors' explanation on page 45 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. <p>We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and company and their environment obtained in the course of the audit. (Listing Rules)</p>
<p>Other Code Provisions</p>	<p>We have nothing to report in respect of our responsibility to report when:</p> <ul style="list-style-type: none"> – The statement given by the directors, on page 83, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and company obtained in the course of performing our audit. – The section of the Annual Report on pages 64 to 68 describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee. – The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
<p>Directors' Remuneration</p>	<p>In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)</p>

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 Group's and 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 Group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

The Group in its current form came into existence in 2001 and we have been its auditor since that year. The period of total uninterrupted engagement is 19 years, covering the years ended 31 December 2001 to 31 December 2019. We were previously the auditors of the Group from which this Group was demerged.

The Group listed on the London Stock Exchange in October 2017. Prior to the listing, following an audit tender in 2017, we were re-appointed as auditors by the Directors for the year ended 31 December 2017.

Andrew Hammond (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
16 March 2020

Consolidated Income Statement

For the year ended 31 December

	Notes	2019 €m	2018 €m
Continuing operations			
Revenue	4	3,411.1	3,472.8
Cost of sales	5	(2,922.7)	(2,938.2)
Gross profit		488.4	534.6
Distribution costs	5	(95.0)	(102.4)
Administrative expenses	5	(141.7)	(164.5)
Other income	10	6.7	12.2
Net foreign exchange gains		0.5	1.2
Operating profit		258.9	281.1
Finance income	11	15.0	14.3
Finance expense	11	(72.5)	(67.0)
<i>Exceptional items</i>	9	–	(11.8)
Finance expense after exceptional items	11	(72.5)	(78.8)
Net finance expense after exceptional items	11	(57.5)	(64.5)
Share of profit of associates	17	0.3	0.5
Profit before income tax		201.7	217.1
Income tax expense	12	(57.1)	(77.0)
Profit for the year		144.6	140.1
Profit for the year attributable to:			
Owners of the Parent Company		141.6	137.8
Non-controlling interests	23	3.0	2.3
		144.6	140.1
Total earnings per share (Euro cents)			
Basic	13	27.24	26.53
Diluted	13	27.24	26.44

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2019 €m	2018 €m
Profit for the year		144.6	140.1
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss</i>			
– Re-measurements of retirement benefit obligations	27	(10.7)	16.9
– Income tax credit/(expense) on retirement benefit obligations	12	2.3	(4.3)
		(8.4)	12.6
<i>Items that may be subsequently reclassified to profit or loss</i>			
– Currency translation		14.8	11.8
– Cash flow hedges	22	4.9	(0.3)
– Net investment hedges	22	0.3	(7.2)
		20.0	4.3
Other comprehensive income for the year, net of tax		11.6	16.9
Total comprehensive income for the year		156.2	157.0
Attributable to:			
– Owners of the Parent Company		153.4	154.6
– Non-controlling interests	23	2.8	2.4
Total comprehensive income for the year		156.2	157.0

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Consolidated Balance Sheet

At 31 December

	Notes	2019 €m	2018 €m
Non-current assets			
Intangible assets	14	1,182.2	1,229.8
Right-of-use assets	16	161.4	–
Property, plant and equipment	15	715.0	706.5
Investments in associates	17	19.2	19.6
Derivative financial instruments	26	–	5.4
Deferred income tax assets	12	25.1	34.9
Trade and other receivables	19	21.6	14.8
		2,124.5	2,011.0
Current assets			
Inventories	18	367.1	352.8
Trade and other receivables	19	574.5	578.3
Current income tax assets	12	13.7	4.4
Derivative financial instruments	26	18.4	8.5
Financial assets at fair value through profit and loss	20	0.9	1.2
Cash and cash equivalents	20	411.7	360.1
		1,386.3	1,305.3
Total assets		3,510.8	3,316.3
Equity			
Share capital	21	6.8	6.8
Share premium	21	2.2	1.4
Other reserves	22	(106.1)	(126.3)
Accumulated profits		1,261.7	1,175.7
Equity attributable to owners of the Parent Company		1,164.6	1,057.6
Non-controlling interests	23	24.5	22.5
Total equity		1,189.1	1,080.1
Non-current liabilities			
Trade and other payables	24	12.3	17.1
Borrowings	25	1,148.5	1,179.3
Lease liabilities	16	138.0	–
Derivative financial instruments	26	–	45.3
Deferred income tax liabilities	12	128.5	141.6
Retirement benefit obligations	27	153.7	148.2
Provisions	28	5.0	4.9
		1,586.0	1,536.4
Current liabilities			
Trade and other payables	24	611.2	608.4
Current income tax liabilities	12	48.7	60.2
Borrowings	25	2.4	4.4
Lease liabilities	16	28.7	–
Derivative financial instruments	26	25.4	2.8
Provisions	28	19.3	24.0
		735.7	699.8
Total liabilities		2,321.7	2,236.2
Total equity and liabilities		3,510.8	3,316.3

The financial statements on pages 94 to 153 were authorised for issue by the Board of Directors on 16 March 2020 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2019	6.8	1.4	(126.3)	1,175.7	1,057.6	22.5	1,080.1
Profit for the year	–	–	–	141.6	141.6	3.0	144.6
Other comprehensive income/ (expense) for the year	–	–	20.2	(8.4)	11.8	(0.2)	11.6
Total comprehensive income for the year	–	–	20.2	133.2	153.4	2.8	156.2
Decrease in share held by non-controlling interests	–	–	–	0.1	0.1	(0.1)	–
Share-based expense	–	–	–	1.4	1.4	–	1.4
Net employee tax settlement from vested shares	–	–	–	(2.1)	(2.1)	–	(2.1)
Dividends paid	–	–	–	(46.6)	(46.6)	(0.7)	(47.3)
Shares issued	–	0.8	–	–	0.8	–	0.8
Balance at 31 December 2019	6.8	2.2	(106.1)	1,261.7	1,164.6	24.5	1,189.1

	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2018	6.8	404.3	(130.5)	640.9	921.5	20.3	941.8
Profit for the year	–	–	–	137.8	137.8	2.3	140.1
Other comprehensive income/ (expense) for the year	–	–	4.2	12.6	16.8	0.1	16.9
Total comprehensive income for the year	–	–	4.2	150.4	154.6	2.4	157.0
Share-based expense	–	–	–	4.0	4.0	–	4.0
Dividends paid	–	–	–	(22.5)	(22.5)	(0.2)	(22.7)
Capital reduction	–	(404.3)	–	404.3	–	–	–
Shares issued	–	1.4	–	(1.4)	–	–	–
Balance at 31 December 2018	6.8	1.4	(126.3)	1,175.7	1,057.6	22.5	1,080.1

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Consolidated Statement of Cash Flows

For the year ended 31 December

	Notes	2019 €m	2018 €m
Cash flows from operating activities			
Cash generated from operations	29	477.2	449.6
Interest paid		(63.1)	(64.4)
Income tax paid		(79.7)	(88.2)
Net cash generated from operating activities		334.4	297.0
Cash flows from investing activities			
Payment for property, plant and equipment		(119.4)	(115.8)
Payment for intangible assets		(39.7)	(35.8)
Proceeds from the sale of property, plant and equipment		0.6	0.2
Interest received		1.5	1.9
Net cash used by investing activities		(157.0)	(149.5)
Cash flows from financing activities			
Proceeds from new borrowings	25.8	–	150.0
Fees paid on proceeds from new borrowings	25.8	(0.3)	(2.2)
Voluntary repayments of borrowings	25.8	(50.0)	(188.4)
Fees paid on voluntary repayments of borrowings		–	(8.2)
Scheduled repayments of borrowings	25.8	(4.5)	(5.4)
Lease principal repayments	16	(27.1)	–
Dividends paid	13	(46.6)	(22.5)
Dividends paid to non-controlling interests	23	(0.7)	(0.2)
Net cash used by financing activities		(129.2)	(76.9)
Increase in cash and cash equivalents		48.2	70.6
Cash and cash equivalents at the beginning of the year	20	360.1	287.2
Currency translation on cash and cash equivalents		3.4	2.3
Cash and cash equivalents at the end of the year	20	411.7	360.1

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, the UK Companies Act 2006 applicable to companies reporting under IFRS, and International Financial Reporting Interpretations Committee ('IFRS IC') interpretations issued and effective at the time of preparing these consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention, except for the fair valuation of assets and liabilities of subsidiary companies acquired, and financial assets and liabilities at fair value through profit and loss ('FVTPL') (including derivative instruments not in hedged relationships).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the consolidated financial statements, are disclosed in Note 1.4.

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 25.

1.1.2. Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The functional currency of each Group company has been assessed against the underlying transactions and economic conditions in which it operates.

These financial statements are presented in Euro, which is the Group's presentation currency. All financial information presented in Euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures are set out below:

1.1.3.1. New and Revised IFRS Affecting Amounts Reported in the Current Year (and/or Prior Years)

IFRS 16 'Leases'

The Group has applied IFRS 16 'Leases' for the first time in these consolidated financial statements, from its mandatory adoption date of 1 January 2019. IFRS 16 'Leases' replaces the existing guidance in IAS 17 'Leases' and IFRIC 'Determining Whether an Arrangement Contains a Lease' and eliminates the dual accounting model for lessees. The standard removes the accounting distinction between finance and operating leases for lessees, and requires that right-of-use assets and liabilities be created for all leases on the balance sheet, unless the lease term is 12 months or less, or the underlying asset has a low value.

Under the new standard, operating lease charges have been replaced with interest payable and depreciation charges. On an individual lease basis, this will result in higher expenses in the Income Statement earlier in the lease term, and correspondingly lower expenses later in the lease term.

The Group has elected to apply IFRS 16 Leases in accordance with the simplified transition (modified retrospective) approach permitted in the standard. The new rules have been adopted in the current year only, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The Group has not restated comparative amounts for the year ended 31 December 2018.

The Group has elected to measure right-of-use assets at the amount of the lease liability on adoption, after adjusting for any prepaid or accrued lease expenses.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 January 2019. From 1 January 2019, new or modified leases are discounted using the Group's incremental borrowing rate or the interest rate implicit in the lease, if that rate can be determined. For most leases, the implicit rate cannot be calculated, and the Group's incremental borrowing rate has been used instead.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics
 - reliance on previous assessments on whether leases are onerous
 - the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
 - the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The Group has also elected not to reassess whether a contract is a lease, or contains a lease at the date of initial application.

For contracts entered into before the transition date, the Group has relied on its previous assessment made when applying IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

The Group has also applied the expedient which allows payments associated with short-term leases and leases of low-value assets to be recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less, or those leases, which regardless of their original lease term, ended on or before 31 December 2019. Leases of low-value assets are leases whose underlying assets when new are valued at under €10,000.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Lease interest payable is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Group's control.

Until the adoption of IFRS 16 on 1 January 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases, see previous policy Note 1.9.

The Group's activities as a lessor are not significant and the adoption of IFRS 16 'Leases' has not had any impact on the consolidated financial statements from that activity.

Early adoption of Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Group has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by Interbank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the Income Statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Group's main borrowings comprise a US term loan and a Euro term Loan. The interest rate payable on the US term loan is US dollar LIBOR (minimum 0.75% p.a.) +2.5% p.a., and on the Euro term loan is EURIBOR (minimum 0.75% p.a.) +2.75% p.a. as further detailed in Note 25.

As detailed in Note 3, the Group holds a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions which in aggregate converted a portion of the drawings under the main borrowing facilities of \$400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. The Group does not have any hedging relationships directly affected by EURIBOR reform. The effect of early adoption of the Interest Rate Benchmark Reforms will therefore only impact the Group's US dollar LIBOR instruments.

1. Summary of Significant Accounting Policies continued

In summary, the reliefs provided by the amendments, that apply to the Group are:

- When considering the ‘highly probable’ requirement, the Group has assumed that the US dollar LIBOR interest rate on which the Group’s hedged debts are based does not change as a result of IBOR reform. It is currently expected that SOFR (Secured Overnight Financing Rate) will replace US dollar LIBOR. Differences between SOFR and US dollar LIBOR include that SOFR is a ‘term rate’, which means that it is published for a borrowing period (such as three months), and is also ‘forward-looking’, because it is published at the beginning of the borrowing period.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group has assumed that the US dollar LIBOR interest rate, on which the cash flows of the hedged debt and the interest rate swap that hedges it are based, is not altered by IBOR reform.
- The Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

1.1.3.2. New and Revised IFRS in Issue but not yet Effective

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2020, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the consolidated financial statements.

The Group has not applied the following new and revised standards that have been issued but are not yet effective or are not yet endorsed by the EU:

Amendments to References to the Conceptual Framework in IFRS Standards ¹	Amendments to various standards references to the revised Conceptual Framework.
Amendment to ‘IFRS 3 Business Combinations’ ¹	Various clarifications around what is considered a business.
Amendments to IAS 1 and IAS 8: ‘Definition of Material’ ¹	Clarifies the definition of ‘material’ and aligns the definition used in the Conceptual Framework and the standards.
IFRS 17 ‘Insurance Contracts’ ²	IFRS 17 replaces IFRS 4 for all entities that issue contracts and investment contracts with discretionary participation features. ²

¹ Effective for the Group’s 2020 financial statements.

² Effective for the Group’s 2022 financial statements.

There are no other standards or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.2. Consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the Group and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred to the former owners of the acquiree for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and any equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 ‘Business Combinations’.

Intercompany transactions and balances between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of subsidiaries and their countries of incorporation is presented in Note 4 of the Parent Company’s financial statements. The term ‘Group’ means the Company and its consolidated subsidiaries and undertakings.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

1.2.2. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, under which the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the Income Statement, and its share of post-acquisition movements in Other Comprehensive Income is recognised in the Statement of Other Comprehensive Income, both with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that an investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment, which is recognised in the Income Statement, as the difference between the recoverable amount of the associate and its carrying value.

1.3. Foreign Currencies

1.3.1. Foreign Currency Transactions

Transactions in foreign currencies are converted to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction. All transactional foreign currency differences are included in the Income Statement.

1.3.2. Foreign Operations

Foreign operations are those subsidiaries whose functional currency is not Euro. For the purposes of consolidation, income and expenses of foreign operations are translated to Euro at average exchange rates for the year, and assets and liabilities of foreign operations are translated to Euro at exchange rates at the reporting date. Foreign currency translation differences are recognised in the Statement of Comprehensive Income.

The average and year-end exchange rates for the Group's principal currencies were:

Key Euro exchange rates	2019 Average	2019 Year end	2018 Average	2018 Year end
US dollar	1.120	1.122	1.181	1.147
Chinese renminbi	7.731	7.815	7.805	7.890
Korean won	1,304	1,295	1,299	1,278

1.4. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates and for management to exercise judgement in applying the Group's accounting policies. Assumptions and accounting estimates are subject to regular review, governed by Group-wide policies and controls. Any revisions required to accounting estimates are recognised in the year in which the revisions are made including all future periods affected.

During the year, the Group has reassessed its critical accounting estimates and judgements to ensure these include only estimates which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, and judgements when applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements. The reassessment by the Group considered the range of possible outcomes in respect of income tax liabilities, recoverability of capitalised development costs, warranty and other provisions and the potential change from using alternative sources of information within the valuation of derivative financial instruments to be narrow and therefore these are no longer considered areas of critical estimates. Similarly, judgements in respect of income tax, capitalised development costs, the determination of cash-generating units and application of hedge accounting are no longer considered areas of critical judgement. The judgement and estimate that have the most significant and critical effect on the amounts included in the financial statements are described below:

1.4.1. Critical Accounting Estimates

– Costs and obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including discount rates, inflation rates, salary growth and mortality assumptions. Further details, including a sensitivity analysis illustrating how changes in the principal assumptions would impact the total defined benefit obligation, are included in the Retirement Benefit Obligations Note. See Note 27.5.

1. Summary of Significant Accounting Policies continued

1.4.2. Critical Accounting Judgements

- Judgement is required to determine whether periods covered by an option to extend a lease are reasonably certain to be exercised and whether periods covered by an option to terminate a lease are reasonably certain not to be exercised, when assessing the lease term. In making this assessment, the Group applies judgement to all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend or terminate the lease. These include past practice regarding the period over which it has typically used particular types of assets, the length of the non-cancellable period of the lease, contractual terms and conditions for the optional periods compared with market rates, the location of the underlying asset and the availability of suitable alternatives, the length of the non-cancellable period of the lease, significant leasehold improvements undertaken over the term of the contract, and costs relating to terminating or extending the lease. Past practice regarding the period over which it has typically used particular types of assets is the most significant factor in this decision. For manufacturing facilities this decision is also informed by the expected remaining life of the vehicle platforms produced in the facility.

1.5. Goodwill

Initial measurement

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interests over the fair value of net identifiable assets acquired and liabilities assumed. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the Income Statement.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill is not amortised, but is subject to impairment testing which is performed annually or when an impairment trigger event occurs. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs of disposal.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') that are expected to benefit from the synergies of the combination which generated the goodwill. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the CGU. CGUs comprise the two operating segments each sub-divided into four geographic territories.

Any impairment loss for goodwill is recognised as an expense in the Income Statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

1.6. Intangible Assets

Research and development

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised where the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the project and to use or sell the development asset. Expenditure capitalised includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment charges. Development expenditure, which does not meet the criteria for recognition as an intangible asset, is recognised in the Income Statement as incurred.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Amortisation

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year are as follows:

- Capitalised development expenses 5-10 years (over the life of the production cycle)
- Computer software and licenses 3-6 years
- Technology 4-8 years
- Customer platforms 11-25 years

Intangible assets that are under development are not amortised until they are brought into use. They are reviewed for indications of impairment to ensure that expectations of future economic benefits remain valid. Where there is any indication to the contrary, capitalisation ceases and costs are expensed.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

1.7. Property, Plant and Equipment ('PP&E')

PP&E is stated at historical cost, which includes expenses directly attributable to bringing assets into productive use including finance charges, less accumulated depreciation. Assets acquired as part of the acquisition of the Group are valued at fair value as part of the acquisition accounting. Land is not depreciated. When major components of an item of PP&E have different useful lives, they are accounted for as separate items.

Depreciation of PP&E is calculated using the straight-line method, reflecting expected patterns of consumption of the future economic benefits embodied in the assets, to allocate their cost less residual values over their estimated useful lives, as follows:

– Freehold buildings	30-50 years
– Leased buildings improvements	30-50 years or the period of the lease if shorter
– Plant, machinery and equipment	3-20 years

Depreciation is not charged on assets in the course of construction. Once completed these are transferred to the relevant category above and depreciated accordingly.

Enhancement expenditure of PP&E items is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is de-recognised. All other repairs and maintenance are charged to the Income Statement as incurred.

Gains and losses on disposals of PP&E are determined by comparing the proceeds from disposal with the carrying amount, and are recognised net within other income in the Income Statement.

Investment grants received against the cost of acquired PP&E assets are included in payables as deferred income and credited to the Income Statement on a straight-line basis over the useful lives of the relevant assets.

1.8. Impairment of Non-Financial Assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at CGU level, the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

1.9. Leased Assets

On 1 January 2019, IFRS 16 'Leases' replaced the existing guidance in IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease' and eliminated the dual accounting model for lessees. Amounts reported in the current year have therefore been accounted for in accordance with an updated 2019 policy, the key changes of which are outlined in Note 1.1.3.1.

The policy below is relevant only to amounts reported in the comparative year under IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. Assets held under leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to purchased assets of that asset type and depreciated accordingly.

Each finance lease payment is allocated between the liability and finance charges. The future rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the Income Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the lease term.

1.10. Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL') are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

1.10.1. Financial Assets

Financial assets are classified into 'financial assets at FVTPL' and 'financial assets at amortised cost'. The classification is determined at the time of initial recognition and depends on the Group's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

1. Summary of Significant Accounting Policies continued

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Financial Assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Group's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For trade receivables and contract assets, the Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. For all other financial instruments, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.10.2. Financial Liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'liabilities at amortised cost'. Financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest.

Financial liabilities at amortised cost, including borrowings, trade and other payables, excluding deferred income and lease liabilities (after the adoption of IFRS 16 on 1 January 2019), and are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition.

Borrowings, including extensions to existing agreements, are recognised initially at fair value, net of discounts and transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the Income Statement over the term of the borrowings using the effective interest method. Interest arising on financial instruments is recognised on an accruals basis. In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows. A gain or loss is recognised immediately in the income statement at the date of the modification of a financial liability.

Financial liabilities at FVTPL

A financial liability is classified in this category if it does not meet the criteria for recognition as a financial liability at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. The Group enters into conventional derivative financial instruments to manage its exposure to foreign exchange rate risks, mostly foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 26. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into, and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period. Derivatives designated as hedging instruments are accounted for in accordance with the hedge accounting policy below.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

1.10.3. Hedge Accounting

The Group enters into derivatives to manage its exposure to foreign currency risk and interest rate risk. Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each Balance Sheet date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge);
- Hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. The Group's cost of hedging, the time value of options and forward element of forward contracts are initially recorded in other comprehensive income and subsequently reclassified to profit and loss over time.

Cash flow hedges

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations and variability in cash flows relating to US dollar borrowings. The Group uses interest rate swaps to hedge the interest rate risk arising from its borrowings, which fix the interest rate for a portion of the borrowings.

The effective portion of changes in the fair value of derivatives that are designated and qualify for hedge accounting, are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately within finance income or expense in the Income Statement.

When hedge accounting is discontinued for these cash flow hedges, the amount that has been accumulated in the cash flow hedge reserve is treated as follows:

- If the hedged future cash flows for the US dollar borrowings are still expected to occur, that amount remains in the cash flow hedge reserve until the future interest or borrowings cash flows occur, or until that amount is a loss, and it is expected that all, or a portion of that loss, will not be recovered in one or more future periods. In those circumstances, the amount that is not expected to be recovered is immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.
- If the hedged future cash flows for the US dollar borrowings are no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve is immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument, relating to the effective portion of the hedge, is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The fair values of derivatives, which are not designated as part of a hedging relationship, are classified as current assets or liabilities.

1.11. Inventories

Inventories are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value, on the first in first out principle. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Tooling that is being manufactured for an external customer or supplier is reported as an item of inventory until complete, and represents the gross amount recoverable from the customer in respect of costs incurred, less progress payments received.

For productive material, cost is standard cost, and for non-productive material (including consumables) cost is actual cost. The standard cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads all at standard, based on normal operating conditions. Cash discounts, trade discounts and rebates are deducted from the costs of purchase. Other costs are included only to the extent that they are incurred in bringing inventories to their present location and condition. Provision is made for slow-moving and obsolete inventory.

1. Summary of Significant Accounting Policies continued

1.12. Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL for all trade and other receivables.

1.13. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

1.14. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.15. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1.16. Provisions

A provision is recognised if, because of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, 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 current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense. Provisions are not recognised for future operating losses.

Product warranties

A product warranty provision is recognised when specific events occur with the underlying product. The provision is based on contractual considerations, historical warranty data and expected outcomes against their associated probabilities. Specific claims are provided for reflecting management's best estimates of potential exposure.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Asset retirement obligations

Provisions are recognised for the estimated costs of dismantling and removing PP&E at the end of its operational life. Provisions for site restoration in respect of contamination and lease dilapidations are made in accordance with applicable legal requirements.

1.17. Revenue

IFRS 15 'Revenue from Contracts with Customers' establishes a single model to account for revenue arising from contracts with customers. Revenue in the course of ordinary activities is measured and recognised using the five-step approach outlined in IFRS 15:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when the entity satisfies the performance obligations

Step 1:

To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

The Group's customer arrangements take a variety of forms, with typical contractual frameworks comprising: master terms and conditions, programme award letters, purchase orders and release orders.

For piece part revenue, volume requirements and mutually enforceable terms are established on the customer issuance of a release order and therefore this is the relevant accounting unit of contract.

Tooling, prototype and development ('TPD') requirements are typically specified in a purchase order or equivalent.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

Step 2:

The performance obligation within a piece part release order is to manufacture and deliver the specified volume of requested parts. The performance obligation of a TPD order is to construct or undertake the relevant tooling and development activities. Where the different obligations are separable, in terms of both capability and within the contractual documentation, they are accounted for as distinct performance obligations. Further details regarding the nature of goods and services sold is included in Note 2.

Step 3:

The fair value of consideration receivable is the transaction price specified in the relevant release order or purchase order, net of returns, discounts, sales taxes and volume rebates.

For piece part revenue, the price is fixed at the given release order (contract) and does not include any element of variable consideration.

For TPD revenue, where uncertainty exists as to the amount of consideration that will ultimately be recognised, the transaction price is constrained until such uncertainty is resolved. Amounts invoiced in excess of the transaction price will be reflected as pricing accruals or revenue deferrals.

Step 4:

The transaction price established in step 3 is allocated to the distinct performance obligations identified in step 2.

Step 5:

Revenue is recognised on satisfaction of the specified performance obligations, consistent with the passing of control of the goods and services.

For piece part revenue, control is deemed to have passed at the point in time delivery of the parts specified in the applicable release order is made.

Where consignment arrangements apply, revenue is only recognised when control of the underlying inventory has passed to the customer.

For TPD activities, control is deemed to have passed once production part approval process ('PPAP') or start of production ('SOP') has been achieved, depending on the specific terms of the agreement. Costs incurred up until this point are recognised as work-in-progress on the Balance Sheet and reviewed regularly for impairment should their future recovery become doubtful. Upfront deposits and progress billings are recorded in deferred revenue, until point of recognition.

Contract Costs

Incremental costs incurred in obtaining a contract are capitalised and amortised over the applicable programme life, with regular review for impairment.

Other pre-contract costs and costs of fulfilment are expensed as incurred unless future economic benefit is evident, or if applicable, within the scope of other standards.

Impairment

Contract assets arise where a performance obligation has been satisfied but amounts due have not been fully recognised within trade receivables. Contract assets are reviewed for impairment in accordance with IFRS 9.

1.18. Other Income and Net Foreign Exchange Gains and Losses

Other income includes government grants, proceeds from insurance claims, gains and losses on disposals of non-current assets and other miscellaneous items. Other net foreign exchange gains and losses arise on movements in the fair value of foreign exchange forward contracts and the revaluation of Group borrowings. A significant portion of the Group's external borrowings are denominated in US dollars, and are largely on-lent to subsidiaries in the UK, whose functional currency is the Euro. The net foreign exchange movement represents the impact of currency movements on such loans, after the effect of hedging arrangements.

1.19. Employee Benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Accrued paid absence such as holiday pay entitlement is charged to the Income Statement as earned. A liability is recognised for the amount expected to be paid under bonus plans if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate Group entity and has no legal or constructive obligation to pay further amounts in respect of past service.

1. Summary of Significant Accounting Policies continued

Defined benefit plans

A defined benefit plan provides an amount of benefit that an employee will receive at a later date, usually dependent on one or more factors such as age, periods of service and compensation. Defined benefit arrangements in the Group include funded and unfunded pension plans, post-employment healthcare, statutory termination indemnities and long service awards.

The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation ('DBO') at the end of the reporting period less the fair value of plan assets. Where the fair value of plan assets exceeds the present value of the DBO, an asset is recognised only to the extent of future economic benefits accruing to the Group either as cash refunds or as a reduction in contributions.

The service cost of providing benefits for funded plans accruing during the year and any past service costs are charged as an operating expense. The interest cost or credit arising from the unwinding of the discount on the net actuarial liability or asset is recognised in the Income Statement as finance expense or income. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

Defined benefit plans – funded

The Group operates funded pension plans in the US, Canada and UK. The US plans are subject to annual actuarial review, whilst the others are formally valued at least triennially. Assets are held in trusts and are separately administered from the Group's activities. Assets include readily marketable equities, credit, and diversified growth/multi-strategy funds, and qualifying insurance policies, and are valued at fair value. The Group makes contributions based on actuarial advice sufficient to meet the liabilities of the plans.

Defined benefit plans – unfunded including healthcare

The Group operates unfunded employment benefit plans in certain countries of which the most significant are post-employment healthcare in the US, a closed arrangement, and pension plans in Germany. Other liabilities include statutory termination indemnities and long service awards.

Share-based compensation

The fair value of equity-settled payments to employees is determined at the date of grant using the Black-Scholes option-pricing model. The expense is recognised in the Income Statement on the straight-line basis over the period that the employees become entitled to the awards. The credit entry relating to the awards is recorded in equity (Note 7).

The Group reviews the estimate of the number of shares expected to vest at each balance sheet date. The total amount expensed is determined by reference to the fair value of the options granted, including any market performance and any non-vesting conditions, and excluding the impact of any service and non-market performance vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

1.20. Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Uncertain tax positions

The Group operates in many jurisdictions and is subject to tax audits which are often complex and can take several years to conclude. Therefore, the accrual for current tax includes provisions for uncertain tax positions, which require estimates for each matter and the exercise of judgement in respect of the interpretation of tax laws and the likelihood of challenge to historic positions. Management uses in-house tax experts, professional advisers and previous experience when assessing tax risks. Depending on their nature, estimates of interest and penalties are included either in interest payable or in tax liabilities. As amounts provided for in any year could differ from eventual tax liabilities, subsequent adjustments may arise which have a material impact on the Group's tax rate and/or cash tax payments.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable profits. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

1.21. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the consolidated financial statements in order to fully understand the underlying performance of the Group. These may include the costs of closure of locations or significant headcount reductions, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt-refinancing costs including early redemption premiums on voluntary repayments of borrowings, impairment charges, and the recognition of previously de-recognised deferred tax assets.

1.22. Deferred Income

Deferred income is recorded when consideration for goods or services provided by the Group is received before the revenue is recognised.

2. Segment Reporting

Notes to segment reporting

In accordance with the provisions of IFRS 8 'Operating Segments', the Group's segment reporting is based on the management approach with regard to segment identification; under which information regularly provided to the chief operating decision maker ('CODM') for decision making purposes forms the basis of the disclosure. The Company's CODM is the Chief Executive Officer and the Chief Financial Officer. The CODM evaluates the performance of the Company's segments primarily on the basis of revenue, Adjusted EBITDA, and Adjusted EBIT, both non-IFRS measures.

Two operating segments have been identified by the Group: Fluid Carrying Systems ('FCS') and Fuel Tank and Delivery Systems ('FTDS').

Inter-segment revenue is attributable solely to the ordinary business activities of the respective segment and is conducted on an arm's-length basis.

Fluid Carrying Systems ('FCS')

FCS products include brake and fuel lines and bundles, thermal management fluid systems (including HEV and EV heating and cooling lines), powertrain components and quick-connectors. There is a high degree of vertical integration from the purchase of raw materials, through tube manufacturing to the assembly of finished products.

Fuel Tank and Delivery Systems ('FTDS')

FTDS products include plastic fuel tanks, filler pipes, pumps and modules and level sensors.

The Group recognises revenue on a point in time basis, when the performance obligation to manufacture and deliver products has been satisfied and control of the parts has transferred to the customer. Volume requirements and delivery schedules are communicated using frequent release orders with many customers utilising electronic delivery interfaces to transmit such information and self-billing processes to manage their payment obligations. Payment terms are typically between 30 and 60 days from date of invoicing.

Tooling, Prototype and Development ('TPD')

Within both segments, further revenue streams are recognised for distinct TPD services chargeable to a customer.

Revenue recognition for such activities occurs at the point in time control of the goods and services is transferred to the customer. This is typically PPAP or SOP, depending on the specific terms of the agreement, as at this point all agreed upon specifications have been met. Project durations vary depending on the scope and complexity of requirements. Payment terms are typically 30 to 60 days post-customer acceptance.

2. Segment Reporting continued

Allocation of corporate costs

Corporate costs comprise costs of stewardship of the Group. Costs incurred in administrative services performed at the corporate level are allocated to divisions in line with utilisation of the services. Where direct allocation is not possible, costs are allocated based on revenue for the year.

2.1. Revenue, Adjusted EBITDA and Adjusted EBIT by Segment

	Notes	2019 €m	2018 €m
Revenue		3,411.1	3,472.8
Profit for the year		144.6	140.1
Add back:			
Income tax expense – after exceptional items	12	57.1	77.0
Profit before income tax		201.7	217.1
Net finance expense – after exceptional items	11	57.5	64.5
Share of profit of associates	17	(0.3)	(0.5)
Operating profit		258.9	281.1
Depreciation and impairment of PP&E	15	108.6	101.5
Depreciation right-of-use assets	16	31.5	–
Amortisation and impairment of intangible assets	14	89.8	95.6
Share of profit of associates	17	0.3	0.5
EBITDA		489.1	478.7
Net foreign exchange gains		(0.5)	(1.2)
Dividend received from associates	17	0.5	0.2
Restructuring costs		9.0	7.1
Share of profit of associates	17	(0.3)	(0.5)
Adjusted EBITDA		497.8	484.3
Less:			
Depreciation and impairment of PP&E	15	(108.6)	(101.5)
Depreciation right-of-use assets	16	(31.5)	–
Amortisation and impairment of intangible assets	14	(89.8)	(95.6)
Add back:			
Depreciation uplift arising on purchase accounting	15	14.5	15.7
Amortisation uplift arising on purchase accounting	14	58.0	70.6
Adjusted EBIT		340.4	373.5

During 2019 the Group recognised a €9.1m (2018: €nil) settlement gain following a lump sum buyout offering of two of the Group's US pension plans (see Note 27). This was recorded as a gain of €7.2 million recognised in the FCS division and €1.9 million recognised in FTDS.

Following a definitive ruling on a Brazilian indirect tax matter, the FCS division recognised a benefit of €3.3m while FTDS recognised a benefit of €1.5m.

Notes to the Group Financial Statements

continued

2. Segment Reporting continued

	2019 €m	2018 €m
Revenue		
– FCS – External	1,917.6	2,026.7
– Inter-segment	82.4	82.4
	2,000.0	2,109.1
– FTDS – External	1,493.5	1,446.1
– Inter-segment	4.8	2.0
	1,498.3	1,448.1
Inter-segment elimination	(87.2)	(84.4)
Total consolidated revenue	3,411.1	3,472.8
Adjusted EBITDA		
– FCS	274.0	291.1
– FTDS	223.8	193.2
	497.8	484.3
Adjusted EBITDA % of revenue		
– FCS	14.3%	14.4%
– FTDS	15.0%	13.4%
Total	14.6%	13.9%
Adjusted EBIT		
– FCS	199.4	241.0
– FTDS	141.0	132.5
	340.4	373.5
Adjusted EBIT % of revenue		
– FCS	10.4%	11.9%
– FTDS	9.4%	9.2%
Total	10.0%	10.8%

2.2. Revenue by Geography and Customer Concentration

	2019 €m	2018 €m
Germany	298.3	360.9
Spain	164.4	162.6
Poland	139.8	150.6
Czech Republic	126.1	125.8
Belgium	121.4	111.2
Turkey	113.7	97.6
France	106.9	107.6
United Kingdom	80.7	79.1
Africa	38.4	44.1
Other	178.9	159.1
Europe and Africa	1,368.6	1,398.6
China	643.7	674.6
South Korea	229.1	213.6
Other	157.8	144.0
Asia-Pacific	1,030.6	1,032.2
USA	686.8	746.6
Mexico	236.6	211.3
Canada	13.3	14.0
North America	936.7	971.9
Latin America	75.2	70.1
Total	3,411.1	3,472.8

2. Segment Reporting continued

Three customers account individually for more than 10% of total revenue and collectively contributed 32.0% of total revenue across both reporting segments in the year (2018: one customer contributed 12.3%). Revenue recognised for these customers by segment is as follows:

31 December 2019	FCS €m	FTDS €m	Total €m
Revenue	547.4	541.7	1,089.1

31 December 2018	FCS €m	FTDS €m	Total €m
Revenue	549.8	552.9	1,102.7

2.3. Non-Current Assets

31 December 2019	FCS €m	FTDS €m	Total €m
Goodwill	679.4	59.6	739.0
Intangible assets	257.1	186.1	443.2
Property, plant and equipment	379.6	335.4	715.0
Non-current trade and other receivables	9.8	11.8	21.6
Right-of-use assets	96.2	65.2	161.4
Investment in associates	19.2	–	19.2

31 December 2018	FCS €m	FTDS €m	Total €m
Goodwill	674.0	59.3	733.3
Intangible assets	300.7	195.8	496.5
Non-current trade and other receivables	4.8	10.0	14.8
Property, plant and equipment	380.2	326.3	706.5
Investments in associates	19.6	–	19.6

Total non-current assets, other than financial instruments and deferred tax assets, by the location of assets is as follows:

United Kingdom €48.3 million (2018: €66.3 million), China €446.3 million (2018: €426.5 million), USA €433.4 million (2018: €430.3 million), South Korea €200.2 million (2018: €198.9 million), Germany €177.9 million (2018: €179.9 million), Mexico €136.4 million (2018: €110.1 million), Poland €120.6 million (2018: €96.8 million), Czech Republic €104.1 million (2018: €97.7 million), Spain €99.2 million (2018: €90.5 million), Turkey €66.2 million (2018: €67.3 million), Belgium €63.5 million (2018: €60.8 million), Rest of Europe €124.4 million (2018: €94.8 million), Rest of North America €8.2 million (2018: €11.2 million) and Rest of World €70.7 million (2018: €39.6 million).

3. Financial Risk Management

The Board of Directors and key management have overall responsibility for the establishment and oversight of the Group's risk management policies, which are established to identify and analyse the risks faced by the Group, 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 Group's activities.

The Group's capital structure (comprising of debt (Note 25) and equity (Note 21)) is regularly monitored to safeguard its ability to continue as a going concern and to provide returns for shareholders and value added benefits for other stakeholders. The overall capital structure of the Group is designed to meet the strategic objectives of the Company and its shareholders.

The Group tracks compliance with the financial covenant and the negative covenants in all borrowing facilities. The financial covenant applies only to the Revolving Credit Facility, which is undrawn. In the event that it is drawn down and the aggregate principal amount of all outstanding revolving credit facilities exceed 35% of the Revolving Credit Commitments, then a First Lien Net Leverage Ratio of 3.8x must not be exceeded. At 31 December 2019 the First Lien Net Leverage Ratio was 1.6x. The negative covenants restrict certain additional indebtedness, the granting of liens, and the placing of investments against specified basket limits. All basket limits allow sufficient headroom to manage current and expected transactions.

The Group was in full compliance with its financial covenants in respect of its borrowings and committed facilities throughout each of the years presented. The level of debt is monitored on an actual and projected basis to ensure continued compliance.

The Group has exposure to the following significant risks from its activities:

Notes to the Group Financial Statements

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3. Financial Risk Management continued

3.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following categories comprise the main credit exposures of the Group:

- Trade and other receivables excluding prepayments
- Cash and liquid assets
- Derivative financial instruments

The credit risk for trade and other receivables excluding prepayments is normally managed by the operating subsidiaries by reference to credit rating agencies and historic trading experience with customers. Further details are available in Note 19.

Cash, which is surplus to normal working capital needs and any approved capital investments in the operating subsidiaries, is managed by Group Treasury.

The use of derivative financial instruments is governed by Group policies and managed by Group Treasury. In most cases, the counterparties are investment grade banks. The portfolio of derivatives is spread across six counterparties with no one dominant financial institution. The credit ratings of the financial institutions used are A3 or better.

Guarantees issued by third parties comprise letters of credit and other bank guarantees, nearly all of which are of a stand-by nature. Most of the issuing banks are rated investment grade and these ratings are monitored. If any of these banks became unable to meet their obligations under a guarantee, it is expected that a similar guarantee could be issued by another bank or alternative security provided to the beneficiary.

3.2. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Group has access to various forms of funding and these are considered sufficient to meet anticipated liquidity requirements. The Directors believe that there is currently no significant risk that the Group will be unable to fund its planned commitments.

Cash flow forecasts of the Group's liquidity requirements are monitored regularly to ensure there is sufficient cash and undrawn committed borrowing facilities to meet operational needs of the Group over the medium term. Surplus cash generated by the operating entities over and above balances required for normal working capital and any approved investment is managed by Group Treasury.

3.3. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group enters into derivative contracts, and incurs financial liabilities, in order to manage market risks.

3.3.1. Foreign Currency Risk

The Group is exposed to currency risk on revenue, purchases, investments and borrowings that are denominated in a currency other than the functional currencies of individual Group entities, which are primarily Euro, US dollars, Chinese renminbi and Korean won. Where possible, business entities sell in prices denominated in the same currency as the majority of their costs, to produce a natural hedge. At the reporting date, the majority of cash and cash equivalents in the Group were denominated in Euro, US dollars and Chinese renminbi. The Group uses forward foreign exchange contracts to manage much of the residual transactional currency risk.

Derivative instruments used by the Group to manage foreign currency exposure fall under the following main categories:

Forward foreign exchange contracts – not designated in hedge relationships

The nominal value of these derivatives as at 31 December 2019 was €180.8 million (31 December 2018: €172.7 million) and the aggregate fair value was €1.4 million receivable (31 December 2018: €1.3 million payable).

Forward foreign exchange contracts – designated in cash flow hedge relationships

In October 2015, the Group entered into a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions. In aggregate, these instruments converted a portion of the drawings under the main borrowing facilities of \$400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. These contracts hedge foreign exchange exposure on US dollar-based intra-Group borrowings, in Euro functional-currency Group entities. The average strike price in these contracts is 1.16 US dollar to the Euro. The hedge ratio of this economic relationship is 1:1. The nominal value of the forward foreign exchange contracts in this arrangement as at 31 December 2019 was €564.7 million (31 December 2018: €590.6 million), and their aggregate fair value was €8.8 million receivable (31 December 2018: €20.8m payable). A fair value gain of €33.9 million (31 December 2018: €36.1 million gain) was recorded in other comprehensive income in the year, and a €22.2 million gain (31 December 2018: €36.6 million gain) was subsequently recycled to the Income Statement. An ineffectiveness loss of €0.2 million (31 December 2018: €0.6 million loss) was recorded in the Income Statement (Note 11). Sources of hedge ineffectiveness principally arise from movements in the Company's and hedging counterparty's credit spread not reflected in the movements in the value of the hedged transactions, and from the unwind of the discounting inherent in off-market designations not at zero fair value at inception.

3. Financial Risk Management continued

Forward foreign exchange contracts – designated in net investment hedges

In October 2015, the Group entered into a series of forward foreign exchange contracts to hedge the net investment in the Group's Korean won subsidiary. The nominal value of these derivatives as at 31 December 2019 was KRW 265,893 million (€186.2 million) (31 December 2018: KRW 265,893 million (€186.2 million) and their aggregate fair value was €17.0 million payable (31 December 2018: €17.2 million payable). A fair value gain of €0.3 million (31 December 2018: loss of €7.2 million) was recorded in other comprehensive income in the year for these contracts. No amounts were recycled during the year and there was no ineffectiveness.

Sensitivity analysis

The Group is primarily exposed to changes in Euro/KRW exchange rates on its hedging derivatives and associated net investments and Euro/US dollar exchange rates on its borrowings and associated hedging instruments.

The Group's exposure to a +/- 1% change in Euro/KRW exchange rate would be a €0.1 million profit/€0.1 million loss arising from those Euro/KRW contracts that do not qualify for investment hedge accounting. Those Euro/KRW contracts that qualified for hedge accounting impact equity; however, that movement would be offset by a substantially equal and opposite movement arising from the Group's exposure to the net investment in KRW subsidiaries.

The sensitivity of profit or loss to changes in the Euro/US dollar exchange rates arises from US dollar denominated intercompany financial instruments, which are partially offset by forward foreign exchange contracts designated as cash flow hedges held at the Balance Sheet date. The profit and loss impact associated with these hedges and the related financial instrument exposure is not significant due to the application of hedge accounting.

The Group's net Income Statement exposure to Euro/US dollar contracts that do not qualify for hedge accounting and the net unhedged intercompany loans subject to Euro/US dollar risk is also insignificant.

All the Group's current hedging instruments including those which manage interest rate risk, as detailed below, will have expired by the end of October 2020. The Group is currently reviewing its hedging programme in the context of its external and intercompany borrowings in order to determine which of these instruments will be replaced.

3.3.2. Interest Rate Risk

Most of the Group's interest rate risk arises on its main external borrowing facilities. The interest expense arising from the secured term loans, denominated in US dollars and Euro, are based on floating rates of respectively, one-month US dollar LIBOR (minimum 0.75%) +2.5% p.a. and three-month EURIBOR (minimum 0.75%) +2.75% p.a.

Interest rate swaps

As noted above, the Group has used interest rate swaps to manage the risk and used such contracts, together with the forward foreign exchange contracts to fix in €355.0 million of debt at 4.2%. The notional value of the interest rate swaps as at 31 December 2019 was \$400.0 million (31 December 2018: \$400.0 million) and their fair value was €1.1 million receivable (31 December 2018: €7.7 million receivable). In aggregate, a fair value loss of €3.2 million (31 December 2018: €2.7 million gain) has been recorded in other comprehensive income during the year and a €3.6 million gain (31 December 2018: €2.5 million gain) was subsequently recycled to the income statement. No ineffectiveness was recorded in the Income Statement.

Interest rate floors

The aggregate fair value of these derivatives as at 31 December 2019 was €1.3 million payable (31 December 2018: €2.6 million payable).

Sensitivity analysis

If interest rates had been 100 bps higher or lower with all other variables held constant, after taking account of hedging arrangements, the pre-tax profit or loss on an annual basis would be, respectively €3.9 million lower or €3.9 million higher. There would be no significant impact on equity.

Other financial matters

In its normal course of business, the Group does not offer supplier financing arrangements and has not engaged any financial provider to provide these services to parties in the supply chain.

4. Revenue

4.1. Geographic analysis: Revenue by origin

	2019 €m	2018 €m
Europe and Africa	1,368.6	1,398.6
Asia Pacific	1,030.6	1,032.2
North America	936.7	971.9
Latin America	75.2	70.1
	3,411.1	3,472.8

Notes to the Group Financial Statements

continued

4. Revenue continued

4.2. Geographic analysis: Revenue by destination

	2019 €m	2018 €m
Europe and Africa	1,361.8	1,393.2
Asia Pacific	1,029.4	1,027.2
North America	944.5	978.3
Latin America	75.4	74.1
	3,411.1	3,472.8

4.3. Transaction price allocated to started but incomplete performance obligations

	2019 €m	2018 €m
Tooling, prototype and development revenue to be recognised in one year	99.6	72.5
Tooling, prototype and development revenue to be recognised in more than one year	25.9	40.5
	125.5	113.0

5. Cost of Sales, Distribution Costs and Administrative Expenses

5.1. Total cost of sales, distribution costs and administrative expenses

	2019 €m	2018 €m
Cost of sales	2,922.7	2,938.2
Distribution costs	95.0	102.4
Administrative expenses	141.7	164.5
Total cost of sales, distribution costs and administrative expenses	3,159.4	3,205.1

The nature of costs included in cost of sales, distribution costs and administrative expenses is as follows:

	Notes	2019 €m	2018 €m
Materials and other operating costs		1,917.5	1,944.3
Personnel costs	6.1	825.5	834.5
Depreciation, amortisation and impairment charges		229.9	197.1
Expense relating to short-term and low-value leases (2018: operating lease expenses)	16	8.5	46.6
Utilities		64.6	61.9
Repairs and maintenance		40.6	46.3
Freight inward, including customs duties		72.8	74.4
Total cost of sales, distribution costs and administrative expenses		3,159.4	3,205.1

Personnel costs include share-based costs (Note 7).

Administrative expenses comprise the costs of the Group's administration, commercial and finance functions, along with all other corporate operating costs.

5.2. Research and development expenditure

Research and development expenditure before third-party income, comprised:

	Notes	2019 €m	2018 €m
Research and development expenses		45.1	40.8
Capitalised development costs	14.2	31.7	35.4
Total research and development expenditure		76.8	76.2

6. Personnel Costs and Numbers

6.1. Personnel costs

	Notes	2019 €m	2018 €m
Wages and salaries (including employee severance amounts)		685.0	684.7
Share-based costs	7	1.4	4.0
Social security costs		134.6	132.7
Pension and other post-employment costs: defined benefit current service cost	27.2	8.1	7.4
Pension and other post-employment costs: defined benefit settlement gain	27.2	(9.3)	–
Pension and other post-employment costs: defined contribution		5.7	5.7
Total personnel costs		825.5	834.5

Wages and salaries costs in the year include employee severance amounts totalling €8.8 million (2018: €7.0 million).

6.2. Transactions with Key Management Personnel

Key management personnel comprise the Board of Directors and key officers who report directly to the Chief Executive Officer. The total number of key management personnel was 15 (2018: 14).

At no time during 2019 or 2018 were any loans to key management personnel made by the Group.

	2019 €m	2018 €m
Compensation of key management personnel		
Short-term employee benefits	11.6	10.1
Post-employment benefits	0.1	0.1
Share-based costs	0.7	2.0
Total	12.4	12.2

There was €5.0 million of compensation outstanding at 31 December 2019 (2018: €4.3 million). In addition to salaries, the Group also provides non-cash benefits to key management personnel and contributes to post-employment pension plans on their behalf.

6.3. Personnel numbers

	2019 €m	2018 €m
Average monthly number of people employed by function		
Direct production	14,054	15,220
Indirect operational	7,704	7,876
Commercial and administration	1,651	1,656
Total	23,409	24,752

In addition to the above, the Group employed an average of 3,871 agency and other temporary workers during the year (2018: 3,921) whose costs were included in other operating costs.

7. Share-based Compensation

The Omega Holdco II Limited 2015 Equity Incentive Plan, as adopted on 30 June 2015, was cancelled in 2017 following the Group's Initial Public Offering. At cancellation, option holders were compensated by a combination of shares issued and replacement awards in the form of Restricted Stock Awards (RSAs) or Restricted Stock Units (RSUs). Subject to the participants' continued employment, 50% of the awards vested on 1 December 2018 and 50% on 1 December 2019.

On 26 April 2018, the Company established the 'TI Fluid Systems Employee Benefit Trust' (EBT). During 2019, 513,165 vested shares were sacrificed by RSA holders and transferred to the EBT for nominal consideration of £1.00 per RSA holder. In exchange, the cost of RSA holders' tax obligations arising on awards vesting in the year, were borne by the Group. Shares held by the EBT were subsequently used to satisfy RSU's vesting in the year, net of the amount of shares, at fair value, required to cover RSU holders' associated tax obligations.

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7. Share-based Compensation continued

The below table provides a reconciliation of RSAs and RSUs outstanding:

	Number of awards	
	RSA	RSU
Outstanding at 1 January 2018	2,623,412	1,054,838
Forfeited during the year	(176,729)	(76,284)
Vested during the year	(1,225,111)	(489,277)
Outstanding at 31 December 2018	1,221,572	489,277
Vested during the year	(1,221,572)	(489,277)
Outstanding at 31 December 2019	-	-

In the current year, the RSAs and RSUs gave rise to a charge of €0.4 million (year ended 31 December 2018: €1.1 million). Share-based costs are recognised in administrative expenses.

On 24 October 2017, the TI Fluid Systems plc Long Term Incentive Plan was adopted. Under the plan, awards are made comprising of two tranches (including an outperformance target for Executive Directors) each with a separate performance condition, as outlined in the below table. Vesting is over three years from date of grant and contingent on continued service and attainment of the applicable performance condition, within the three-year performance period.

Tranche	Percentage of award grant	Performance condition	Performance condition classification
EPS Growth ('EPS')	80%	EPS compound annual growth rate over performance period	Non-market based
Total Shareholder Return ('TSR')	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market based

Executive Directors are entitled to bonus shares of up to 133% of their awards, subject to achieving an enhanced target in relation to the relevant performance condition.

Award holders are entitled to a dividend equivalent payment, in respect of their conditional awards, for all ordinary dividends that are declared and paid between the award date and the settlement date. These may be paid in cash at the date of vesting, or paid in the form of additional conditional awards, subject to the same conditions as the original grant.

As the awards are settled in shares of the Company, or cash at the discretion of the Company, they are accounted for as equity-settled awards under IFRS 2 and fair valued at date of grant using the Black-Scholes Option Pricing Model (EPS tranche) and Monte Carlo simulation (TSR tranche). The fair value is recognised in the Income Statement straight line over the vesting period, with the anticipated number of awards vesting adjusted for management's estimate of forfeiture rate and attainment of non-market-based performance conditions. Achievement of market-based performance conditions is reflected in the initial fair value of the award.

The weighted average fair value of awards granted in the year was €1.89 (2018: €2.78).

The assumptions used for the grants in the year included a weighted average share price of €2.22 (2018: €3.01), expected option life of 3 years (2018: 3 years), expected volatility of 37.6% (2018: 32.8%) and a weighted average risk free interest rate of 0.71% (2018: 0.85%). Awards made to executive directors are subject to a two year holding period post vesting, for which the valuations have been discounted accordingly.

7. Share-based Compensation continued

The expected volatility is based on the historical volatility of the Company's share price since its admission to trading on 25 October 2017.

The expected volatility of the comparator companies' share prices and correlation to TIFS is measured over a three-year period, commensurate with the expected term of the awards.

The risk-free rate of return is based on zero-coupon UK government bond yields corresponding to the expected term.

As award holders are entitled to dividend equivalent compensation during the vesting period, no dividend yield assumption is required in the valuation of these awards.

The below table provides a reconciliation of awards outstanding:

	Number of awards
Outstanding at 1 January 2018	–
Granted during the year	5,250,000
Forfeited during the year	(75,000)
Outstanding at 31 December 2018	5,175,000
Granted during the year	7,074,214
Forfeited during the year	(495,000)
Outstanding at 31 December 2019	11,754,214

The total charge for the year for conditional share awards was €1.0 million (2018: €2.9 million).

8. Directors' remuneration

The Directors' emoluments, fees, payments for service, compensation for cancelled shares under long-term incentive schemes, and pension benefits are disclosed in the Remuneration report. See page 69.

9. Exceptional Items

	Notes	2019 €m	2018 €m
Early redemption premium on voluntary repayments of borrowings	11	–	(8.2)
Unamortised issuance fees expensed on voluntary repayments of borrowings	11,25	–	(3.6)
Total exceptional finance expense	11	–	(11.8)

The prior year exceptional net finance expense relates to voluntary repayments of borrowings and comprises an early redemption premium of €8.2 million and the expense of unamortised issuance discounts and fees of €3.6 million. See Note 25.4 for additional details.

10. Other Income

	2019 €m	2018 €m
Government grants	2.9	2.2
Insurance claims	0.3	0.5
Losses on disposal of PP&E and intangible assets	(1.6)	(0.6)
Other miscellaneous items	5.1	10.1
	6.7	12.2

Other miscellaneous items in the current year include €2.6 million in relation to a cash compensation settlement received.

Other miscellaneous items in the prior year include €5.3 million in relation to the settlement of certain legal claims.

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11. Finance Income and Expense

	Notes	2019 €m	2018 €m
Finance income			
Interest on short-term deposits, other financial assets and other interest income		2.0	1.9
Interest income on indirect tax receivable		2.8	–
Net interest income on release of specific uncertain tax positions		–	3.4
Fair value gain on derivatives and foreign exchange contracts not in hedged relationships		10.2	9.0
Finance income		15.0	14.3
Finance expense			
Interest payable on term loans including expensed fees		(56.5)	(51.7)
Interest payable on unsecured senior notes including expensed fees		–	(9.3)
Net interest expense of retirement benefit obligations	27.2	(4.6)	(4.4)
Fair value net losses on financial instruments: ineffectiveness	3	(0.2)	(0.6)
Net interest expense related to specific uncertain tax positions		(0.3)	–
Interest payable on lease liabilities	16	(10.5)	–
Utilisation of discount on provisions and other finance expense		(0.4)	(1.0)
Finance expense excluding exceptional items		(72.5)	(67.0)
Early redemption premium on voluntary repayments of borrowings	9	–	(8.2)
Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings	9,25	–	(3.6)
Exceptional finance expense		–	(11.8)
Finance expense after exceptional items		(72.5)	(78.8)
Total net finance expense after exceptional items		(57.5)	(64.5)

	2019 €m	2018 €m
Fees included in interest payable under the effective interest method		
Fees included in interest payable on term loans	(7.7)	(6.5)
Fees included in interest payable on unsecured senior notes	–	(0.4)

	2019 €m	2018 €m
Fees expensed in exceptional net finance expense		
Fees expensed in respect of unsecured senior notes	–	(3.6)

12. Income Tax

12.1. Income Tax Expense

	2019 €m	2018 €m
Current tax on profit for the year	(83.6)	(96.5)
Adjustments in respect of prior years	17.8	14.2
Total current tax expense	(65.8)	(82.3)
Origination and reversal of temporary deferred tax differences	8.7	5.3
Total deferred tax benefit	8.7	5.3
Income tax expense – Income Statement	(57.1)	(77.0)
Origination and reversal of temporary deferred tax differences	2.3	(4.3)
Income tax credit/(expense) – Statement of Comprehensive Income	2.3	(4.3)
Total income tax expense	(54.8)	(81.3)

12. Income Tax continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK statutory tax rate applicable to profits of the consolidated entities as follows:

	2019 €m	2018 €m
Profit before income tax	201.7	217.1
Income tax calculated at UK statutory tax rate of 19% (2018: 19%) applicable to profits in respective countries	(38.3)	(41.2)
Tax effects of:		
Overseas tax rates (excluding associates)	(16.2)	(18.9)
Income not subject to tax	6.4	11.3
Expenses not deductible for tax purposes – other and UK non-deductible interest/expenses	(13.1)	(17.1)
Temporary differences on unremitted earnings	(3.3)	(3.1)
Specific tax provisions	(3.1)	(3.5)
Unrecognised deferred tax assets	(3.7)	(11.2)
Other taxes	(10.6)	(9.7)
Adjustment in respect of prior years – US R&E tax credit	12.2	–
Adjustment in respect of prior years – current tax adjustments	12.1	14.2
Adjustment in respect of prior years – deferred tax adjustments	(5.0)	(1.0)
Impact of changes in tax rate	0.3	0.2
Double tax relief and other tax credits	5.2	3.0
Income tax expense – Income Statement	(57.1)	(77.0)
Deferred tax benefit/(expense) on re-measurement of retirement benefit obligations	2.3	(4.3)
Income tax credit/(expense) – Statement of Comprehensive Income	2.3	(4.3)
Total tax expense	(54.8)	(81.3)

Other taxes comprised taxes withheld on dividend, interest and royalty remittances totalling €7.4 million (2018: €7.3 million) and various local taxes of €3.2 million (2018: €2.4 million).

During 2019, TI Automotive LLC ('TI US') completed a Research and Experimentation ('R&E') study for the years 2011 through 2018. As a result of the R&E study, TI US was able to report a material tax benefit in the 2019 accounts in the amount of €12.2 million. The R&E tax credit had a material favourable impact on the 2019 effective tax rate for the Group.

Factors that may affect future tax charges include the continued non-recognition of deferred tax assets in certain territories as well as the existence of tax losses in certain territories which could be available to offset future taxable income in certain territories and for which no deferred tax asset is currently recognised.

12.2. Current Income Tax Assets and Liabilities

	2019 €m	2018 €m
Current income tax assets	13.7	4.4
Current income tax liabilities	(48.7)	(60.2)
Net current income tax liabilities	(35.0)	(55.8)

Uncertain tax positions

The Group maintains a provision for uncertain tax positions. As at 31 December 2019 the balance was €33.8m (2018 €34.7m). The Group is aware of an increase in global tax audit scrutiny and therefore continues to closely monitor tax uncertainties in all geographic regions. As each uncertain tax provision is considered more likely than not to materialise, settlement of the issues that have been provided should not result in a material impact to the effective tax rate. However, in the event that a favourable conclusion is reached on an uncertain tax position, release of the provision would have a favourable impact on the Group's effective tax rate. In the event that a conclusion is reached that exceeds the amount provided for an uncertain tax position, there would be an unfavourable impact on the Group's effective tax rate. It is possible that certain tax issues related to the remaining uncertain tax provisions could settle within the next 12 months although the timing of any settlements are not certain.

Notes to the Group Financial Statements

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12. Income Tax continued

12.3. Deferred Tax Assets and Liabilities

	2019 €m	2018 €m
Deferred income tax assets	25.1	34.9
Deferred income tax liabilities	(128.5)	(141.6)
Net deferred income tax liabilities	(103.4)	(106.7)

12.3.1. Movement on Net Deferred Tax Liabilities

	2019 €m	2018 €m
At 1 January	(106.7)	(108.8)
Income statement benefit	8.7	5.3
Tax on remeasurement of retirement benefit obligations	2.3	(4.3)
Transfer of uncertain tax position balance from current tax to deferred tax	(7.3)	–
Currency translation	(0.4)	1.1
At 31 December	(103.4)	(106.7)

Deferred tax assets originating from tax loss carry forwards mainly relate to Canada and France and a Special Economic Zone incentive in Poland as at 31 December 2019. Forecasts for Canada, France and Poland demonstrate several years of continued future profitability and all have consistent expectations of future financial performance. As a result management believe that the current tax losses and the tax credit will be utilised.

The aggregate amount of tax liabilities not recognised with respect to temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures is nil.

12.3.2. Gross Deferred Tax Assets and Liabilities

The analysis of deferred tax assets and liabilities below represents gross amounts before netting of deferred tax assets and liabilities in certain tax jurisdictions as reflected in the table in 12.3 above.

Gross deferred tax assets and liabilities	Assets				Liabilities					Total €m
	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m	
At 1 January 2019	39.3	14.4	13.1	26.8	(62.4)	(23.2)	(87.0)	(4.0)	(23.7)	(106.7)
Included in the Income Statement	(4.0)	(2.6)	(4.7)	2.3	2.6	2.7	13.9	1.3	(2.8)	8.7
Included in other comprehensive income	2.3	–	–	–	–	–	–	–	–	2.3
Transfer of uncertain tax position balance from current tax to deferred tax	–	–	–	(7.3)	–	–	–	–	–	(7.3)
Currency translation	0.6	0.3	0.2	0.2	(0.6)	(0.1)	(0.9)	(0.1)	–	(0.4)
At 31 December 2019	38.2	12.1	8.6	22.0	(60.4)	(20.6)	(74.0)	(2.8)	(26.5)	(103.4)

12. Income Tax continued

	Assets					Liabilities					Total €m
	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m		
Gross deferred tax assets and liabilities											
At 1 January 2018	43.6	15.5	22.4	27.4	(63.6)	(24.5)	(102.8)	(4.9)	(21.9)	(108.8)	
Included in the Income Statement	(1.3)	(1.8)	(9.2)	(1.7)	2.3	1.4	17.2	1.1	(2.7)	5.3	
Included in other comprehensive income	(4.3)	–	–	–	–	–	–	–	–	(4.3)	
Currency translation	1.3	0.7	(0.1)	1.1	(1.1)	(0.1)	(1.4)	(0.2)	0.9	1.1	
At 31 December 2018	39.3	14.4	13.1	26.8	(62.4)	(23.2)	(87.0)	(4.0)	(23.7)	(106.7)	

12.4. Unrecognised Deferred Tax Assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, the Group did not recognise deferred income tax assets (net of specific tax provisions) of €147.8 million (2018: €135.5 million). This is principally represented by gross tax losses in respect of which no deferred income tax asset was recognised (before the netting of specific provisions) amounting to €636.3 million (2018: €609.4 million) that can be carried forward against future taxable income. All material tax losses referred to above can be carried forward without time limitation (UK: €594.6 million and Brazil: €27.1 million) except for Hungary (€13.2 million) where tax losses can only be carried forward for five years.

13. Earnings Per Share and Dividends

13.1. Basic and Diluted Earnings Per Share

	2019			2018		
	Profit attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)	Profit attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)
Basic	141.6	519.9	27.24	137.8	519.5	26.53
Dilutive shares	–	–	–	–	1.6	(0.09)
Diluted	141.6	519.9	27.24	137.8	521.1	26.44

13.2. Adjusted Earnings Per Share

	2019		2018	
	Basic	Diluted	Basic	Diluted
Adjusted Net Income (€m)	150.3	150.3	155.2	155.2
Weighted average number of shares (in millions)	519.9	519.9	519.5	521.1
Adjusted Earnings Per Share (€, in cents)	28.91	28.91	29.87	29.78

Adjusted Net Income is based on Profit attributable to shareholders €141.6 million (2018: €137.8 million) after adding back net adjustments of €8.7 million (2018: €17.4 million)

Notes to the Group Financial Statements

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13. Earnings Per Share and Dividends continued

13.3. Dividends

The following dividends were declared and paid by the Group:

	2019 €m	2018 €m
Amounts recognised as distributions to shareholders in the year:		
Final dividend for the year ended 31 December 2018 of €5.94 per share (2017: €1.31 per share)	30.9	6.8
Interim dividend for the year ended 31 December 2019 of €3.02 per share (2018: €3.02 per share)	15.7	15.7
Total dividend	46.6	22.5
Proposed final dividend for the year ended 31 December 2019 of €5.94 per share (2018: €5.94 per share)	30.9	30.9

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 14 May 2020.

14. Intangible Assets

	2019 €m	2018 €m
Goodwill	739.0	733.3
Capitalised development expenses, computer software and licences, technology and customer platforms	443.2	496.5
Total intangible assets	1,182.2	1,229.8

14.1. Goodwill

	€m
Cost at 1 January 2019	733.3
Currency translation	5.7
Cost at 31 December 2019	739.0
Accumulated impairment at 1 January 2019	–
Accumulated impairment at 31 December 2019	–
Net book value at 31 December 2019	739.0

	€m
Cost at 1 January 2018	724.9
Currency translation	8.4
Cost at 31 December 2018	733.3
Accumulated impairment at 1 January 2018	–
Accumulated impairment at 31 December 2018	–
Net book value at 31 December 2018	733.3

14. Intangible Assets continued

14.2. Capitalised Development Expenses, Computer Software and Licences, Technology and Customer Platforms

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms* €m	Total €m
Cost at 1 January 2019	205.4	15.0	130.7	469.0	820.1
Accumulated amortisation	(71.5)	(9.8)	(104.2)	(138.1)	(323.6)
Net book value at 1 January 2019	133.9	5.2	26.5	330.9	496.5
Additions	31.7	1.2	–	–	32.9
Disposals	(0.6)	–	–	–	(0.6)
Amortisation charge	(28.3)	(1.5)	(16.5)	(41.5)	(87.8)
Impairments	(2.0)	–	–	–	(2.0)
Currency translation	0.5	–	0.4	3.3	4.2
Net book value at 31 December 2019	135.2	4.9	10.4	292.7	443.2
Cost at 31 December 2019	237.4	16.2	135.9	474.4	863.9
Accumulated amortisation	(102.2)	(11.3)	(125.5)	(181.7)	(420.7)
Net book value at 31 December 2019	135.2	4.9	10.4	292.7	443.2

*Customer platforms includes intangible assets relating to: customer platforms; aftermarket customer relationships; trade names and trademarks.

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms €m	Total €m
Cost at 1 January 2018	168.8	13.4	127.2	461.9	771.3
Accumulated amortisation	(47.5)	(8.0)	(71.3)	(95.5)	(222.3)
Net book value at 1 January 2018	121.3	5.4	55.9	366.4	549.0
Additions	35.4	1.3	–	–	36.7
Disposals	(0.6)	–	–	–	(0.6)
Amortisation charge	(22.4)	(1.6)	(30.1)	(40.5)	(94.6)
Impairments	(1.0)	–	–	–	(1.0)
Currency translation	1.2	0.1	0.7	5.0	7.0
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5
Cost at 31st December 2018	205.4	15.0	130.7	469.0	820.1
Accumulated amortisation	(71.5)	(9.8)	(104.2)	(138.1)	(323.6)
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5

The above amortisation charges for 'technology' and 'customer platforms' amounting to €58.0 million (2018: €70.6 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

14.3. Impairment Tests for Goodwill and Intangibles

The purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, which was the previous Parent Company of the Group, and the consequent fair valuation of assets and liabilities, resulted in total goodwill recognition of €711.1 million and intangibles of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in total goodwill recognition of €57.1 million and intangibles of €72.6 million.

The intangible assets recognised from acquisitions, as outlined above, include €369.7 million and €57.1 million in relation to customer platforms arising on the Bain and Millennium acquisitions respectively. These assets reflect the future revenue expected to arise from customer platforms existing at the date of acquisition, based on platform lives and probabilities of renewals. The carrying value at 31 December 2019 of these customer platforms is €206.7 million and €36.4 million respectively (2018: €236.6 million and €40.6 million) with a remaining useful life of 6.5 and 7.2 years respectively.

Goodwill and intangibles are monitored by management at the operating division level and then the geographic sub-division level. Goodwill and intangibles amount to €679.4 million and €257.1 million respectively for FCS (2018: €674.0 million and €300.7 million), and €59.6 million and €186.1 million respectively for FTDS (2018: €59.3 million and €195.8 million).

The geographic split by cash-generating unit ('CGU') of goodwill within FCS is: Asia Pacific €237.1 million (2018: €236.5 million), North America €223.9 million (2018: €219.1 million) and Europe €218.4 million (2018: €218.4 million).

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14. Intangible Assets continued

Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment. Intangibles assets are amortised over their useful economic life, which range from 3 to 25 years.

The annual impairment test is a comparison of the carrying value of the non-financial assets of a business or CGU to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results.

During the year, the non-financial assets of the Group were tested for impairment, with all CGUs demonstrating a recoverable amount in excess of their carrying value and therefore no impairment charge has been recorded.

The recoverable amount for the CGUs has been determined based on a value-in-use calculation. These calculations use cash flow projections from financial plans approved by the Board, covering a five-year period, plus a terminal value.

The Group initially calculates value-in-use using post-tax cash flows discounted at post-tax discount rates, to approximate the outcome of a pre-tax model. Where this approach demonstrates significant headroom at a CGU level, management conclude that no indicators of impairment exist. If a CGU exhibits negative headroom, or is deemed to be sensitive to a reasonably possible change in key input assumptions, then further quantification of recoverable amount is assessed using a pre-tax value-in-use model and fair value less cost of disposal techniques where necessary.

The key assumptions used in the calculations are the long-term expected growth rate, the discount rate applied to forecast cash flows and the achievement of the cash flow forecasts themselves.

These key input assumptions are determined using the services of third party valuation experts and utilise externally available sources of information, adjusted where relevant for industry specific factors. Long-term growth rates are based on long-term economic forecasts for growth in the automotive sector in the geographical regions in which the CGUs operate. Discount rates are calculated for each Division using a weighted average cost of capital specific to the geographical regions from which the cash flows are derived. Forecast operating cash flows are established using latest expectations of demand for products and are benchmarked by applying expected product margins to external automotive volume forecasts issued by global information provider 'IHS Markit'.

The range of discount and growth rates used were as follows:

	2019		2018	
	FCS	FTDS	FCS	FTDS
Pre-tax discount rates				
North America	13.75%	14.75%	15.75%	17.00%
Europe and Africa	15.50%	16.50%	16.50%	17.50%
Asia Pacific	15.50%	15.75%	17.00%	17.00%
Latin America	26.25%	27.00%	29.25%	28.00%
Post-tax discount rates				
North America	10.00%	10.75%	11.50%	12.25%
Europe and Africa	11.75%	12.25%	12.50%	12.75%
Asia-Pacific	11.50%	11.75%	12.75%	12.75%
Latin America	17.50%	18.00%	19.50%	18.50%
Long-term growth rates				
North America	2.50%	3.50%	3.00%	3.00%
Europe and Africa	3.25%	3.00%	2.50%	2.50%
Asia-Pacific	5.50%	5.25%	4.00%	3.50%
Latin America	5.00%	4.00%	8.00%	6.00%

The Group believes that any reasonably possible change in the key assumptions would not cause the carrying value of non-financial assets within the respective CGUs to exceed their recoverable amount.

15. Property, Plant and Equipment

15.1. Movements in Property, Plant and Equipment

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	176.7	754.2	95.9	1,026.8
Accumulated depreciation	(18.7)	(301.6)	–	(320.3)
Net book value at 1 January 2019	158.0	452.6	95.9	706.5
Change in accounting policy: adoption of IFRS 16	(1.4)	–	–	(1.4)
Restated net book value at 1 January 2019	156.6	452.6	95.9	705.1
Additions	3.8	83.5	27.2	114.5
Disposals	0.1	(0.8)	(0.9)	(1.6)
Impairments	–	(1.5)	–	(1.5)
Transfers between categories	0.6	32.2	(32.8)	–
Depreciation charge	(8.9)	(98.2)	–	(107.1)
Currency translation	(0.3)	6.4	(0.5)	5.6
Net book value at 31 December 2019	151.9	474.2	88.9	715.0
Cost	175.5	820.2	88.9	1,084.6
Accumulated depreciation	(23.6)	(346.0)	–	(369.6)
Net book value at 31 December 2019	151.9	474.2	88.9	715.0

As explained in note 1.1.3.1 above, the Group has changed its accounting policy for leases and adopted IFRS 16 'Leases' in the year. Property, plant and equipment decreased by €1.4 million in the year as a result of reclassifying leased assets that were previously treated as property, plant and equipment into right-of-use assets.

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	167.6	648.1	95.4	911.1
Accumulated depreciation	(13.5)	(210.8)	–	(224.3)
Net book value at 1 January 2018	154.1	437.3	95.4	686.8
Additions	2.0	85.2	29.7	116.9
Disposals	(0.1)	(0.3)	–	(0.4)
Impairments	–	(0.5)	–	(0.5)
Transfers between categories	7.6	22.6	(30.2)	–
Depreciation charge	(6.5)	(94.5)	–	(101.0)
Currency translation	0.9	2.8	1.0	4.7
Net book value at 31 December 2018	158.0	452.6	95.9	706.5
Cost	176.7	754.2	95.9	1,026.8
Accumulated depreciation	(18.7)	(301.6)	–	(320.3)
Net book value at 31 December 2018	158.0	452.6	95.9	706.5

Notes to the Group Financial Statements

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15. Property, Plant and Equipment continued

15.2. Depreciation Charge

The above depreciation charge includes €14.5 million, comprising €1.3 million from 'land and buildings' and €13.2 million from 'plant, machinery and equipment' in relation to the fair value uplift arising from purchase price accounting (2018: €15.7 million, comprising €1.1 million from 'land and buildings' and €14.6 million from 'plant, machinery and equipment').

The total depreciation charge is analysed below:

	2019 €m	2018 €m
Cost of sales	104.5	97.8
Distribution costs	0.8	1.1
Administrative expenses	1.8	2.0
Total depreciation charge	107.1	100.9

16. Leases

As explained in note 1.1.3.1 above, the Group has changed its accounting policy for leases and adopted IFRS 16 'Leases' in the year in accordance with the simplified transition approach permitted in the standard. The new rules have been adopted in the current year only, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The Group has not restated comparative amounts for the year ended 31 December 2018.

16.1. Amounts recognised in the Balance Sheet

The Balance Sheet at 31 December 2019 shows the following amounts relating to leases:

	31 December 2019 €m
Right-of-use assets	161.4
Non-current liabilities	
Lease liabilities	138.0
Current liabilities	
Lease liabilities	28.7
Total lease liabilities	166.7

In the previous year, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. These were included as part of the Group's borrowings in 2018, see Note 25, and were reclassified to lease liabilities in the current year, as part of the adoption of IFRS 16.

On adoption of IFRS 16, the Group recognised right-of-use assets of €146.3 million and lease liabilities of €147.0 million on the transition date of 1 January 2019. Property, plant and equipment decreased by €1.4 million as a result of reclassifying leased assets that were previously treated as property, plant and equipment into right-of-use assets. Borrowings decreased by €2.0 million as a result of reclassifying finance lease liabilities that were previously treated as borrowings into lease liabilities. Prepayments also reduced by €0.3 million and accruals by €0.4 million. The net impact on retained earnings on 1 January 2019 of the adoption of IFRS 16 was €nil.

The following reconciliation of the opening balance for lease liabilities as at 1 January 2019 is based on the operating lease commitments at 31 December 2018 as disclosed in Note 30. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.6%.

16. Leases continued

The range of incremental borrowing rates applied to lease liabilities in the year by region was:

	2019 Range
Europe and Africa	3.4% – 23.2%
North America	4.9% – 12.6%
Asia Pacific	5.3% – 13.4%
Latin America	8.7% – 18.2%

The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the Income Statement to be materially different.

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 and the lease liabilities and right-of-use assets recognised at 1 January 2019 is disclosed below:

	Notes	2019 €m
Operating lease commitments disclosed as at 31 December 2018	30	157.9
Less: short-term leases recognised on a straight-line basis as an expense		(2.5)
Less: low-value leases recognised on a straight-line basis as an expense		(1.0)
Less: commitments for which the underlying asset was unavailable for use at 31 December 2018*		(14.7)
Add: adjustments as a result of a different treatment of extension and termination options		49.1
Adjusted operating lease commitments at 31 December 2018		188.8
Impact of discounting at the Group's incremental borrowing rates at the date of initial application		(43.8)
Discounted adjusted operating lease commitments at 31 December 2018		145.0
Add: finance lease liabilities reclassified from borrowings as at 31 December 2018	25	2.0
Lease liabilities recognised at 1 January 2019		147.0
Prepaid or accrued lease expenses at 31 December 2018		(0.1)
Less: finance lease liabilities reclassified from borrowings as at 31 December 2018	25	(2.0)
Add: Leased assets reclassified from Property, Plant and Equipment as at 31 December 2018	15	1.4
Right-of-use assets recognised at 1 January 2019		146.3

* Commitments for which the underlying asset was unavailable for use at 31 December 2018 relate to leases that were not commenced at 31 December 2018, to which the Group was already committed.

16.1.1 Right-of-use assets

Movements in right-of-use assets in the year are disclosed below:

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
Balance at 31 December 2018	–	–	–
Change in accounting policy: adoption of IFRS 16	134.0	12.3	146.3
Restated at 1 January 2019	134.0	12.3	146.3
Additions	42.3	5.2	47.5
Disposals	(1.3)	–	(1.3)
Remeasurements	0.4	0.2	0.6
Depreciation charge	(25.8)	(5.7)	(31.5)
Currency translation	(0.2)	–	(0.2)
Net book value at 31 December 2019	149.4	12.0	161.4
Cost	174.5	17.7	192.2
Accumulated depreciation	(25.1)	(5.7)	(30.8)
Net book value at 31 December 2019	149.4	12.0	161.4

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16. Leases continued

16.1.2 Lease liabilities

Movements in lease liabilities in the year are disclosed below:

	Notes	Lease liabilities €m
Balance at 31 December 2018		–
Change in accounting policy: adoption of IFRS 16	25.8	147.0
Restated at 1 January 2019		147.0
Additions	25.8	47.5
Disposals		(1.3)
Remeasurements		0.6
Accrued interest		10.5
Repayments		(37.6)
At 31 December 2019		166.7
Non-current		138.0
Current		28.7
At 31 December 2019		166.7

The maturity of lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	39.2	10.5	28.7
Between one and five years	109.9	26.7	83.2
Over five years	65.7	10.9	54.8
Total at 31 December 2019	214.8	48.1	166.7

The maturity of finance lease liabilities at 31 December 2018, prior to the application of IFRS 16 'Leases' was:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	2.1	0.1	2.0
Total at 31 December 2018	2.1	0.1	2.0

The currency denomination of lease liabilities is:

	2019 €m
Euro	75.6
US dollar	44.7
Chinese renminbi	27.1
Other	19.3
Total lease liabilities	166.7

16. Leases continued

16.2. Amounts recognised in the statements of profit or loss and cash flows

The statement of profit or loss includes the following amounts relating to leases:

	Notes	2019 €m
Depreciation charge of right-of-use assets		31.5
Interest payable on lease liabilities	11	10.5
Expense relating to short-term and low value leases	5.1	8.5

The total depreciation charge on right-of-use assets in 2019 is all recognised in cost of sales.

The statement of cash flows includes the following amounts relating to leases:

	2019 €m
Cash paid for short-term and low-value leases reported within cash generated from operations	8.5
Interest paid on lease liabilities reported within interest paid	10.5
Lease principal repayments reported separately in cash flows from financing activities	27.1
Total cash outflow for leases	46.1

16.3. Leasing Activities

The Group as Lessee

The Group leases various manufacturing facilities, offices, plant and machinery and cars. Rental contracts are typically made for fixed initial periods of 1 to 10 years for manufacturing facilities and offices, and 2 to 5 years for plant and machinery and cars. Many agreements also have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options (or periods after termination options) are only included for valuation purposes in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of €51.7 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

17. Investments in Associates

The Group's only associated undertaking is SeAH FS Co., Ltd ('SeAH FS'). The Group holds 20% of the issued ordinary shares. SeAH FS is registered in South Korea and is engaged in manufacturing and engineering. Its financial year-end is 31 December and its registered address is 180-15 Kebong-Dong Young, Deoungpo-Gu, Seoul. SeAH FS is a private company, and there is no quoted price available for its shares. There are no contingent liabilities relating to the Group's investment.

There were no sales of goods by the Group to SeAH FS in either 2019 or 2018. Purchases of goods by the Group from SeAH FS in the year totalled €10.5 million (2018: €13.7 million).

The movements in investments in associates in the year were:

	2019 €m	2018 €m
Balance at 1 January	19.6	19.2
Share of profit for the year	0.3	0.5
Dividends paid	(0.5)	(0.2)
Currency translation	(0.2)	0.1
Balance at 31 December	19.2	19.6

Notes to the Group Financial Statements

continued

17. Investments in Associates continued

	2019 €m	2018 €m
Group proportional share of associate's net income (20% share)		
Revenue	19.6	24.0
Earnings before interest and income taxes (EBIT)	0.5	0.2
Share of associate net profit for the year	0.4	0.5
Other net income for the year	(0.1)	(0.1)
Comprehensive income for the year	0.3	0.4
Group proportional share of associate's net assets (20% share)		
Current assets	13.8	14.0
Non-current assets	16.0	16.6
Total assets	29.8	30.6
Current liabilities	(2.8)	(3.3)
Non-current liabilities	(1.0)	(0.9)
Total liabilities	(3.8)	(4.2)
Shareholders' funds (before fair value adjustment on acquisition)	26.0	26.4

The summarised financial information is based on the audited financial statements of SeAH FS for 2018 and the unaudited financial statements of SeAH FS for 2019. The functional currency of SeAH FS is Korean won, which has been converted to Euro at prevailing exchange rates.

18. Inventories

	2019 €m	2018 €m
Raw materials	141.7	145.8
Work-in-progress	39.8	40.1
Finished goods	39.9	39.8
Tooling under development	110.9	96.6
Consumables	34.8	30.5
Total inventories	367.1	352.8

Consignment inventories from external suppliers held on the Group's premises at 31 December 2019 amounted to €19.7 million (2018: €19.8 million) and are excluded from the balances above.

The value of inventories has been assessed on the basis of fair value, in determining that the carrying value is the lower of cost less any related selling costs and net realisable value.

The cost of inventories recognised as an expense in cost of sales during the year was €1,600.4 million (2018: €1,637.0 million), including €9.2 million relating to write-downs of inventory to net realisable value (2018: €8.0 million).

19. Trade and Other Receivables

	2019 €m	2018 €m
Trade receivables	514.4	521.3
Allowance for doubtful debts	(3.9)	(4.0)
Net trade receivables	510.5	517.3
Prepayments	67.7	60.8
Contract assets – accrued income	13.7	13.2
Other receivables	4.2	1.8
Total trade and other receivables	596.1	593.1
Non-current	21.6	14.8
Current	574.5	578.3

19. Trade and Other Receivables continued

Trade receivables disclosed above include amounts that are overdue at the end of the year for which the Group has not recognised an allowance for doubtful debts because there is still a reasonable expectation of recovering these balances.

19.1. Aged Analysis of Net Trade Receivables

	2019 €m	2018 €m
Not overdue	468.8	476.5
Up to three months overdue	35.4	37.5
Three to six months overdue	2.9	2.2
Over six months overdue	3.4	1.1
Net trade receivables	510.5	517.3

19.2. Movement in Allowance for Doubtful Debts

	2019 €m	2018 €m
At 1 January	(4.0)	(2.7)
Receivables provided for as uncollectible	(3.1)	(1.5)
Amounts written off during the year as uncollectible	0.5	–
Amounts recovered during the year	2.7	0.2
At 31 December	(3.9)	(4.0)

In determining the recoverability of a trade receivable, the Group considers all currently available and forward-looking information to assess the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Receivables provided for as uncollectible and charged to the Income Statement are included in administrative expenses.

A loss allowance is recognised at an amount equal to the lifetime expected credit losses over the life of the contract if credit quality of the receivable has declined since initial recognition.

19.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Standard and Poor's or Moody's. Those customers that have no credit rating are monitored as part of normal credit control procedures.

	2019 €m	2018 €m
Credit rating		
A – AAA	151.4	148.4
B – BBB	230.3	232.1
Counterparties without external credit rating	128.8	136.8
Net trade receivables	510.5	517.3

19.4. Currency Risk of Receivables

	2019 €m	2018 €m
Chinese renminbi	163.8	173.5
Euro	164.2	169.1
US dollar	103.2	104.5
Other currencies	83.5	72.0
Total net trade receivables and other receivables	514.7	519.1

Notes to the Group Financial Statements

continued

19. Trade and Other Receivables continued

19.5. Movement in Accrued Income

	2019 €m	2018 €m
At 1 January	13.2	12.4
Unbilled performance	8.2	2.3
Transfers to receivables	(7.1)	(2.0)
Other movements	(0.7)	0.3
Currency translation	0.1	0.2
At 31 December	13.7	13.2

20. Cash and Liquid Assets

	2019 €m	2018 €m
Cash at bank and in hand	411.7	360.1
Cash and cash equivalents in the Balance Sheet	411.7	360.1
Other deposits	0.9	1.2
Financial assets at FVTPL	0.9	1.2
Total cash and liquid assets	412.6	361.3

Other deposits of €0.9 million (2018: €1.2 million) include €0.7 million (2018: €0.7 million) pledged to provide a bank guarantee, as part of a total guarantee of €1.5 million to the Spanish tax authorities in respect of a disputed assessment raised following a tax audit for the period 2013-14.

	2019 €m	2018 €m
Financial institution credit rating		
A – AA	338.3	319.3
B – BBB or lower	73.4	40.8
Cash and cash equivalents in the Balance Sheet	411.7	360.1

Cash and cash equivalent balances include €1.7 million (2018: €2.0 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

21. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2019	519,901,503	£0.01	5.2	6.8	1.4	8.2
Shares issued	367,638	£0.01	–	–	0.8	0.8
At 31 December 2019	520,269,141	£0.01	5.2	6.8	2.2	9.0

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2018	519,412,226	£0.01	5.2	6.8	404.3	411.1
Capital reduction	–	£0.01	–	–	(404.3)	(404.3)
Shares issued	489,277	£0.01	–	–	1.4	1.4
At 31 December 2018	519,901,503	£0.01	5.2	6.8	1.4	8.2

On 16 January 2018, the Company undertook a court-approved capital reduction, which had the effect of cancelling the share premium account of €404.3 million and increasing the balance on accumulated profits by the same amount.

On 1 December 2018, the Company issued 489,277 ordinary shares in relation to the vesting of RSU awards. See Note 7 Share-based Compensation for further information.

On 21 March 2019, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan. Further detail is outlined in the Remuneration report on page 73.

21. Issued Share Capital continued

During 2019, 513,165 shares (2018: 176,729 shares) were forfeited by Restricted Stock Award ('RSA') holders and transferred to the TI Fluid Systems Employee Benefit Trust ('EBT'). The EBT subsequently issued 269,138 shares to satisfy Restricted Stock Units ('RSUs') vesting in the year. The closing balance of shares held by the EBT on 31 December 2019 was 420,756 (2018: 176,729). See Note 7 Share-based Compensation for further information.

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

22. Reserves

Other Reserves

Items that may be subsequently reclassified to profit or loss	Forward contracts cash flow hedge reserve £m	Forward contracts cost of hedging reserve £m	Net investment hedges £m	Interest rate swaps £m	Hedging reserve £m	Currency translation reserve £m	Total £m
At 1 January 2019	–	(25.9)	(17.2)	7.8	(35.3)	(91.0)	(126.3)
Amount recognised in OCI during the year – fair value gains/(losses): effective hedges	13.3	20.6	–	(3.2)	30.7	–	30.7
Amounts recycled from OCI – foreign exchange remeasurement	(13.3)	–	–	–	(13.3)	–	(13.3)
Amortisation	–	(8.9)	–	–	(8.9)	–	(8.9)
Amounts recycled from OCI – interest	–	–	–	(3.6)	(3.6)	–	(3.6)
Movement in fair value of effective cash flow hedges	–	11.7	–	(6.8)	4.9	–	4.9
Net investment hedges	–	–	0.3	–	0.3	–	0.3
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	15.0	15.0
Items that may be subsequently reclassified to profit or loss	–	11.7	0.3	(6.8)	5.2	15.0	20.2
At 31 December 2019	–	(14.2)	(16.9)	1.0	(30.1)	(76.0)	(106.1)

Notes to the Group Financial Statements

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22. Reserves continued

Items that may be subsequently reclassified to profit or loss	Forward contracts Cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2018	–	(25.4)	(10.0)	7.6	(27.8)	(102.7)	(130.5)
Amount recognised in OCI during the year – fair value gains: effective hedges	27.3	8.8	–	2.7	38.8	–	38.8
Amounts recycled from OCI – foreign exchange remeasurement	(27.3)	–	–	–	(27.3)	–	(27.3)
Amortisation	–	(9.3)	–	–	(9.3)	–	(9.3)
Amounts recycled from OCI – interest	–	–	–	(2.5)	(2.5)	–	(2.5)
Movement in fair value of effective cash flow hedges	–	(0.5)	–	0.2	(0.3)	–	(0.3)
Net investment hedges	–	–	(7.2)	–	(7.2)	–	(7.2)
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	11.7	11.7
Items that may be subsequently reclassified to profit or loss	–	(0.5)	(7.2)	0.2	(7.5)	11.7	4.2
At 31 December 2018	–	(25.9)	(17.2)	7.8	(35.3)	(91.0)	(126.3)

23. Non-Controlling Interests

	2019 €m	2018 €m
At 1 January	22.5	20.3
Share of profit for the year	3.0	2.3
Currency translation	(0.2)	0.1
Total comprehensive income for the year	2.8	2.4
Reduction in non-controlling interests	(0.1)	–
Dividends paid	(0.7)	(0.2)
At 31 December	24.5	22.5

The Group holds a 97% interest in Bundy India Ltd and a 73% interest in Hanil Tube Corporation, which is located in South Korea. Non-controlling interests represent the remaining 3% and 27% respectively. The Group's share in Bundy India Ltd increased from 97.0% to 97.4% during the year.

24. Trade and Other Payables

	2019 €m	2018 €m
Trade payables	276.9	289.2
Accrued expenses	166.7	173.0
Contract liabilities – deferred income	116.2	93.3
Social security and other taxes	46.2	48.0
Other payables	16.2	20.1
Amounts due to associates	1.3	1.9
Total trade and other payables	623.5	625.5
Non-current	12.3	17.1
Current	611.2	608.4

Accrued expenses include net capital investment grant balances totalling €1.9 million (2018: €2.9 million).

24. Trade and Other Payables continued

24.1. Movement in Contract Liabilities – Deferred Income

	2019 €m	2018 €m
At 1 January	93.3	87.5
Advance billings	47.9	63.4
Amounts recognised as revenue	(34.8)	(47.5)
Reversal of prior year deferred income	(1.1)	(8.2)
Other movements	9.5	(2.2)
Currency translation	1.4	0.3
At 31 December	116.2	93.3

25. Borrowings

	Notes	2019 €m	2018 €m
Non-current:			
Secured loans:			
– Main borrowing facilities	25.4	1,148.4	1,179.1
– Other secured loans	25.5	0.1	0.2
Total non-current borrowings		1,148.5	1,179.3
Current:			
Secured loans:			
– Main borrowing facilities	25.4	2.3	2.3
– Other secured loans	25.5	0.1	0.1
– Finance leases	25.6	–	2.0
Total current borrowings		2.4	4.4
Total borrowings		1,150.9	1,183.7
Main borrowing facilities	25.4	1,150.7	1,181.4
Other loans	25.5	0.2	0.3
Finance leases	25.6	–	2.0
Total borrowings		1,150.9	1,183.7

The main borrowing facilities are shown net of issuance discounts and fees of €16.9 million (2018: €23.8 million).

25.1. Movement in Total Borrowings

	Main borrowing facilities €m	Finance leases €m	Other loans €m	Total borrowings €m
At 1 January 2019	1,181.4	2.0	0.3	1,183.7
Change in accounting policy: adoption of IFRS 16	–	(2.0)	–	(2.0)
Restated at 1 January 2019	1,181.4	–	0.3	1,181.7
Accrued interest	48.8	–	0.3	49.1
Scheduled payments	(53.2)	–	(0.4)	(53.6)
Fees expensed	7.7	–	–	7.7
Fees paid on new borrowings	(0.3)	–	–	(0.3)
Voluntary repayments of borrowings	(50.0)	–	–	(50.0)
Currency translation	16.3	–	–	16.3
At 31 December 2019	1,150.7	–	0.2	1,150.9

The Group has adopted IFRS 16 from 1 January 2019 by applying the simplified transition approach, under which the comparatives for the 2018 reporting period are not restated, see Note 1.1.3 and Note 16. As part of the adoption, finance lease liabilities at 1 January 2019 of €2.0 million have been reclassified from borrowings to lease liabilities.

Notes to the Group Financial Statements

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25. Borrowings continued

On 11 March 2019, the Group made a voluntary repayment of \$56.5 million (€50.0 million) against the US dollar tranche of its secured term loan.

	Main borrowing facilities and unsecured notes €m	Finance leases and other loans €m	Total borrowings €m
At 1 January 2018	1,177.5	3.7	1,181.2
Accrued interest	54.1	0.5	54.6
Scheduled repayments	(58.1)	(1.9)	(60.0)
Fees expensed	6.9	–	6.9
New borrowings	150.0	–	150.0
Fees paid on new borrowings	(2.2)	–	(2.2)
Voluntary repayments of borrowings	(188.4)	–	(188.4)
Fees expensed on voluntary repayments of borrowings	3.6	–	3.6
Currency translation	38.0	–	38.0
At 31 December 2018	1,181.4	2.3	1,183.7

25.2. Currency Denomination of Borrowings

	2019 €m	2018 €m
US dollar	731.5	759.9
Euro	419.4	423.8
Total borrowings	1,150.9	1,183.7

25.3. Maturity of Borrowings

	2019 €m	2018 €m
Less than one year	2.4	4.4
Between one and five years	1,148.5	1,179.3
Total borrowings	1,150.9	1,183.7

25.4. Main Borrowing Facilities

The main borrowing facilities comprise a package of secured loans consisting of a term loan, an asset-backed loan, and a revolving credit facility.

The amounts outstanding under the agreements are:

	2019 €m	2018 €m
Principal outstanding:		
US term loan	743.2	776.4
Euro term loan	424.4	428.8
Main borrowing facilities (term loan)	1,167.6	1,205.2
Issuance discounts and fees	(16.9)	(23.8)
Main borrowing facilities (term loan)	1,150.7	1,181.4

Term loan

The principal outstanding of the US term loan in US dollars at 31 December 2019 is \$834.2 million (2018: \$890.7 million).

On 11 March 2019, the Group made a voluntary repayment of \$56.5 million (€50.0 million) against the US dollar tranche of the loan.

The interest rate payable on the US term loan is one month US dollar LIBOR (minimum 0.75% p.a.) +2.5% p.a., and on the Euro term loan is three month EURIBOR (minimum 0.75% p.a.) +2.75% p.a. No capital payments are due on the US dollar tranche until the balance falls due on 30 June 2022. The Euro tranche is repayable in amounts of €1.1 million per quarter, with the balance also falling due on 30 June 2022.

25. Borrowings continued

On 6 October 2015, the Group entered into hedging transactions with a number of financial institutions which effectively converted borrowings of \$400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%, thereby reducing foreign currency exposure for future cash flows and locking in lower long-term Euro fixed interest rates (Note 3.3.2).

Asset-backed loan, and a revolving credit facility

The asset-backed loan ('ABL') provides up to \$100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. The facility is also available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. Drawings under the facility bear interest at US\$ LIBOR +1.50% p.a. unless the drawings are below \$50.0 million when the rate is US\$ LIBOR +1.25% p.a. The revolving credit agreement provides a facility of up to \$125.0 million. Drawings under this facility bear interest in a range of US\$ LIBOR +3.0% to US\$ LIBOR +3.5% p.a. depending on the Group's leverage ratios.

Maturities of the revolving credit facility and asset-backed loan are due to expire on 16 July 2023.

The net undrawn facilities under the agreements are shown below:

	2019		2018	
	\$m	€m	\$m	€m
Asset backed loan:				
Availability	77.7	69.2	89.7	78.2
Utilisation for letters of credit	(3.8)	(3.4)	(3.0)	(2.6)
Net undrawn asset backed loan facility	73.9	65.8	86.7	75.6
Revolving credit agreement	125.0	111.4	125.0	109.0
Main borrowings: net undrawn facilities	198.9	177.2	211.7	184.6

Issuance discounts and fees

Initial issuance discounts and fees from the 2015 agreements, brought forward at 1 January 2019 were €67.1million. An additional €0.3 million of fees were capitalised in 2019 bringing the total fees capitalised to €67.4 million at 31 December 2019.

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. As a result of the Group extinguishing its remaining unsecured senior notes in July 2018, unamortised transaction costs of \$4.2 million (€3.6 million) were released and recognised as exceptional finance expenses in the prior year (see Note 11).

25.5. Other Secured Loans

A subsidiary in Spain has granted security over certain of its assets in return for credit facilities from its banks. The loan has total amortisation repayments of €54,000 per annum payable quarterly (2018: €54,000) and expires on 15 June 2022. The balance outstanding at 31 December 2019 is €169,000 (2018: €223,000).

25.6. Finance Leases

The Group has adopted IFRS 16 from 1 January 2019. As part of the adoption, finance lease liabilities at 1 January 2019 of €2.0 million have been reclassified from borrowings to lease liabilities.

The maturity of finance lease liabilities in the prior year was:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	2.1	0.1	2.0
Total at 31 December 2018	2.1	0.1	2.0

Notes to the Group Financial Statements

continued

25. Borrowings continued

25.7. Total Undrawn Borrowing Facilities

	2019 €m	2018 €m
Floating rate:		
Expiring within one year	6.1	6.0
Expiring after more than one year	177.2	184.6
	183.3	190.6
Fixed rate:		
Expiring within one year	3.9	3.9
	3.9	3.9
Total at the end of the year	187.2	194.5

25.8. Movements in Net Borrowings and Lease Liabilities

	At 1 January 2019 €m	Change in accounting policy: adoption of IFRS 16 €m	Restated at 1 January 2019 €m	Cash flows €m	Non-cash changes				At 31 December 2019 €m
					New leases €m	Fees expensed €m	Currency translation €m	Remeasurement and disposals €m	
Cash and cash equivalents	360.1	–	360.1	48.2	–	–	3.4	–	411.7
Financial assets at FVTPL	1.2	–	1.2	(0.3)	–	–	–	–	0.9
Borrowings	(1,183.7)	2.0	(1,181.7)	54.8	–	(7.7)	(16.3)	–	(1,150.9)
Total net borrowings	(822.4)	2.0	(820.4)	102.7	–	(7.7)	(12.9)	–	(738.3)
Lease liabilities	–	(147.0)	(147.0)	27.1	(47.5)	–	–	0.7	(166.7)
Net borrowings and lease liabilities	(822.4)	(145.0)	(967.4)	129.8	(47.5)	(7.7)	(12.9)	0.7	(905.0)

	At 1 January 2018 €m	Cash flows €m	Non-cash changes		At 31 December 2018 €m
			Fees expensed €m	Currency translation €m	
Cash and cash equivalents	287.2	70.6	–	2.3	360.1
Financial assets at FVTPL	2.9	(1.7)	–	–	1.2
Borrowings	(1,181.2)	46.0	(10.5)	(38.0)	(1,183.7)
Total net borrowings	(891.1)	114.9	(10.5)	(35.7)	(822.4)
Lease liabilities	–	–	–	–	–
Net borrowings and lease liabilities	(891.1)	114.9	(10.5)	(35.7)	(822.4)

Cash flows from financing activities arising from changes in financial liabilities are analysed below:

	2019 €m	2018 €m
Proceeds from new borrowings	–	(150.0)
Fees paid on proceeds from new borrowings	0.3	2.2
Voluntary repayments of borrowings	50.0	188.4
Scheduled repayments of borrowings	4.5	5.4
Lease principal repayments	27.1	–
Cash flows from financing activities arising from changes in financial liabilities	81.9	46.0
Borrowings cash flows	54.8	46.0
Lease liabilities cash flows	27.1	–
Cash flows from financing activities arising from changes in financial liabilities	81.9	46.0

26. Fair Values of Financial Assets and Liabilities

26.1. Financial Instruments by Category

As at 31 December 2019:

	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Financial assets				
Cash and cash equivalents	411.7	–	–	411.7
Financial assets at FVTPL	–	–	0.9	0.9
Trade and other receivables excluding prepayments	528.4	–	–	528.4
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	14.2	3.1	17.3
– Interest rate swaps (cash flow hedges)	–	1.1	–	1.1
Total at 31 December 2019	940.1	15.3	4.0	959.4

	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Financial liabilities				
Trade and other payables excluding deferred income	(507.3)	–	–	(507.3)
Borrowings	(1,150.9)	–	–	(1,150.9)
Lease liabilities	(166.7)	–	–	(166.7)
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	(5.4)	(1.7)	(7.1)
– Forward foreign exchange contracts (net investment hedges)	–	(17.0)	–	(17.0)
– Interest rate floor	–	–	(1.3)	(1.3)
Total at 31 December 2019	(1,824.9)	(22.4)	(3.0)	(1,850.3)

As at 31 December 2018:

	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Financial assets				
Cash and cash equivalents	360.1	–	–	360.1
Financial assets at FVTPL	–	–	1.2	1.2
Trade and other receivables excluding prepayments	532.3	–	–	532.3
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	5.2	1.0	6.2
– Interest rate swaps (cash flow hedges)	–	7.7	–	7.7
Total at 31 December 2018	892.4	12.9	2.2	907.5

	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Financial liabilities				
Trade and other payables excluding deferred income	(532.2)	–	–	(532.2)
Borrowings	(1,183.7)	–	–	(1,183.7)
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	(26.0)	(2.3)	(28.3)
– Forward foreign exchange contracts (net investment hedges)	–	(17.2)	–	(17.2)
– Interest rate floor	–	–	(2.6)	(2.6)
Total at 31 December 2018	(1,715.9)	(43.2)	(4.9)	(1,764.0)

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price.

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26. Fair Values of Financial Assets and Liabilities continued

All derivative items reported are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'; their measurement includes inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The fair values of non-derivative amounts are determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis. For the non-derivative items reported above, it is assumed that by their nature their carrying value approximates their fair value.

26.2. Contracted Maturities of Financial Liabilities

As at 31 December 2019:

	Less than one year €m	Between one and two years €m	Between two and five years €m	Over five years €m	Total €m
Non-derivatives					
Borrowings excluding issuance discounts and fees	4.5	4.5	1,158.8	–	1,167.8
Interest	47.8	47.0	23.2	–	118.0
Total borrowings	52.3	51.5	1,182.0	–	1,285.8
Lease liabilities	39.2	35.8	74.1	65.7	214.8
Trade and other payables excluding deferred income	501.3	6.0	–	–	507.3
Total non-derivatives at 31 December 2019	592.8	93.3	1,256.1	65.7	2,007.9
Derivatives					
Cash flow hedging instrument:					
– Outflow	313.6	–	–	–	313.6
– Inflow	(291.6)	–	–	–	(291.6)
Interest rate swaps	1.3	–	–	–	1.3
Total derivatives at 31 December 2019	23.3	–	–	–	23.3

As at 31 December 2018:

	Less than one year €m	Between one and two years €m	Between two and five years €m	Total €m
Non-derivatives				
Borrowings excluding issuance discounts and fees	6.5	4.5	1,196.5	1,207.5
Interest	54.6	54.5	81.1	190.2
Total borrowings	61.1	59.0	1,277.6	1,397.7
Trade and other payables excluding deferred income	524.2	8.0	–	532.2
Total non-derivatives at 31 December 2018	585.3	67.0	1,277.6	1,929.9
Derivatives				
Cash flow hedging instrument:				
– Outflow	1.0	560.3	–	561.3
– Inflow	–	(516.6)	–	(516.6)
Interest rate swaps	1.5	1.3	–	2.8
Total non-derivatives at 31 December 2018	2.5	45.0	–	47.5

The cash flow hedging instruments are expected to mature over a period of five years from inception concluding in October 2020. These contracts are designed to partially match the interest and principal repayments of US dollar-based debt reported in Note 3.3.2.

27. Retirement Benefit Obligations

27.1. Defined Benefit Arrangements

Pension plans

The Group operates funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom are appointed by the Group and the remainder by the members in accordance with the rules of each plan.

There are five plans in the US, four of which are closed to both new entrants and future accrual, and one of which is closed to new entrants but permits future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2019. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2019. The Canadian plan is subject to actuarial valuation at least triennially, and was most recently formally valued as at 31 December 2017. The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as at 6 April 2018. Employer funding contributions to the US and other pension plans are agreed at each formal valuation, and for the year ended 31 December 2019 totalled €5.0 million (2018: €5.3 million). Contributions for the 12 months ended 31 December 2020 are expected to amount to €7.8 million.

In this note the US plans are shown separately as 'US pensions', and the Canadian and UK plans are aggregated as 'other pensions'.

Post-employment healthcare

The Group operates post-employment medical benefit schemes in a small number of territories, principally the US where the scheme was closed to new entrants in 1992. These schemes are unfunded. The US scheme is subject to annual actuarial valuation, and was most recently valued by independent qualified actuaries as at 1 January 2019. In this note the US scheme is shown separately as 'US healthcare', and the other healthcare liabilities are aggregated within 'other post-employment liabilities'.

Other post-employment arrangements

The Group operates certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

27.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

a. Balance Sheet

	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Net liability					
Present value of retirement benefit obligations	(222.9)	(107.9)	(34.0)	(92.0)	(456.8)
Fair value of plan assets	171.7	111.9	–	24.5	308.1
Asset ceiling	–	(5.0)	–	–	(5.0)
Net liability at 31 December 2019	(51.2)	(1.0)	(34.0)	(67.5)	(153.7)

	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Net liability					
Present value of retirement benefit obligations	(231.0)	(86.2)	(33.1)	(83.4)	(433.7)
Fair value of plan assets	174.2	92.8	–	25.1	292.1
Asset ceiling	–	(6.6)	–	–	(6.6)
Net liability at 31 December 2018	(56.8)	–	(33.1)	(58.3)	(148.2)

Notes to the Group Financial Statements

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27. Retirement Benefit Obligations continued

The present value of retirement benefit obligations by member type is as follows:

	2019 €m	2018 €m
Active members	139.3	122.8
Deferred members	95.6	110.5
Retirees	221.9	200.4
Total	456.8	433.7

The expected payments at 31 December 2019 for retirement benefit obligations are as follows:

	Payments expected €m
2020	21.8
2021	22.0
2022	23.0
2023	23.4
2024	23.3
2025 onwards	691.7

The implied weighted average duration at 31 December 2019 of retirement benefit obligations are as follows (in years): US pensions 12.1 (2018: 12.7), Other pensions 20.8 (2018: 19.8) and US healthcare 9.1 (2018: 8.9).

b. Income Statement Net (expense)/income recognised in the Income Statement is as follows:

	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Net expense					
Current service cost	(0.1)	(1.1)	–	(6.9)	(8.1)
Settlement gain	9.1	–	–	0.2	9.3
Net interest (expense)/income	(2.3)	0.2	(1.3)	(1.2)	(4.6)
Total income/(expense) year ended 31 December 2019	6.7	(0.9)	(1.3)	(7.9)	(3.4)

During 2019, a settlement gain of €9.1 million was recognised following a buyout offering of two of the Group's US pension plans.

	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Net expense					
Current service cost	(0.2)	(1.3)	–	(5.9)	(7.4)
Past service cost	–	(0.3)	–	–	(0.3)
Net interest (expense)/income	(2.1)	0.2	(1.3)	(1.2)	(4.4)
Total expense year ended 31 December 2018	(2.3)	(1.4)	(1.3)	(7.1)	(12.1)

27. Retirement Benefit Obligations continued

c. Statement of Comprehensive Income

Re-measurements of retirement benefit obligations included in the Statement of Comprehensive Income are as follows:

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	26.7	11.6	–	(0.1)	38.2
Changes in demographic assumptions	1.7	0.5	0.3	(0.1)	2.4
Changes in financial assumptions	(30.4)	(15.0)	(3.1)	(6.4)	(54.9)
Experience gains/(losses)	0.9	–	0.9	(0.1)	1.7
Change in asset ceiling	–	1.9	–	–	1.9
Total net expense year ended 31 December 2019	(1.1)	(1.0)	(1.9)	(6.7)	(10.7)

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	(14.0)	(5.6)	–	(0.1)	(19.7)
Changes in demographic assumptions	0.5	0.4	0.1	(0.3)	0.7
Changes in financial assumptions	19.3	4.9	4.8	0.6	29.6
Experience gains/(losses)	1.4	2.5	4.1	(0.7)	7.3
Change in asset ceiling	–	(1.0)	–	–	(1.0)
Total net income/(expense) year ended 31 December 2018	7.2	1.2	9.0	(0.5)	16.9

27.3. Composition of Plan Assets

Plan assets are comprised as follows:

	US pensions €m	Other pensions €m	Other post employment liabilities €m	Total €m
Investment funds: Equities*	103.7	8.6	–	112.3
Investment funds: Credit*	65.6	36.2	–	101.8
Investment funds: Diversified growth/multi strategy*	–	59.0	–	59.0
Insurance contracts	–	7.9	24.3	32.2
Cash and cash equivalents	2.4	0.2	0.2	2.8
Fair value at 31 December 2019	171.7	111.9	24.5	308.1

	US pensions €m	Other pensions €m	Other post employment liabilities €m	Total €m
Investment funds: Equities*	78.8	7.5	–	86.3
Investment funds: Credit*	94.3	34.6	–	128.9
Investment funds: Diversified growth/multi strategy*	–	43.6	–	43.6
Insurance contracts	–	6.9	25.0	31.9
Cash and cash equivalents	1.1	0.2	0.1	1.4
Fair value at 31 December 2018	174.2	92.8	25.1	292.1

* 89% of the assets held by the retirement benefit plans as of 31 December 2019 and 31 December 2018 are in investment funds comprised of underlying equity, credit, and diversified growth assets with quoted market prices. Investment funds themselves are not considered quoted as they are pooled, commingled vehicles such as unit trusts and mutual funds, whereby the pension scheme owns units in the fund alongside other investors. The remaining assets held by the plan are unquoted insurance policies, principal-interest guaranteed insurance contracts and cash and cash equivalents.

Notes to the Group Financial Statements

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27. Retirement Benefit Obligations continued

The decrease from the prior year reflects a shift for the US pension plans in underlying asset class selections in 2019 following the implementation of an asset-liability matching framework. The new asset allocation policy served to improve the liability hedge ratio for the plans.

27.4. Net Defined Benefit Obligations

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2019		(433.7)	292.1	(141.6)	(6.6)	(148.2)
Current service cost	27.2b	(8.1)	–	(8.1)	–	(8.1)
Net interest (expense)/income	27.2b	(15.2)	10.6	(4.6)	–	(4.6)
Re-measurements	27.2c	(50.8)	38.2	(12.6)	1.9	(10.7)
Employer contributions		–	7.9	7.9	–	7.9
Employee contributions		(0.4)	0.4	–	–	–
Benefits and administration expenses paid		24.3	(21.0)	3.3	–	3.3
Settlements	27.2b	39.4	(30.1)	9.3	–	9.3
Currency translation		(12.3)	10.0	(2.3)	(0.3)	(2.6)
At 31 December 2019		(456.8)	308.1	(148.7)	(5.0)	(153.7)

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2018		(460.2)	303.6	(156.6)	(5.8)	(162.4)
Current service cost	27.2b	(7.4)	–	(7.4)	–	(7.4)
Past service cost	27.2b	(0.3)	–	(0.3)	–	(0.3)
Net interest (expense)/income	27.2b	(14.1)	9.7	(4.4)	–	(4.4)
Re-measurements	27.2c	37.6	(19.7)	17.9	(1.0)	16.9
Employer contributions		–	8.8	8.8	–	8.8
Employee contributions		(0.3)	0.3	–	–	–
Benefits and administration expenses paid		21.0	(16.9)	4.1	–	4.1
Currency translation		(10.0)	6.3	(3.7)	0.2	(3.5)
At 31 December 2018		(433.7)	292.1	(141.6)	(6.6)	(148.2)

a. US pensions

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Total €m
At 1 January 2019		(231.0)	174.2	(56.8)
Current service cost	27.2b	(0.1)	–	(0.1)
Net interest (expense)/income	27.2b	(9.5)	7.2	(2.3)
Re-measurements	27.2c	(27.8)	26.7	(1.1)
Employer contributions		–	3.8	3.8
Benefits and administration expenses paid		11.4	(14.0)	(2.6)
Settlement	27.2b	39.2	(30.1)	9.1
Currency translation		(5.1)	3.9	(1.2)
At 31 December 2019		(222.9)	171.7	(51.2)

27. Retirement Benefit Obligations continued

	Notes	Present value of obligation €m	Fair value of plan assets €m	Total €m
Movements in net defined benefit obligations				
At 1 January 2018		(243.3)	182.4	(60.9)
Current service cost	27.2b	(0.2)	–	(0.2)
Net interest (expense)/income	27.2b	(8.6)	6.5	(2.1)
Re-measurements	27.2c	21.2	(14.0)	7.2
Employer contributions		–	4.2	4.2
Benefits and administration expenses paid		10.6	(12.9)	(2.3)
Currency translation		(10.7)	8.0	(2.7)
At 31 December 2018		(231.0)	174.2	(56.8)

b. Other pensions

	Notes	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
Movements in net defined benefit obligations						
At 1 January 2019		(86.2)	92.8	6.6	(6.6)	–
Current service cost	27.2b	(1.1)	–	(1.1)	–	(1.1)
Net interest (expense)/income	27.2b	(2.6)	2.8	0.2	–	0.2
Re-measurements	27.2c	(14.5)	11.6	(2.9)	1.9	(1.0)
Employer contributions		–	1.2	1.2	–	1.2
Employee contributions		(0.3)	0.3	–	–	–
Benefits and administration expenses paid		3.0	(3.2)	(0.2)	–	(0.2)
Currency translation		(6.2)	6.4	0.2	(0.3)	(0.1)
At 31 December 2019		(107.9)	111.9	4.0	(5.0)	(1.0)

	Notes	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
Movements in net defined benefit obligations						
At 1 January 2018		(93.2)	98.4	5.2	(5.8)	(0.6)
Current service cost	27.2b	(1.3)	–	(1.3)	–	(1.3)
Past service cost	27.2b	(0.3)	–	(0.3)	–	(0.3)
Net interest (expense)/income	27.2b	(2.5)	2.7	0.2	–	0.2
Re-measurements	27.2c	7.8	(5.6)	2.2	(1.0)	1.2
Employer contributions		–	1.1	1.1	–	1.1
Employee contributions		(0.3)	0.3	–	–	–
Benefits and administration expenses paid		2.2	(2.3)	(0.1)	–	(0.1)
Currency translation		1.4	(1.8)	(0.4)	0.2	(0.2)
At 31 December 2018		(86.2)	92.8	6.6	(6.6)	–

The Canadian and one of the locations of the UK pension plans have accounting surpluses that are not recognised since future economic benefits are not available to the Group either as a cash refund or as a reduction in contributions. The Company has agreed a schedule of additional contributions amounting to €0.2 million to improve the funding position of one of the UK pension plan locations which is payable by the Company in the next 12 months ended 31 December 2020.

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27. Retirement Benefit Obligations continued

c. US healthcare and other post-employment liabilities

Movements in net defined benefit obligations	Notes	Other post-employment liabilities				Total €m
		Present value of obligation €m	Fair value of plan assets €m	Total €m	US healthcare €m	
At 1 January 2019		(83.4)	25.1	(58.3)	(33.1)	(91.4)
Current service cost	27.2b	(6.9)	–	(6.9)	–	(6.9)
Net interest (expense)/income		(1.8)	0.6	(1.2)	(1.3)	(2.5)
Re-measurements	27.2c	(6.6)	(0.1)	(6.7)	(1.9)	(8.6)
Employer contributions		–	2.9	2.9	–	2.9
Employee contributions		(0.1)	0.1	–	–	–
Benefits paid		6.9	(3.8)	3.1	3.0	6.1
Settlements		0.2	–	0.2	–	0.2
Currency translation		(0.3)	(0.3)	(0.6)	(0.7)	(1.3)
At 31 December 2019		(92.0)	24.5	(67.5)	(34.0)	(101.5)

Movements in net defined benefit obligations	Notes	Other post-employment liabilities				Total €m
		Present value of obligation €m	Fair value of plan assets €m	Total €m	US healthcare €m	
At 1 January 2018		(81.3)	22.8	(58.5)	(42.4)	(100.9)
Current service cost	27.2b	(5.9)	–	(5.9)	–	(5.9)
Past service cost	27.2b	–	–	–	–	–
Net interest (expense)/income		(1.7)	0.5	(1.2)	(1.3)	(2.5)
Re-measurements	27.2c	(0.4)	(0.1)	(0.5)	9.0	8.5
Employer contributions		–	3.5	3.5	–	3.5
Benefits paid		5.0	(1.7)	3.3	3.2	6.5
Currency translation		0.9	0.1	1.0	(1.6)	(0.6)
At 31 December 2018		(83.4)	25.1	(58.3)	(33.1)	(91.4)

d. Other post-employment liabilities

	2019 €m	2018 €m
Unfunded German pension plans	26.1	24.6
Statutory retiring indemnities in France, Italy and Korea	20.1	17.0
Long service awards in Germany and Poland	11.2	9.4
Retirement plans in Belgium	2.7	1.3
Unfunded arrangements under the US and UK pension plans	1.6	1.5
Other liabilities	5.8	4.5
Total other post-employment liabilities at 31 December	67.5	58.3

27. Retirement Benefit Obligations continued

27.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

US Pensions	2019	2018
Discount rate	3.20%	4.20%
Mortality assumptions: life expectancy from age 65		
<i>Retiring at the end of the current reporting year:</i>		
Males	22	22
Females	23	23
<i>Retiring 20 years after the end of the current reporting year:</i>		
Males	23	23
Females	24	24

For US Pensions, assumptions with regard to life expectancies from retirement at age 65 are based on Pri-2012 collar- and gender-specific mortality tables, adjusted and generationally projected by a modified MP-2019 improvement scale.

Other pensions	2019	2018
Discount rate	2.25%	3.00%
Inflation rate	2.84%	2.90%
Salary increases	2.96%	3.02%
Benefit increases	3.10%	2.32%
Mortality assumptions for other pensions: life expectancy from age 65		
<i>Retiring at the end of the current reporting year:</i>		
Males	22	22
Females	24	24
<i>Retiring 20 years after the end of the current reporting year:</i>		
Males	22	23
Females	25	25

US healthcare	2019	2018
Discount rate	3.05%	4.10%
Healthcare cost trend: Initial rate	6.50%	6.75%

Other post-employment liabilities	2019	2018
Discount rate	1.45%	2.15%
Inflation rate	1.30%	1.39%
Salary increases	2.85%	2.63%
Benefit increases	1.95%	1.95%

Changes in the principal assumptions would decrease/(increase) the total defined benefit obligation (DBO) as follows:

	Change in assumption	2019		2018	
		Increase €m	Decrease €m	Decrease €m	Increase €m
Decrease/(increase) in DBO					
Discount rate	0.5%	29.5	(34.7)	26.8	(30.9)
Inflation rate	0.5%	(8.7)	9.7	(6.6)	6.4
Salary growth rate	0.5%	(3.3)	3.1	(2.6)	2.4
Life expectancy	1 year	(15.7)	15.2	(12.9)	12.9
Healthcare cost trend: Initial rate	0.5%	(1.4)	1.3	(1.3)	1.2

Notes to the Group Financial Statements

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27. Retirement Benefit Obligations continued

The sensitivity analysis above illustrates the change in each major assumption whilst holding all others constant. The methods of calculating the defined benefit obligation for this purpose are the same as used for calculating the end of year position.

27.6. Pension Plans – Risk Analysis

Asset volatility	Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets were to underperform this yield, this would create a deficit. All the funded plans hold a proportion of equities, which are expected to outperform bonds in the long term, but which are also likely to experience greater price volatility and therefore risk in the short term. As plans mature, the Group's strategy is to reduce the level of investment risk by investing more in assets whose risk profile is a better match for the liabilities.
Changes in bond yields	A decrease in bond yields has the effect of increasing plan liabilities, although this is partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The Group's pension obligations in Canada, the UK and Germany are inflation linked. Caps on the level of inflationary increases are in place to protect the plans against above normal inflation. The US pension obligations are not inflation indexed. The majority of the plan assets are not directly inflation indexed, meaning that an increase in inflation will tend to increase the deficit.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities.

The investments of the funded plans are managed within an asset-liability matching framework that has been developed to achieve long-term investments that align with the obligations of the plans. One objective is to match assets to the pension obligations by investing in annuities and long-term fixed interest securities with maturities that match the benefit payments as they fall due in the appropriate currency. The plans actively monitor how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. The processes used to manage the risks have not changed from previous years.

Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consist of bonds and equities, although the plans also hold investment funds and liability driven investments. Equities have been shown to offer the best returns over the long term with an acceptable level of risk.

28. Provisions

Movements in provisions are as follows:

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2019	18.4	4.4	6.1	28.9
Provisions made during the year	14.3	9.0	–	23.3
Provisions used during the year	(17.3)	(8.5)	(0.4)	(26.2)
Provisions reversed during the year	(1.6)	–	(0.4)	(2.0)
Utilisation of discount	–	0.2	–	–
Currency translation	0.1	–	–	0.1
At 31 December 2019	13.9	5.1	5.3	24.3

28. Provisions continued

Total provisions

	2019 €m	2018 €m
Non-current	5.0	4.9
Current	19.3	24.0
Total provisions	24.3	28.9

Product warranty

The majority of product warranty provisions relate to specific customer issues, and are based upon open negotiations and past customer claims experience. Utilisation of €10.3 million of the warranty provision is anticipated during 2020, with a further €3.6 million in 2021.

Restructuring

Restructuring provisions comprise planned headcount reductions and similar costs of balancing production capacity with market requirements. The provision at 31 December 2019 relates to certain of the Group's facilities in Germany and is expected to be utilised in 2020.

Other provisions

Other provisions at 31 December 2019 comprise provisions for disputed claims for indirect taxes totalling €1.2 million (2018: €1.4 million) and asset retirement obligations totalling €4.2 million (2018: €4.8 million). Asset retirement obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2020 to 2024. The indirect tax provisions are expected to be utilised over the next 5 years.

29. Cash Generated from Operations

	2019 €m	2018 €m
Profit for the year	144.6	140.1
Income tax expense before exceptional items	57.1	77.0
Profit before income tax	201.7	217.1
Adjustments for:		
Depreciation, amortisation and impairment charges	229.9	197.1
Loss on disposal of PP&E and intangible assets	1.6	0.6
Share option cost	1.4	4.0
Net finance expense	57.5	64.5
Unremitted share of profit from associates	0.2	(0.3)
Net foreign exchange gains	(0.5)	(1.2)
Changes in working capital:		
– Inventories	(10.8)	(21.7)
– Trade and other receivables	(0.4)	17.4
– Trade and other payables	13.9	(23.2)
Change in provisions	(4.9)	0.5
Change in retirement benefit obligations	(12.4)	(5.2)
Total	477.2	449.6

30. Commitments and Contingencies

Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the year but not yet incurred is as below:

	2019 €m	2018 €m
Intangible assets	7.3	7.9
Property, plant and equipment	46.9	55.4
Total	54.2	63.3

Notes to the Group Financial Statements

continued

30. Commitments and Contingencies continued

30.1. Operating Lease Commitments

a. The Group as lessor

Property that is surplus to the Group's requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December 2019 was €0.4 million (2018: €0.2 million). During the year, a total of €0.6 million of rental income was recognised in the Income Statement (2018: €0.6 million).

b. The Group as lessee

As explained in note 1.1.3.1 above, the Group has changed its accounting policy for leases and adopted IFRS 16 'Leases' in the year. The Group is committed to €7.2 million of leases, not yet commenced as at 31 December 2019.

The future aggregate minimum rentals payable under non-cancellable operating leases at 31 December 2018, prior to application of IFRS 16, were as follows:

	2018 €m
Less than one year	35.2
Between one year and five years	82.7
After five years	40.0
Total	157.9

Total operating lease payments recognised as an expense in 2018 was €46.6 million. Onerous lease provisions were not recognised in respect of non-cancellable operating leases at 31 December 2018.

30.2. Purchase Commitments

As part of its normal business practices, the Group enters into contracts with suppliers for purchases of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. These purchase commitments are off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Group.

The table below summarises the contractual purchase commitments as at the end of the year:

	2019 €m	2018 €m
Less than one year	29.3	38.0
Between one year and five years	13.6	5.5
After five years	5.0	0.2
Total	47.9	43.7

Contingencies

The Group has contingent liabilities relating to legal and tax proceedings arising in the normal course of business.

Management reviewed known claims and litigation involving the Company and its subsidiaries at the end of the year. Based on the advice of legal counsel, appropriate provisions have been made to cover the related risks. While the outcome of any proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Group's financial position.

31. Auditors' Remuneration

Services provided by the Company's Auditor and its associates

During the year, the Group obtained the following services from PricewaterhouseCoopers LLP, the Company's Auditor:

	2019 €m	2018 €m
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements	1.6	1.6
Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries	0.6	0.7
Tax compliance and advisory services	0.2	–
All other services	0.1	0.1
Total	2.5	2.4

All other services of €0.1 million relate to non-audit procedures.

32. Related Party Transactions and Controlling Parties

32.1. Transactions with Affiliates of the Funds managed by Bain Capital

The 'funds managed by Bain Capital' represent affiliates of and funds advised by Bain Capital LLC.

During the year, the Group procured products and materials totalling €0.2 million (2018: €0.3 million) from companies in which the funds managed by Bain Capital, the Group's ultimate controlling party since 30 June 2015, had investment interests. These transactions were completed on the basis of normal commercial terms.

The Group does not incur management charges from Bain Capital LLC.

32.2. Transactions with Group Companies

Balances and transactions between Group companies have been eliminated on consolidation, and are not disclosed in this note except for subsidiaries that are not wholly owned. Transactions with those companies are made on the Group's standard terms of trade.

The Group holds 73% of the shares in Hanil Tube Corporation ('Hanil') which is located in South Korea. At 31 December 2019, Hanil had trade and loan receivables net of payables from other Group undertakings amounting to €25.6 million (2018: €23.6 million) and made sales within the Group during the year of €7.3 million (2018: €7.6 million).

The Group holds 97% of the shares in Bundy India Ltd. At 31 December 2019, Bundy India Ltd had trade and loan payables net of receivables to other Group undertakings amounting to €6.1 million (2018: €7.2 million) and made sales within the Group during the year of €8.4 million (2018: €9.8 million).

Ultimate controlling party

The funds managed by Bain Capital, via BC Omega Holdco Ltd, have been the Company's ultimate controlling party since its incorporation.

32.3. Transactions with Associates

	2019 €m	2018 €m
Amounts owed to associates	1.3	1.9
Purchases from associates in the year	10.5	13.7

Transactions with related parties other than subsidiaries are attributable solely to the ordinary business activities of the respective company and were conducted on an arm's-length basis.

Company Financial Statements
Company Balance Sheet
 At 31 December

	Notes	2019 €m	2018 €m
Non-current assets			
Investments in subsidiaries	4	904.8	903.4
		904.8	903.4
Current assets			
Loans due from related parties	5	17.4	17.0
Cash and cash equivalents		0.1	4.2
		17.5	21.2
Total assets		922.3	924.6
Equity			
Share capital	6	6.8	6.8
Share premium	6	2.2	1.4
Accumulated profits		864.0	884.6
Total equity		873.0	892.8
Current liabilities			
Trade and other payables	7	0.7	1.7
Loans due to related parties	8	48.6	30.1
		49.3	31.8
Total liabilities		49.3	31.8
Total equity and liabilities		922.3	924.6

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €26.7 million (2018: €17.2 million profit).

The financial statements were authorised for issue by the Board of Directors on 16 March 2020 and were signed on its behalf by:

William L. Kozyra
 Chief Executive Officer and President

Ronald Hundzinski
 Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2019	6.8	1.4	884.6	892.8
Profit for the year	–	–	26.7	26.7
Share option cost	–	–	1.4	1.4
Net employee tax settlement from vested shares	–	–	(2.1)	(2.1)
Capital reduction	–	–	–	–
Dividend paid	–	–	(46.6)	(46.6)
Share capital raised on initial public offering	–	–	–	–
Shares issued to directors and certain employees	–	0.8	–	0.8
Share capital issuance costs	–	–	–	–
Balance at 31 December 2019	6.8	2.2	864.0	873.0

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2018	6.8	404.3	483.0	894.1
Profit for the year	–	–	17.2	17.2
Share option cost	–	–	2.6	2.6
Capital reduction	–	(404.3)	404.3	–
Dividend paid	–	–	(22.5)	(22.5)
Shares issued to certain employees	–	1.4	–	1.4
Balance at 31 December 2018	6.8	1.4	884.6	892.8

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Company Statement of Cash Flows

For the year ended 31 December

	Notes	2019 €m	2018 €m
Cash flows from operating activities			
Cash (used by)/generated from operations	9	26.8	16.1
Net cash (used by)/generated from operating activities			
Cash flows from financing activities			
Dividends paid		(46.6)	(22.5)
Net borrowings from subsidiary undertakings		15.7	1.2
Net cash used by financing activities			
Decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		4.2	9.7
Currency translation on cash and cash equivalents		-	(0.3)
Cash and cash equivalents at the end of the year			
		0.1	4.2

1. Summary of Significant Accounting Policies

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

1.1. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, the UK Companies Act 2006 applicable to companies reporting under IFRS, and International Financial Reporting Interpretations Committee ('IFRS IC') interpretations issued and effective at the time of preparing these financial statements.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss ('FVTPL').

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates.

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.1.2. Functional and Presentation Currency

These financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

There are no amendments to standards or new standards where adoption by the Company for the first time has had a material impact on the Company's financial statements for the financial reporting year beginning 1 January 2019.

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2020, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the Company's financial statements. These are discussed further in the consolidated financial statements.

1.2. Foreign Currencies

Transactions in foreign currencies are converted to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction.

All transactional foreign currency differences are included in the Income Statement.

The average and year-end exchange rates for the Company's principal currencies are disclosed in the consolidated financial statements.

1.3. Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are recorded in the Company's Balance Sheet at cost. The investments are subject to a periodic impairment review, with any resulting diminution of the carrying value recognised in the Income Statement.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

Notes to the Company Financial Statements

continued

1. Summary of Significant Accounting Policies continued

1.4. Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL') are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

1.4.1. Financial Assets

Financial assets are classified into 'financial assets at amortised cost' and 'financial assets at FVTPL'. The classification is determined at the time of initial recognition and depends on the Company's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships.

Assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Company's assets at amortised cost comprise 'loans due from related parties' and 'cash and cash equivalents'.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For loans due from related parties, the Company recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'.

For all other financial instruments, the Company recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

1.4.2. Financial Liabilities

Financial liabilities are classified as either 'financial liabilities at amortised cost' or 'financial liabilities at FVTPL'. Financial liabilities are recognised initially on the date at which the Company becomes party to the contractual provisions of the instrument.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when they are so designated or held for trading, including derivatives that are not designated as hedging instruments.

Financial Liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest. Liabilities at amortised cost, including 'loans due to related parties' and trade and other payables, are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all fees, transaction costs and premiums) through the expected life of the financial liability, to the net carrying amount on initial recognition.

1.5. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1.6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

1.7. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognised in equity as a deduction, net of any tax effects from the proceeds.

1. Summary of Significant Accounting Policies continued

1.8. Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

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

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.9. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Company. These may include the costs of closure of locations or significant headcount reduction, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt refinancing costs, impairment charges and the recognition of previously derecognised deferred tax assets.

1.10. Dividends

Receivable

Dividends from investments of the Company and dividends receivable by the Company are recognised when the right to receive payment is established.

Payable

Dividends payable to the Company's shareholders are recognised in the Statement of Changes in Equity in the period in which they are approved.

2. Income Statement

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €26.7 million (2018: €17.2 million profit).

3. Directors' Remuneration

The Company has no employees. Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director costs of €0.8 million (2018: €0.7 million) have been borne by the Company, all other costs have been met by other subsidiaries of the Group.

Notes to the Company Financial Statements

continued

4. Investments in Subsidiaries

	2019 €m	2018 €m
At 1 January	903.4	899.4
Share-based cost	1.4	4.0
At 31 December	904.8	903.4

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. No impairments have been recorded.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
Americas				
TI Group Automotive Systems LLC*	US	100%	100%	2020 Taylor Road, Auburn Hills, MI 48326
TI Automotive LLC*	US	100%	100%	2020 Taylor Road, Auburn Hills, MI 48326
Hanil USA LLC*	US	100%	100%	50 Hanil Drive, Tallassee, Alabama, 36078
Hutchings International Enterprises Inc. (Dormant)	US	100%	100%	2020 Taylor Road, Auburn Hills, MI 48326
Omega Newco Sub Inc.*	US	100%	100%	1209 Orange Street, City of Wilmington, New Castle 19801
TI Automotive Ligonier Corporation*	US	100%	100%	925 North Main Street, Ligonier, IN 46767
TI Automotive Canada Inc.*	Canada	100%	100%	316 Orenda Road, Bramalea, Ontario, Canada, L6T 1G3
TI Group Automotive Systems S de RL de CV	Mexico	100%	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI Automotive Reynosa S de RL de CV	Mexico	100%	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI-Hanil Mexico S de RL de CV	Mexico	100%	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
Fabricaciones Electromecanicas SA de CV (Dormant)	Mexico	100%	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
Marwal de Mexico SA de CV	Mexico	100%	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
TI Brasil Industria e Comercio Ltda	Brazil	100%	100%	Rodovia Presidente Dutra, Km 145,7 Sao Jose dos Campos, SP-Brasil CEP 12220-611
Bundy Colombia ASA	Colombia	100%	100%	Carrera 13A No 6-98 Parque Industrial Montana, Mosquero, Cundinamarca, 34225
TI Automotive Argentina SA	Argentina	100%	100%	Uruguay 4351, Victoria, San Fernando, Buenos Aires, Argentina, B1644 HKO
Europe and Africa				
Omega Acquisition Bidco Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco II Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Omega Newco Sub I Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
Omega Newco Sub II Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TIFS Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Euro Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive USA Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Deeside) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (UK) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Canada Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive (China) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Czech Holdings (UK) Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive German Holdings (UK) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Hanil Tube Holdings Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Finance plc (Dormant)**	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Nominees Ltd (Dormant)**	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Pension Plan Trustee Ltd (Dormant)**	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Belgium) SA*	Belgium	100%	100%	Rue Wérihet 61, B-4020 Wandre (Liège)
TI Automotive AC sro	Czech Republic	100%	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Group Automotive Systems sro	Czech Republic	100%	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Automotive France Holdings SAS	France	100%	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Automotive Fuel Systems SAS	France	100%	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Group Automotive Systems SAS	France	100%	100%	Z.I. Bld de l'industrie 37530 Nazelles-Negrin, France
TI Automotive Holdings GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive (Ettlingen) GmbH*	Germany	100%	100%	Hertzstrasse 24-30, 76275 Ettlingen

Notes to the Company Financial Statements

continued

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
TI Automotive (Fuldabruck) GmbH*	Germany	100%	100%	Industriestrasse 3, 34277 Fuldabruck
TI Automotive (Heidelberg) GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Systems Germany GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Engineering Centre (Heidelberg) GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Technology Center GmbH*	Germany	100%	100%	Lochfeldstraße 31, 76437 Rastatt
TI Automotive (Hungary) Kft	Hungary	100%	100%	H-9027, Győr, Körtefa utca, 6.ép
TI Automotive Italia Holdings Srl	Italy	100%	100%	Via Mosè Bianchi, 71-20149 Milano
TI Automotive Cisliano Srl	Italy	100%	100%	Via Abbiategrasso, 20080 Cisliano (MI)
TI Automotive Brindisi Srl	Italy	100%	100%	Via Pinan, 2-16012 Busalla (GE)
TI Group Automotive Systems SpA	Italy	100%	100%	Via Pinan, 2-16012 Busalla (GE)
TI Poland sp.zo.o*	Poland	100%	100%	Bestwin'ska 143 a, Bielsko-Biala, 43-346, Poland
LLC TI Automotive	Russia	100%	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
Hanil RUS LLC	Russia	100%	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
TI-Hanil Slovakia s.r.o.	Slovakia	100%	100%	Podzavoz 995, 02201 Cadca
TI Automotive Slovakia s.r.o	Slovakia	100%	100%	Prilohy 46, Zavar, Slovakia, 91926
TI Automotive proizvodnja avtomobilskih delov, d.o.o.	Slovenia	100%	100%	Belokranjska cesta 4, 8000 Novo mesto
TI Automotive Morocco Sarl	Morocco	100%	100%	Zone Franche D'Exportation, llot 62, lot 2, PL1, 90090, Tangier, Morocco
TI Automotive Thermal Morocco Sarl	Morocco	100%	100%	Tangier Automotive City, Lot 111 -11bis, Tangier, Morocco
TI Group Automotive Systems (South Africa) (Pty) Ltd	South Africa	100%	100%	62 Palmgate Crescent, Southgate Business Park, Umbogintwini, 4026, South Africa
TI Automotive Fuel Systems (South Africa) (Pty) Ltd	South Africa	100%	100%	Unit AW8, Automotive Supplier Park, East London IDZ, West Bank, East London
TI Automotive Pamplona SL	Spain	100%	100%	Polígono Industrial Comarca 1, calle E, s/n. 31195 Berrioplano (Navarra), Spain
TI Group Automotive Systems SA	Spain	100%	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems Spain Holdings S.L.	Spain	100%	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems AB	Sweden	100%	100%	PO Box 904, 531 19 Lidköping, Sweden
TI Otomotiv Sanayi ve Ticaret Ltd	Turkey	100%	100%	Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa
Asia Pacific				
Bundy Fluid Systems Co Ltd	China	100%	100%	No. 57 Longhai Road ETDZ, Qinhuangdao City

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
Bundy Fluid Systems (Chongqing) Co Ltd	China	100%	100%	Building C1, Zone C, Number 5 Workshop, Standard Workshop Project Phase 1, Huachao Industrial Park, Cuiyun Road, Northern New District, Chongqing
Bundy Fluid Systems (Shanghai) Co Ltd	China	100%	100%	34 Bundy Workshop, 409 Hua Jing Road, Waigaoqiao FTZ, Shanghai
TI Automotive (Tianjin) Co Ltd	China	100%	100%	No.6 Xiang'an Road, TEDA Tianjin
TI Automotive Systems (Changchun) Co Ltd	China	100%	100%	2599 Zi Bo Rd., Economic Technological Development Zone, Changchun
TI Automotive Systems (Hainan) Co Ltd	China	100%	100%	No 3 Workshop, American Industry Park, No 100 Nanhai Avenue, Haikou City
TI Automotive Systems (Shanghai) Co Ltd	China	100%	100%	Bld 1, Bld 2, No 100 Yin Long Road, Jiading District, Shanghai
Wuhan Bundy Fluid Systems Co Ltd	China	100%	100%	Wuhan Economic & Technological Development Zone
TI Automotive (Hong Kong) Holdings Ltd	Hong Kong	100%	100%	Suite 1B, 8/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
Bundy India Ltd	India	97%	97%	Plot 2 GIDC Industrial Estate, Makarpura, Baroda, 390010, India
Hanil Tube India Private Ltd	India	100%	100%	B-75, SIPCOT Industrial Area, Chennai 600-058, Tamil Nadu
PT TI Automotive Indonesia	Indonesia	100%	100%	Jl. Cempaka Raya km.37, Jatimulya, Bekasi, Tambun Selatan, Jawa Barat
TI Automotive Japan Ltd	Japan	100%	100%	3-29-1 Tsuruya-Cho, Kanagawa-ku, Yokohama-city, Kanagawa Pref, Japan, 221-0835
Hanil Tube Corporation	South Korea	73%	73%	17, Wonjeon-ro, Seo-gu, Incheon, Korea 22744
TI Automotive Ltd (Korea)	South Korea	100%	100%	708, Baeksuk-Dong, Cheonan City, Chungnam, 330220
TI Automotive (Thailand) Ltd	Thailand	100%	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160
TI Automotive ROH (Thailand) Ltd	Thailand	100%	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160

* Companies identified by an asterisk, together with certain other smaller subsidiaries, are guarantors to the 2015 term loan agreements and unsecured senior notes of TI Group Automotive Systems LLC.

** Companies that are dormant in the UK and are exempt from preparing individual financial statements by virtue of section 394A of Companies Act 2006.

All companies above are incorporated and unless dormant, operate principally in the country indicated. All companies operate in the global automotive component supply sector. Omega Acquisition Bidco Ltd is the only immediate subsidiary of the Company.

Notes to the Company Financial Statements

continued

5. Loans Due from Related Parties

	2019 €m	2018 €m
Loans due from related parties	17.4	17.0

Loans due from a related party at 31 December 2019 comprised an amount drawn against Euro-denominated intercompany facility agreements from a subsidiary undertaking totalling €17.4 million (2018: €17.0 million). The loans are repayable in full on demand and bore interest at six-month EURIBOR plus a margin of 4.25% (2018: 4.15%) according to the agreed facility.

6. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2019	519,901,503	£0.01	5.2	6.8	1.4	8.2
Shares issued	367,638	£0.01	–	–	0.8	0.8
At 31 December 2019	520,269,141	£0.01	5.2	6.8	2.2	9.0

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2018	519,412,226	£0.01	5.2	6.8	404.3	411.1
Capital reduction	–	£0.01	–	–	(404.3)	(404.3)
Shares issued	489,277	£0.01	–	–	1.4	1.4
At 31 December 2018	519,901,503	£0.01	5.2	6.8	1.4	8.2

On 16 January 2018, the Company undertook a court-approved capital reduction, which had the effect of cancelling the share premium account of €404.3 million and increasing the balance on accumulated profits by the same amount.

On 1 December 2018, the Company issued 489,277 ordinary shares in relation to the vesting of RSU awards. See Note 7 Share-based Compensation for further information.

On 21 March 2019, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan. Further detail is outlined in the Remuneration report on page 73.

6. Issued Share Capital continued

During 2019, 513,165 shares (2018: 176,729 shares) were forfeited by Restricted Stock Award ('RSAs') holders and transferred to the TI Fluid Systems Employee Benefit Trust ('EBT'). The EBT subsequently issued 269,138 shares to satisfy Restricted Stock Units ('RSUs') vesting in the year. The closing balance of shares held by the EBT on 31 December 2019 was 420,756 (2018: 176,729). See Note 7 Share-based Compensation for further information.

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

7. Trade and Other Payables

	2019 €m	2018 €m
Other payables	–	1.1
Accrued expenses	0.7	0.6
Total trade and other payables	0.7	1.7

8. Loans Due to Related Parties

	2019 €m	2018 €m
Loans due to related parties	48.6	30.1

Loans due to related parties at 31 December 2019 comprised an amount drawn against a Euro-denominated intercompany facility agreement from a subsidiary undertaking totalling €48.6 million (2018: €30.1 million). The loan is repayable in full on demand and therefore has been classified as currently payable.

The loans bore interest at six-month EURIBOR plus a margin between 2.75% and 4.25% (2018: 2.75%).

9. Cash Generated from Operations

	2019 €m	2018 €m
Profit for the year	26.7	17.2
Adjustments for:		
Net interest income	0.3	0.1
Net foreign exchange losses	–	0.2
Changes in working capital:		
– Trade and other payables	(0.2)	(1.4)
Total	26.8	16.1

Profit for the year includes dividends received of €30.0 million (2018: €20.0 million)

10. Events After the Balance Sheet Date

There have been no events after the Balance Sheet date which require disclosure, or adjustment to the Company's year-end financial position.

Group Financial Record
Combined and Consolidated Income Statement
For the years ended 31 December

	Unaudited				
	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m
Revenue	3,411.1	3,472.8	3,490.9	3,348.6	3,095.2
Cost of sales	(2,922.7)	(2,938.2)	(2,928.5)	(2,801.1)	(2,580.2)
Gross profit	488.4	534.6	562.4	547.5	515.0
Distribution costs	(95.0)	(102.4)	(103.7)	(103.6)	(96.0)
Administrative expenses before exceptional items	(141.7)	(164.5)	(177.8)	(188.6)	(171.1)
<i>Exceptional items</i>	–	–	(40.2)	(23.2)	(27.7)
Administrative expenses after exceptional items	(141.7)	(164.5)	(218.0)	(211.8)	(198.8)
Other income	6.7	12.2	7.7	6.5	7.7
Net foreign exchange gains/(losses)	0.5	1.2	24.6	(2.0)	(72.1)
Operating profit	258.9	281.1	273.0	236.6	155.8
Finance income	15.0	14.3	11.2	10.1	8.3
Finance expense before exceptional items	(72.5)	(67.0)	(100.1)	(115.2)	(87.1)
<i>Exceptional items</i>	–	(11.8)	(26.4)	–	(23.8)
Finance expense after exceptional items	(72.5)	(78.8)	(126.5)	(115.2)	(110.9)
Net finance expense after exceptional items	(57.5)	(64.5)	(115.3)	(105.1)	(102.6)
Share of profit of associates	0.3	0.5	0.3	1.3	1.3
Profit before income tax	201.7	217.1	158.0	132.8	54.5
Income tax expense before exceptional items	(57.1)	(77.0)	(68.2)	(88.9)	(124.0)
<i>Exceptional items</i>	–	–	25.4	–	28.9
Income tax expense after exceptional items	(57.1)	(77.0)	(42.8)	(88.9)	(95.1)
Profit/(loss) for the year	144.6	140.1	115.2	43.9	(40.6)
Profit/(loss) for the year attributable to:					
Owners of the Parent Company	141.6	137.8	112.5	42.2	(43.7)
Non-controlling interests	3.0	2.3	2.7	1.7	3.1
	144.6	140.1	115.2	43.9	(40.6)

Group Financial Record
Combined and Consolidated Balance Sheet
 At 31 December

		Unaudited			
	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m
Non-current assets					
Intangible assets	1,182.2	1,229.8	1,273.9	1,412.8	1,345.8
Right-of-use assets	161.4	–	–	–	–
Property, plant and equipment	715.0	706.5	686.8	699.7	675.9
Investments in associates	19.2	19.6	19.2	19.4	18.2
Derivative financial instruments	–	5.4	8.3	28.4	24.2
Deferred income tax assets	25.1	34.9	51.0	69.9	130.0
Trade and other receivables	21.6	14.8	13.4	12.9	7.3
	2,124.5	2,011.0	2,052.6	2,243.1	2,201.4
Current assets					
Inventories	367.1	352.8	329.3	298.5	263.3
Trade and other receivables	574.5	578.3	588.3	613.1	527.9
Current income tax assets	13.7	4.4	8.2	9.6	4.4
Derivative financial instruments	18.4	8.5	5.3	6.1	4.5
Financial assets at fair value through profit and loss	0.9	1.2	2.9	2.9	2.8
Cash and cash equivalents	411.7	360.1	287.2	196.2	268.4
	1,386.3	1,305.3	1,221.2	1,126.4	1,071.3
Total assets	3,510.8	3,316.3	3,273.8	3,369.5	3,272.7
Equity					
Share capital	6.8	6.8	6.8	493.7	493.7
Share premium	2.2	1.4	404.3	–	–
Invested capital	–	–	–	–	–
Other reserves	(106.1)	(126.3)	(130.5)	(64.5)	(41.8)
Accumulated profits/(losses)	1,261.7	1,175.7	640.9	36.2	(10.8)
Equity attributable to owners of the Parent Company	1,164.6	1,057.6	921.5	465.4	441.1
Non-controlling interests	24.5	22.5	20.3	19.0	20.2
Total equity	1,189.1	1,080.1	941.8	484.4	461.3
Non-current liabilities					
Trade and other payables	12.3	17.1	17.6	12.1	7.1
Borrowings	1,148.5	1,179.3	1,178.2	1,695.8	1,657.3
Lease liabilities	138.0	–	–	–	–
Derivative financial instruments	–	45.3	72.4	19.2	26.0
Deferred income tax liabilities	128.5	141.6	159.8	221.5	230.5
Retirement benefit obligations	153.7	148.2	162.4	193.0	187.6
Provisions	5.0	4.9	5.5	7.2	6.9
	1,586.0	1,536.4	1,595.9	2,148.8	2,115.4
Current liabilities					
Trade and other payables	611.2	608.4	637.6	635.2	577.0
Current income tax liabilities	48.7	60.2	69.6	71.3	82.1
Borrowings	2.4	4.4	3.0	2.9	4.3
Lease liabilities	28.7	–	–	–	–
Derivative financial instruments	25.4	2.8	3.4	4.6	4.8
Provisions	19.3	24.0	22.5	22.3	27.8
	735.7	699.8	736.1	736.3	696.0
Total liabilities	2,321.7	2,236.2	2,332.0	2,885.1	2,811.4
Total equity and liabilities	3,510.8	3,316.3	3,273.8	3,369.5	3,272.7

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Group Financial Record
Combined and Consolidated Balance Sheet continued
At 31 December

The combined and consolidated financial record presents the financial results for those businesses that were part of the Group for the years ended 31 December 2015 to 31 December 2019 inclusive. The information is prepared on a combined and consolidated basis for the year ended 31 December 2015 which represents a departure from IFRS, which does not provide for the preparation of combined and consolidated financial information.

For the purposes of this financial record, the term ('Group') means prior to 22 January 2015, TIFS Holdings Ltd ('TIFSHL') and its consolidated subsidiaries and undertakings, from 23 January 2015 to 30 June 2015, the Company and its subsidiaries combined with the TIFSHL Group, and thereafter, the Company and its consolidated subsidiaries and undertakings. 22 January 2015 is the date of incorporation of the Company and its subsidiaries Omega Acquisition Bidco Ltd, Omega Newco Sub I Ltd and Omega Newco Sub II Ltd. TIFSHL was the previous Parent Company of the Group and was acquired by the Company on 30 June 2015, through its subsidiary Omega Acquisition Bidco Ltd, together with TIFSHL's consolidated subsidiaries and undertakings (the 'TIFSHL Group'). The assets and liabilities of the TIFSHL Group were adjusted to fair value as part of the business combination as at 30 June 2015, which impacts the Group's earnings after this date.

Shareholder information

Company registered number

09402231

Directors

[Manfred Wennemer](#)

Non-Executive Chairman

[William L. Kozyra](#)

Chief Executive Officer and President

[Ronald Hundzinski](#)

Chief Financial Officer

[Tim Cobbold](#)

Senior Independent Director

[Andrea Dunstan](#)

Independent Non-Executive Director

[Susan Levine](#)

Non-Executive Director

[Elaine Sarsynski](#)

Independent Non-Executive Director

[John Smith](#)

Independent Non-Executive Director

[Stephen Thomas](#)

Non-Executive Director

[Jeffrey Vanneste](#)

Independent Non-Executive Director

Company Secretary

Matthew Paroly

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Bankers

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Corporate calendar

Annual General Meeting

14 May 2020

Announcement of Interim Results

4 August 2020

Announcement of Final Results

March 2021

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Cautionary statement regarding forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of TI Fluid Systems plc (the 'Company'). The words 'believe', 'expect', 'anticipate', 'intend', 'estimate', 'forecast', 'project', 'will', 'may', 'should' and similar expressions identify forward-looking statements. Others can be identified from the context in which they are made. By their nature, forward-looking statements involve risks and uncertainties, and such forward-looking statements are made only as of the date of this Annual Report. Accordingly, no assurance can be given that the forward-looking statements will prove to be accurate and you are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty therein. Past performance of the Company cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

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