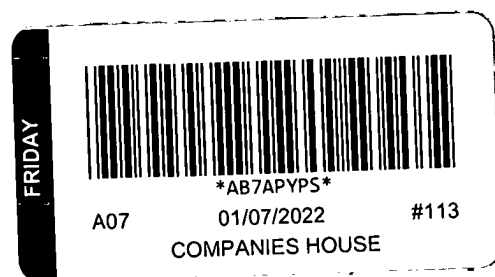


"AMENDED"

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

**FOR**

**CONTINENTAL AUTOMOTIVE TRADING UK  
LIMITED**



**CONTINENTAL AUTOMOTIVE TRADING UK LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**DIRECTORS:** P J Jennings  
P J Wagner

**SECRETARY:** Gravitas Company Secretarial Services Limited

**REGISTERED OFFICE:** 36 Gravelly Industrial Park  
Birmingham  
West Midlands  
B24 8TA

**REGISTERED NUMBER:** 00965702 (England and Wales)

**AUDITOR:** KPMG LLP  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

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**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Business overview**

The company continued to develop its core activities of being the regional sales organisation for the UK and Ireland selling the products and services that are either imported into the UK or produced in the UK. The sales are made across several different product areas, Commercial Vehicle fleet services, The Independent Aftermarket, Special Vehicle Electronics and Diagnostics & Services.

The sales are made across a number of different sales channels including OE, Parts distribution, specialist garage equipment distributors, Fleet and specialist partners.

The business is investing heavily into the development of Remote Vehicle Data and Diagnostic tools and this is expected to be a strong revenue generating business in the future.

**Strategy**

The strategy of the business can be split into 3 key areas the first is the Regional Sales Organisation (RSO). This part of the business is focussed on maximising the sales in the UK and Ireland for the products and services that come from our Commercial Vehicles and Services business unit. Where it supports these sales, we do local adaptations to these products and services to offer a full solution to our customers.

The second area is the Diagnostics and Services side of the business where we develop Diagnostic solutions for our OE and aftermarket customers. The strategy in this area of the business is to become a leading player in this business and growing sales in all major world markets. This strategy includes to continue an increase in investment in this area of the business, in particular in the development of new products and concepts.

The third part of our business is to be the sales contact for our other international business units where we sell to the UK car manufacturers and design teams.

Executive Board of Continental decided to fully spin off its powertrain business to Vitesco Technologies. The full separation of this business took place in 2021 and in 2020 we continued to give HR, Finance and IT support to Vitesco Technologies UK Ltd.

**Risk management**

There are a number of areas of risk that have been identified to our business and we take active measures to minimise these risks.

We minimise the risk of a reduction in sales to our business by having many different products and services and sell them to a large number of different customers. These customers are across the Automotive sector ranging from passenger car OE customers, Commercial vehicles, the Automotive Aftermarket and Engineering development services. This makes us less reliant on any one single customer and less reliant on one narrow market sector.

The risk of losing key personnel is managed via our HR development program that focuses on ensuring we can back fill the loss of any key person as well as ensuring each of these key people are offered development opportunities that retain them in our business.

Quality risks are minimised by operating within the Continental worldwide quality system and procedures. We limit our exposure to bad debt by keeping a close control of our customers credit limits and spreading this risk by having many different customers.

Some product areas are in growing markets and others are in declining markets. This is constantly under review and actions taken to ensure we are focussed on developing business in the markets that are growing, and as declining markets become unprofitable, we exit these markets. An example of this is the decline in sales of remanufactured tachographs which was once the main business in the UK.

We continue to see the negative effects of Brexit following the departure of the UK from the EU. This is effecting our sales and causing an additional administrative burden as well as increasing our costs. We are minimising the effect of leaving the EU by holding stock in the UK and stopping direct deliveries from the warehouse in Germany to the UK customers and delivering all orders via our UK warehouse.

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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In 2019 we started a restructuring program to close the production and R&D facility in Devizes and move the production of Emissions and Diagnostics tools to Birmingham. This gave us a lower cost base for the business and therefore make us less exposed to any downturn in sales. This was completed in April 2020. This did cause some supply issues as this closure was happening during the Covid 19 pandemic but these were managed by the team and resolved during Q3 2020.

**Health and safety**

We take health and safety very seriously within Continental and communicate a culture of zero accidents. We have a detailed induction program that covers health and safety and we record all accidents even if they are minor to ensure we learn from these incidents and put in place corrective actions.

**Business review**

The segment 3 (Tachograph and services business) sales were down by 18% in 2020 compared to 2019 with lower sales of our garage equipment and Tachograph products. The sales in Segment 3 were affected by the lockdown and the temporary relaxation of the tachograph regulations. The effect of the sales reduction was mitigated by using the Furlough scheme to help reduce our costs.

The SVE sales had a decline in sales of 24% compared to the 2019 level as many of our OE customers closed due to the pandemic. The IAM parts range of products was down 23% in 2020 compared to 2019 however this area still achieved sales of over £10 million. We have continued to have supply issues caused by capacity constraints at the production plants on Diesel injectors that continue into 2021 and hold back our sales in the IAM part of our business.

The Diagnostics and services product sales were 27% lower than 2019 with many garage customers closed and reluctant to make large capital investments. We also had some supply issues with the emissions and garage equipment that negatively affected our sales.

The Engineering solutions part of the Diagnostics and services business had a reduction of sales of 15% as many of our customers delayed projects and reduced their engineering spend. We were able to quickly reduce our costs and retain our profitability in this area by Furloughing a large number of our engineers while our customers were closed.

The reduction seen in 2020 is expected to be temporary with markets recovering in future years.

The investment in R&D in this area remains the main driver for the losses in 2020, this is a strategic decision made by the business unit in Headquarters in Germany to invest in this area for the future growth in Diagnostics and services. The investment in the diagnostics and services R&D is being funded by working capital and intercompany loans from our Continental cash pool.

**Business forecast**

We expect the SVE product area to recover in 2021 and 2022 but remain below the 2019 level as some business is being delivered and invoiced direct from Germany. We do have a good pipeline of potential business in our SVE area and therefore we expect to see a steady growth of this business over the long term.

The IAM sales are expected to remain stable and be a good contributor to our overall sales, we do however expect to continue to see supply issues on the Diesel injector through 2021 and 2022. The Segment 3 sales are expected to decline slightly in 2021 but looking ahead to 2022 to 2024 we expect to see an increase in sales as new services are launched in the market and the legislative requirements for a tachograph expand into lower weight vehicles

The Diagnostics business remained stable in 2021 and is expected to be on same level in 2022 but then grow with the launch of Remote Vehicle Data (RVD) and Sindri. The Engineering Solutions aspect of this business is expected to give stable profitable growth and continue to be a good cash generator for the UK business and forms part of the Continental strategy to become more of a service-oriented business. We will also see growth of the Engineering solutions business outside of the UK and while this will not have a direct impact on our UK sales, we will gain some additional sales for the UK part of these international contracts.

**Coronavirus Pandemic (COVID-19) and negative cash flow**

The Covid-19 pandemic started to affect the business in March 2020 and continued through 2021. The effect on the

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**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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business in the UK was a reduction in sales of 21% and this sales reduction was partly compensated by the reduction in costs from Furloughing employees in 2020.

The reduction in Engineering solutions compared to the budget in 2020 was significant however the reduction compared to 2019 was only around 15% showing that the effect of Covid-19 on this part of the business is minimal. The ES business is a service-based business where we are supplying people to complete projects and if there is a reduction compared to the budget we will also reduce, or not increase the headcount. The relatively low overheads for this business mean that even with a reduction in sales this area we can have a positive cash flow.

The effect of Covid-19 had a negative impact on the UK economy however we are expecting to see a recovery that will give us an increase in sales in 2021. It is not expected to be a full recovery in 2021 but expect sales will increase again in 2022 and over the next 5 years.

The largest effect on our cash flow comes from our expenditure on R&D and this expenditure combined with the recovery plan that we have in place for the Mannesmann pension scheme results in our need for additional cash funding from the Continental cash pool. The R&D expenditure is for the UK R&D and the R&D that is being undertaken for the development of the Sindri and Remote Vehicle Data (RVD) solutions. The cash flow forecast does not include the potential additional revenue that comes from these two products/services.

If the R&D was moved out of the UK and the Mannesmann pension recovery plan settled we would be a positive cash flow generating part of Continental's international business and this gives us a good level of confidence that we will continue to receive ongoing support from the Continental group.

The R&D costs are made up of the UK employee costs, data licences that are paid to 3rd party companies and R&D costs that are undertaken in low cost countries and charged to the UK. The plan over the next 18 months is to move more of the R&D roles to low cost countries and keep the UK as a centre of excellence for the Diagnostic content data. The costs are booked in the UK as the business segment (segment 2) only has an R&D outlet in the UK as most of their business is trading business, this will continue even with the R&D being done in low cost countries. The costs that are booked in the UK also mean that the IP that is generated is also in the UK and therefore the UK cash flow will be improved when we start making sales for RVD and Sindri.

This investment and the subsequent losses are supported by the segment and the business unit as an investment into these new product/service areas.

If there is a need to reduce or even stop taking money from the UK cash pool this could be done by a reduction in the spending on R&D by accelerating the moving of the development activity to low cost countries or suspending the development activity that is budgeted to cost 11.8 Million GBP in both 2021 and 2022.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Section 172 statement**

The Directors of the Company act in a way that considers and promotes the success of the company in line with the requirements of s172 of the Companies Act 2006. This is done in good faith, to benefit its members as a whole.

When making decisions, the Directors consider all stakeholders and the wider impacts of such decisions, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

The strategic report refers to the Directors discussions in relation to future strategy with businesses within the Group operating in areas of new technology, with a view to cooperating on new projects over the long term.

Satisfying customer requirements and maintaining the Company's reputation for quality and safety is the priority of the business. As the company manufactures safety critical products, there is a team of highly experienced expert quality

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**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

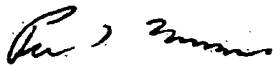
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engineers on site. The focus on Quality encompasses all aspects of production, from supplier through to customer. The Company is required to have a robust quality management system which is regularly audited by third party auditors, and the Company is certified to the ISO9001 quality standard, managing general business quality, also to the IATF16949 quality standard managing the quality of automotive lines within the business. The Directors consider the health, safety and wellbeing of employees to be extremely important and the Company employs a full time Health and Safety officer. The Company is certified to ISO 45001 in the area of Occupational Health and Safety.

Communication and consultation with employees or their representatives takes place on a regular basis, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and that employees are made aware of the financial and economic performance of the company. Communication takes place through face to face site briefings, and quarterly communication sessions where questions are encouraged and can be submitted anonymously as well as in an open forum.

The Company considers the impact it has on the environment, employs a full time Environmental Manager and has been certified to ISO 14001 in the area of environmental management, and ISO 50001 in the field of energy management.

**ON BEHALF OF THE BOARD:**



.....  
P J Jennings - Director

Date: .....29.06.2022.....

36 Gravelly Industrial Park  
Birmingham  
West Midlands  
B24 8TA

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**PROFIT, DIVIDENDS AND APPROPRIATIONS**

The results for the year are shown in the profit and loss account on page 12. The directors do not propose to pay a dividend in respect of the current financial year (2019: £Nil).

**DIRECTORS AND DIRECTORS' INTERESTS**

The Directors who held office during the year were as follows:

PJ Jennings

PJ Wagner

**POLITICAL DONATIONS**

The company made no political donations during the year (2019: £Nil).

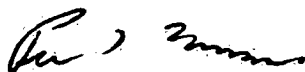
**DISCLOSURE OF INFORMATION TO AUDITOR**

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

**AUDITOR**

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will cease to hold office at the end of the accounting period. PwC LLP will be appointed in the next period.

**ON BEHALF OF THE BOARD:**



.....  
P J Jennings - Director

36 Gravelly Industrial Park  
Birmingham  
West Midlands  
B24 8TA

Date: .....29.06.2022.....

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,  
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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**Opinion**

We have audited the financial statements of Continental Automotive Trading UK Limited ("the Company") for the period ended 31 December 2020 which comprise the Profit and loss account and other comprehensive income, the Balance sheet, the Statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as impairment and pension assumptions; and
- the risk that the revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation of the Company-wide fraud risk management controls. We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Identifying sales transactions occurred at the cut-off period to assess that revenue is recognised at the right period.
- Identifying credit notes raised after the balance sheet date to assess the existence and accuracy of the revenue recognised in the year.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law and GDPR, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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**Strategic report and Directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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**The purpose of our audit work and to whom we owe our responsibilities**

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



**Julie Searle (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
United Kingdom  
B4 6GH

Date: 29 June 2022

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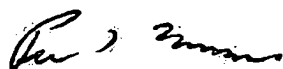
**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
<b>TURNOVER</b>	2	35,594	46,610
Cost of sales		<u>(33,498)</u>	<u>(37,688)</u>
<b>GROSS PROFIT</b>		2,096	8,922
Distribution costs		(602)	(722)
Administrative expenses		(16,467)	(17,461)
Other income		<u>1,814</u>	<u>2,952</u>
<b>OPERATING LOSS</b>		(13,159)	(6,309)
Interest payable and similar expenses	5	<u>(249)</u>	<u>(226)</u>
<b>LOSS BEFORE TAXATION</b>	6	(13,408)	(6,535)
Tax on loss	7	<u>2,433</u>	<u>2,828</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		(10,975)	(3,707)
Actuarial (loss)/gain relating to the pension scheme	15	57	(4,533)
Deferred income tax credit in OCI for period	7	<u>(11)</u>	<u>175</u>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		<u>46</u>	<u>(4,358)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><u>(10,929)</u></u>	<u><u>(8,065)</u></u>

**BALANCE SHEET**  
**31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
<b>FIXED ASSETS</b>			
Intangible assets	8	12,415	15,228
Tangible assets	9	<u>3,228</u>	<u>3,517</u>
		<u>15,643</u>	<u>18,745</u>
<b>CURRENT ASSETS</b>			
Stocks	10	2,883	3,000
Debtors	11	7,955	7,037
Cash at bank and in hand		<u>2</u>	<u>3</u>
		10,840	10,040
<b>CREDITORS</b>			
Amounts falling due within one year	12	(35,167)	(23,865)
Other provisions	14	<u>-</u>	<u>(300)</u>
		<u>(35,167)</u>	<u>(24,165)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(24,327)</u>	<u>(14,125)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(8,684)</u>	<u>4,620</u>
<b>NON-CURRENT LIABILITIES</b>			
Leasing liabilities	18	(2,322)	(2,739)
Deferred tax liability	13	-	-
Other provisions	14	(524)	(803)
Pension liability	15	(2,861)	(4,540)
		<u>(5,707)</u>	<u>(8,082)</u>
<b>NET LIABILITIES</b>		<u>(14,391)</u>	<u>(3,462)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	-	-
Retained earnings	17	(14,391)	(3,462)
<b>SHAREHOLDERS' DEFICIT</b>		<u>(14,391)</u>	<u>(3,462)</u>

The financial statements were approved by the Board of Directors on .....29.06.2022..... and were signed on its behalf by:



.....  
P J Jennings - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2019</b>	-	4,603	4,603
Total comprehensive loss for the period			
Loss for the year	-	(3,707)	(3,707)
Net actuarial loss	-	(4,358)	(4,358)
<b>Balance at 31 December 2019</b>	-	(3,462)	(3,462)
Total comprehensive loss for the period			
Loss for the year	-	(10,975)	(10,975)
Net actuarial income	-	46	46
<b>Balance at 31 December 2020</b>	-	(14,391)	(14,391)

**NOTES TO THE FINANCIAL STATEMENTS**

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**1. ACCOUNTING POLICIES****Basis of preparation**

Continental Automotive Trading UK Limited is a private company, limited by shares, incorporated, domiciled and registered in England UK. The company's registered number and registered office address can be found on the Company Information in the page 1.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework "FRS 101" and the Companies Act 2006. All amounts in the financial statements have been rounded to the nearest £1,000 unless otherwise stated.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Continental AG includes the Company in its consolidated financial statements. The consolidated financial statements of Continental AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Continental AG, Vahrenwalder Strasse 9, D-30165, Hanover, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of the compensation of the key management personnel;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible;
- The effects of new but not yet effective IFRSs;
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Continental AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

**Measurement convention**

The financial statements are prepared on the historical cost basis.

**Going concern**

Notwithstanding a loss of £10,929,000 for the year ended 31 December 2020 (2019: £8,065,000), net current liabilities of £24,327,000 (2019: £14,125,000) and net liabilities of £14,391,000 (2019: £3,462,000) the directors have prepared the financial statements on a going concern basis for the reasons set out below.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES - continued**

The Company acts as a regional sales organisation for different products produced by other Continental group entities, provides customised solutions services to customers in the UK and also carries out research activities aimed towards development of new products and concepts for pioneering technologies and services for sustainable and connected mobility of people and their goods for the Group's global customers. The Company is a member of the UK cash pooling facility managed by Continental UK Group Holdings Limited, whereby the cash balance of the Company is swept into an intercompany bank account on a daily basis. To the extent that working capital requirements arise, these are met through access to the cash pooling facility. As at the date of approval of the financial statements, the company is a net borrower from that facility.

The availability of existing amounts borrowed and any additional funding from that facility is dependent on group support from the ultimate parent company, Continental AG Group.

The directors have prepared base and sensitised cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. Those forecasts indicate that, in both base and severe but plausible downside scenarios, the Company will require additional funds from the cash pool facility.

Based on the Company's role in providing services to group's customers, the Directors are confident that such additional funding as is needed will be available to the company from its ultimate parent company, Continental AG Group, through the UK cash pool arrangement to meet its liabilities as they fall due for that period. The Director's medium-term strategy is to return the company to profitable, cash generative performance at which point the reliance on group will start to reduce. However, this target is dependent on the scale of the company's research and development cost in the future. This chosen strategy continued in the year 2021, however research and development cost remained high as the current development projects will not be finished in short term.

In preparing the forecasts the Directors have considered the following:

- The company has taken into account how best to mitigate any future or ongoing impact of Covid-19 or any other virus as part of its general business continuity planning. Specifically regarding Covid-19, measures have been taken to ensure where possible a Covid-19 safe environment is provided to staff, and key part has been enhancing flexibility in the ways the company works. The Company has introduced a "working from home with consideration of the business needs" policy. The vast majority of our staff are equipped with the capability to work remotely in line with Continental's worldwide policy of flexible and remote working, infrastructure to support this way of working is secure, in place, and designed for very high utilisation by staff around the world. The implementation of these measures along with the latest IT infrastructure and tools means that we believe remote working inefficiencies are minimised and operations protected as far as all contributing factors that are under our control. Flexible working was already a direction the company was on pre Covid-19 which now justifies the approach and planning was in the right direction. It is expected that specific customers and their demands to vary from initial expectations, as a result of the Covid-19. However, the overall demand for the Company's services in the three key areas of Tachograph, Independent Aftermarket, and Diagnostic and Services will continue to remain high, because the need to provide intelligent transport solutions for people, goods for aftermarket and fleets etc. continues to evolve. At the date of approval of these financial statements there is reduced uncertainty surrounding Covid-19 but the directors acknowledge that the issues connected to the Covid-19 pandemic still create significant difficulties in being able to forecast future trading and cash flows and that actual results achieved might be significantly different to management current expectations in the forecasts prepared to assess funding requirements and going concern. The impact of Covid-19 and business performance experienced during the year 2020 were replicated through the first 2 quarters in 2021 with a gradual recovery back to planned level. In particular the key area of Independent Aftermarket recovered during the second year-half. For 2022 to date the company is operating in line with planned levels and expects that this will continue also in the year 2023. Under this scenario, the Company will require additional funding from the ultimate parent company Continental AG.
  - As the Company's business is mainly Trading business the Directors do not expect the impact of current levels of the inflation hit the Company in full as we will amend our customer prices. On cost side our annual salary increase was 3-4% not 7%. Furthermore, the Russian attack to Ukraine is not having any direct or indirect impact on the company.
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES - continued**

The group headed by Continental AG has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Foreign currencies**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**Research and development**

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses

**Employee Benefits**

As set out in note 15, the quantification of the company's pension commitment relies on certain key assumptions. The sensitivity of the pension asset to changes in these assumptions is detailed in that note.

*Defined contribution plans*

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

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES - continued**

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The Company then calculates the current service cost for the remainder of the reporting period, post the amendment or curtailment, using the same actuarial assumptions as those used to remeasure the net defined benefit liability/(asset).

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

*Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Termination benefits*

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

**Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

**Turnover**

As per IFRS 15, revenue from the sale of goods and services is recognised in the income statement net of VAT and discounts. Revenue is recognised when: the significant risk and rewards of ownership have been transferred to the buyer; the amount of revenue and cost incurred can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the entity relinquishes control over the goods and services sold.

Service revenue for Extended Care fees for Emission testing units (DVSA & MTS approved for testing petrol and diesel engines) and for TIS-Web (legally compliant fleet management software for saving and archiving of vehicle and driver data) are generally deferred and recognised as revenue over the contractual period. The stage of completion for determining the amount of revenue to recognize is assessed based on contract periods (3-5 years). If the services are under a single arrangement in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling prices is determined based on the list prices at which the group sells the service in separate transaction.

**Related Party disclosure**

As the company is a wholly owned subsidiary of Continental Automotive Holdings UK Limited., 100% of the company's voting rights are controlled within the group headed by Continental AG, the company has taken advantage of the exemption and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Continental AG, within which this company is included, can be obtained from Vahrenwalder Strasse 9, 3000 Hanover 1, Germany.

**Financial instruments***Recognition and initial measurement*

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES – continued**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*Classification and subsequent measurement***Financial assets***(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

*(b) Subsequent measurement and gains and losses*

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES – continued**

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial liabilities and equity**

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares. Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*Intra-group financial instruments*

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**Impairment**

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

**Intangible assets, goodwill and negative goodwill***Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

*Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

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

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES – continued****Amortisation**

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- capitalised development costs            5 years
- goodwill                                            indefinite life

**Property, plant and equipment**

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- plant and equipment            3 - 10 years
- Network equipment            15 years

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

**Taxation**

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES – continued****Impairment of non-financial assets excluding stocks and deferred tax assets**

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Expenses***Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance expenses on shares classified as liabilities and finance expense on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

**Inventories and cost of sales**

Inventories are valued at the lower of cost, being the standard cost per unit as adjusted for applicable purchase price variances, or net realisable value, being the selling price less any further costs to sell.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES – continued**

Standard cost is based on weighted average, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Provision is made for obsolete, slow moving or defective items where appropriate. Inventory in excess of consumption in one to five years is reserved at a level of 50 per cent, inventory in excess of five years consumption is reserved at a level of 95 percent. For OES parts, inventories minus a 48 month consumption are reserved by 50%.

**Use of estimates and judgements**

The preparation of the financial statements in conformity with FRS101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 8: Impairment test of intangibles assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 15: Measurement of defined benefit obligations: key actuarial assumptions.

The management do not believe that there are any principal judgements employed in the preparation of these financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet date.

**Change in accounting policy**

The company has adopted the following IFRSs in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IAS 1 and IAS 8: Definition of Material.

The adoption of these standards, amendments and interpretations has not had a material impact on the financial statements of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. ACCOUNTING POLICIES - continued****IFRS 16 Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change of future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities on the balance sheet under current and non-current liabilities.

**Short-term leases and leases of low value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for the leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)****2. TURNOVER**

The Company operates in two sales channels, selling goods and services to Original Equipment Manufacturer and Aftermarket customers.

	2020 £'000	2019 £'000
Sale of goods	22,476	29,529
Sale of services	<u>13,118</u>	<u>17,081</u>
Total turnover	<u>35,594</u>	<u>46,610</u>

An analysis of turnover by geographical market is given below:

	2020 £'000	2019 £'000
United Kingdom	26,428	33,702
Europe	8,434	12,426
Rest of the world	<u>732</u>	<u>482</u>
Total turnover	<u>35,594</u>	<u>46,610</u>

**3. STAFF NUMBER AND COST**

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries (net of furlough)	8,294	9,215
Social security costs	836	937
Defined benefit pension costs	30	-
Contributions to defined contribution plans	<u>720</u>	<u>808</u>
	<u>9,880</u>	<u>10,960</u>

The average number of employees (including directors) during the year was as follows:

	2020	2019
Manufacturing	31	49
Selling	39	49
Other	<u>148</u>	<u>146</u>
	<u>218</u>	<u>244</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**4. DIRECTORS' REMUNERATION**

	2020	2019
	£000	£000
Directors' remuneration	147	140
Company contributions to money purchase pension plans	<u>27</u>	<u>37</u>
	<u>174</u>	<u>177</u>

The Directors' remuneration was paid by Continental Automotive Trading UK Limited (P J Jennings) and Continental AG (P J Wagner) a company incorporated in Germany, the ultimate parent of Continental Automotive Holdings UK Limited.

**5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£'000	£'000
Loan interest from group undertakings	136	172
Interest on leases (note 18)	40	47
Net interest on pension scheme assets	<u>73</u>	<u>7</u>
	249	226

Interest rates for Continental Holdings UK cash pool are 0.68% (2019: 1.22%) for debit and 0.43% (2019: 0.97%) for credit balances.

**6. LOSS BEFORE TAXATION**

	2020	2019
	£'000	£'000
Research and Development cost	13,831	11,507
Foreign exchange differences	42	86
Depreciation - owned assets	70	115
Depreciation - leased assets	682	625
Development costs amortisation	1,420	1,420
Disposal Development cost	1,393	-
Restructuring costs in provisions	-	300
Expenses relating to short-term leases	<u>76</u>	<u>100</u>
Auditor's remuneration - audit of these financial statements	38	42
Auditor's remuneration for other services	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7. TAXATION

	2020 £000	£000	2019 £000	£000
UK corporation tax				
Current tax on income for the period	(2,376)		(1,304)	
Adjustments in respect of prior periods	<u>(46)</u>		<u>(1,479)</u>	
Total current tax		(2,422)		(2,783)
Deferred tax (see note 13)				
Origination and reversal of temporary differences	(11)		(45)	
Effect of rate change on opening balance	-		-	
Prior year adjustments	<u>-</u>		<u>-</u>	
Tax on loss of ordinary activities		<u>(11)</u>		<u>(45)</u>
		<u>(2,433)</u>		<u>(2,828)</u>
Deferred tax recognised in other comprehensive income				
Deferred tax current year charge/(credit)	11		(175)	
Deferred tax prior year	<u>-</u>		<u>-</u>	
		<u>11</u>		<u>(175)</u>
		<u>(2,422)</u>		<u>(3,003)</u>

## Reconciliation of effective tax rate

	2020 £000	2019 £000
Loss for the year	(10,975)	(3,707)
Total tax income	<u>(2,433)</u>	<u>(2,828)</u>
Loss excluding taxation	<u>(13,408)</u>	<u>(6,535)</u>
Tax using the UK corporation tax rate of 19% (2019: 19%)	(2,547)	(1,242)
Non-deductible expenses	5	37
Non-deductible income	-	(152)
Prior year adjustment	(46)	(1,479)
Tax rate changes	-	46
Amounts not recognised	<u>155</u>	<u>(38)</u>
Tax on loss of ordinary activities	<u>(2,433)</u>	<u>(2,828)</u>

**Factors that may affect future, current and total tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Subsequently it was announced that the rate of 19% would continue to apply effective from 1 April 2020. This change was substantively enacted on 17 March 2020. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. INTANGIBLE FIXED ASSETS**

	Goodwill £'000	Development costs £'000	Totals £'000
<b>COST</b>			
At 1 January 2020	12,521	7,074	19,595
Disposal	<u>-</u>	<u>(7,074)</u>	<u>(7,074)</u>
At 31 December 2020	<u>12,521</u>	<u>-</u>	<u>12,521</u>
<b>AMORTISATION AND IMPAIRMENT</b>			
At 1 January 2020	106	4,261	4,367
Amortisation for year	-	1,420	1,420
Disposal	<u>-</u>	<u>(5,681)</u>	<u>(5,681)</u>
At 31 December 2020	<u>106</u>	<u>-</u>	<u>106</u>
<b>NET BOOK VALUE</b>			
At 31 December 2020	<u>12,415</u>	<u>-</u>	<u>12,415</u>
At 31 December 2019	<u>12,415</u>	<u>2,813</u>	<u>15,228</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****8. INTANGIBLE FIXED ASSETS - continued**

## Amortisation and impairment charge

The amortisation and impairment charge are recognised in the following line items in the profit and loss account:

	2020	2019
	£000	£000
Administrative expenses	<u>1,420</u>	<u>1,420</u>

## Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Company's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	2020	2019
	£000	£000
Diagnostics and Services units		
Goodwill	12,415	12,415
Development costs	<u>-</u>	<u>2,813</u>
	<u>12,415</u>	<u>15,228</u>

The recoverable amount of a cash generating units Engineering Solutions and the Aftermarket Diagnostic and Emission is determined based on its value in use, applying the discounted cash flow method.

<i>In percent</i>	2020	2019
Discount rate	10.70	9.11
Sales growth rate	5.0	5.0
Budgeted EBITDA margin (average of next five years)	25.0	20.0

Engineering Solutions and the Aftermarket Diagnostic and Emission are selling products and services to OE-Customers as well as on non-OE markets. The projected free cash flows are estimated on the basis of the business plans of the cash generating units approved by board. A planning horizon of five years was used for the impairment test. Revenue growth was projected taking into account the board approved business plans. Budgeted EBITDA is based on expectations of future sales and contribution margin taking into account past experience, adjusted anticipated revenue growth. The management believe that the margin on the Engineering Solutions side of the business will remain constant, as the cost pressures on the margin also effects our competitors and the alternative of having our contracted engineering solutions work brought in house. We operate with short term contracts (12 months) that enables us to adjust the pricing as we see any increase in costs. The estimate of value in use was determined using a pre-tax discount rate of 10.70% (2019: 9.11%) and a terminal value growth rate of 1.5% from 2025 (2019: 1.5%). Discount rate of 10.70% is Corporate rate for Automotive sector of the group.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately £884,000 (2019: £740,000). The increase is coming from business area Engineering Solutions where the outlook for coming 5 years is looking better than year before with new projects and new customers. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount

Change required  
for carrying amount to  
equal recoverable amount

<i>In percent</i>	2020	2019
Discount rate	0.6	0.3
Sales growth rate	2.5	-
Budgeted EBITDA margin (average of next five years)	(1.5)	(2.0)

**NOTES TO THE FINANCIAL STATEMENTS (continued)****9. TANGIBLE FIXED ASSETS**

	Buildings	Vehicles	Fixtures & fittings	Total
	£000	£000	£000	£000
<b>COST</b>				
At 1 January 2020	3,631	335	885	4,851
Additions	-	222	273	495
Remeasurement of right-of-use assets	<u>(32)</u>	<u>-</u>	<u>-</u>	<u>(32)</u>
Balance at 31 December 2020	<u>3,599</u>	<u>557</u>	<u>1,158</u>	<u>5,314</u>
<b>DEPRECIATION</b>				
At 1 January 2020	448	177	709	1,334
Charge for year	<u>478</u>	<u>204</u>	<u>70</u>	<u>752</u>
Balance at 31 December 2020	<u>926</u>	<u>381</u>	<u>779</u>	<u>2,086</u>
<b>NET BOOK VALUE</b>				
At 31 December 2020	<u>2,673</u>	<u>176</u>	<u>379</u>	<u>3,228</u>
At 31 December 2019	<u>3,183</u>	<u>158</u>	<u>176</u>	<u>3,517</u>

*Right-of-use assets*

Property, plant and equipment includes right-of-use assets with carrying amounts as follows:

	Buildings	Vehicles	Fixtures & fittings	Total
	£000	£000	£000	£000
<b>Right-of-use asset</b>				
At 31 December 2019	<u>3,183</u>	<u>158</u>	<u>-</u>	<u>3,341</u>
At 31 December 2020	<u>2,673</u>	<u>176</u>	<u>-</u>	<u>2,849</u>

**10. STOCKS**

	2020	2019
	£000	£000
Finished goods	<u>2,883</u>	<u>3,000</u>

Raw material, consumables and finished goods recognised as cost of sales in the year amounted to £18,561,820 (2019: £23,754,983)

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£'000	£'000
Trade debtors	5,945	4,985
Amounts owed by group undertakings	1,643	1,704
Other debtors	25	25
Prepayments and accrued income	<u>342</u>	<u>323</u>
	<u>7,955</u>	<u>7,037</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£'000	£'000
Trade creditors	1,679	1,631
Amounts owed to group undertakings	27,477	17,265
Other creditors	2,974	1,669
Lease liabilities	543	605
Accruals and Deferred income	<u>2,494</u>	<u>2,695</u>
	<u>35,167</u>	<u>23,865</u>

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is paid on intercompany cash pool balances monthly. No interest is paid on intercompany trading balances.

**13. DEFERRED TAX**

There is a deferred tax asset that has not been recognized on the defined benefit pension provision of £2,861,083 (2019: £3,135,864) and fixed assets of £834,349 (2019: £-1,829,160) and provisions of £551,080 (2019: £784,162) on the basis of there are no forecasted suitable taxable profits in foreseeable future from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000
Fixed assets	-	-	-	311	-	311
Short term timing differences	-	-	-	-	-	-
Provisions	-	(135)	-	-	-	(135)
Pensions	-	(176)	-	-	-	(176)
Tax (assets) / liabilities	-	(311)	-	311	-	-
Net of tax liabilities / (assets)	-	<u>311</u>	-	<u>(311)</u>	-	-
Net tax (assets) / liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Movement in deferred tax during the year

	1 January 2020	Prior year adjustment	Recognised in income	Recognised in equity	31 December 2020
	£000	£000	£000	£000	£000
Fixed assets	311	-	(311)	-	-
Provisions	(135)	-	135	-	-
Pensions	<u>(176)</u>	-	<u>165</u>	<u>11</u>	<u>-</u>
Tax (asset) liability	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>11</u>	<u>-</u>

Movement in deferred tax during the prior year

	1 January 2019	Prior year adjustment	Recognised in income	Recognised in equity	31 December 2019
	£000	£000	£000	£000	£000
Fixed assets	549	-	(238)	-	311
Short term timing differences	(68)	-	68	-	-
Provisions	(95)	-	(40)	-	(135)
Pensions	<u>(166)</u>	-	<u>165</u>	<u>(175)</u>	<u>(176)</u>
Tax (asset) liability	<u>220</u>	<u>-</u>	<u>(45)</u>	<u>(175)</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****14. OTHER PROVISIONS**

	Restructuring £000	Warranty £000	Dilapidation £000	Total £000
At beginning of year	300	143	660	1,103
Released during the period	(14)	(29)	(270)	(313)
Provisions made during the year	-	-	20	20
Utilised during the year	<u>(286)</u>	-	-	<u>(286)</u>
At end of year	<u>-</u>	<u>114</u>	<u>410</u>	<u>524</u>
Total current	-	-	-	-
Total non-current	<u>-</u>	<u>114</u>	<u>410</u>	<u>524</u>

Restructuring: A provision for restructuring of £14,000 was released and £286,000 was used for the severance cost of Devizes plant closure in 2020.

Warranty: The provision is established to recognise known and expected claims against delivered products or services within the contractual guarantee periods for such sale. The expenditure is expected to be mainly incurred over the next 2 years.

Dilapidation: This provision is in respect of reinstatement obligations relating to leasehold properties and will be utilised within 11 years

**15. EMPLOYEE BENEFIT OBLIGATIONS****Mannesmann UK Pension Scheme**

The Company participates in this scheme which provides benefits based on final pensionable pay.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown:

	2020 £'000	2019 £'000
Defined benefit asset	92,979	85,004
Total defined benefit liability	<u>(95,840)</u>	<u>(89,544)</u>
	<u>(2,861)</u>	<u>(4,540)</u>

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability/asset)	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At beginning of year	89,544	79,657	85,004	78,682	(4,540)	(975)
<b>Included in profit and loss</b>						
Past service cost	30	-	-	-	(30)	-
Current service cost	-	-	-	-	-	-
Curtailments	-	-	-	-	-	-
Interest cost/income	1,753	2,186	1,680	2,179	(73)	(7)
<b>Included in OCI</b>						
Remeasurements loss/(gain)	-	-	8,337	6,388	8,337	6,388
Actuarial loss/(gain) arising from:						
- Changes in demographic assumptions	355	(706)	-	-	(355)	706
- Changes in financial assumptions	9,434	10,619	-	-	(9,434)	(10,619)
- Experience adjustment	(1,509)	1,008	-	-	1,509	(1,008)

**NOTES TO THE FINANCIAL STATEMENTS (continued)****15. EMPLOYEE BENEFIT OBLIGATIONS – continued****Other**

Contributions paid by the employer and participants	-	-	1,725	975	1,725	975
Benefits paid	<u>(3,767)</u>	<u>(3,220)</u>	<u>(3,767)</u>	<u>(3,220)</u>	<u>-</u>	<u>-</u>
At end of year	<u>95,840</u>	<u>89,544</u>	<u>92,979</u>	<u>85,004</u>	<u>(2,861)</u>	<u>(4,540)</u>

The defined benefit pension asset is to be recovered from the return of funds once the pension plan has paid out all other benefit obligations.

**Plan assets**

	2020	2019
	£'000	£'000
Cash and cash equivalents	480	463
Equity instruments	93	94
Debt instruments e.g. Government bonds	39,113	34,870
Derivatives (interest rate swap)	9,941	7,343
Other Assets	27,046	26,568
Investment funds	<u>16,306</u>	<u>15,666</u>
	<u>92,979</u>	<u>85,004</u>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

**Actuarial assumptions**

At 31 December 2020, the methodology for calculating the RPI and CPI inflation assumptions has changed. The impact of the change in the adjustment applied when setting the RPI assumption (and the corresponding CPI assumption) is expected to be a c. £1.6m increase in the DBO.

The Company has proposed that RPI inflation continues to be set in line with market break even expectations with no adjustment for an inflation risk premium. Last year the actuary included a 0.2% deduction to allow for the uncertainty around RPI reform, but this year has removed this adjustment with the rationale that the RPI changes are already priced in.

	2020	2019
Discount rate at 31 December	1.25	2.00
Future pension increases	2.90	3.20
Price inflation	3.15	3.20

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements on longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Male	Female
- Current pensioner aged 65 years old	22.3	24.6
- Future retiree upon reaching 65 years old	23.6	26.0

**Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of an increase in the respective assumptions by 0.5 percent.

NOTES TO THE FINANCIAL STATEMENTS (continued)**15. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Discount rate	8,036	7,639
Future pension increases	4,084	3,763

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2019 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

**Funding**

Under the Scheme Funding regime introduced by the Pensions Act 2004, the Trustees are required to carry out regular scheme funding assessments and establish a schedule of contributions and a recovery plan when there is a shortfall in the scheme.

As part of the Scheme Funding Assessment as at 31 March 2013, a recovery plan was agreed between the Trustees and the Employer to meet the shortfall over the period ending 31 August 2025.

The contributions payable under this recovery plan was in 2020: £1,725,000 (2019: £975,000) per annum payable monthly.

The recovery plan and schedule of contributions was reviewed as part of the Scheme Funding Assessment as at 28 September 2020.

**Risks**

The defined benefit pension scheme exposes the employer to actuarial risks, such as longevity risk, interest rate risk, and inflation risk.

**1) Longevity risk**

The liabilities are very sensitive to unexpected changes in future mortality. If longevity increases at a faster pace than assumed, then the liabilities will increase at future calculations.

The longevity risk can be mitigated by securing benefits for members with insurance companies. There is also an established market in longevity solutions which may enable this risk to be managed to some degree in the future.

**2) Interest rate risk**

The Scheme's assets are invested in a range of asset classes, while IAS19 stipulates a discount rate purely related to corporate bond yields. Therefore, the liabilities and assets may react differently to changes in investment market conditions.

**3) Inflation risk**

Elements of the pensions in payment under the Scheme increase at an inflation-linked rate, albeit that there are caps applying to the indexation.

In addition, the rules of the Scheme require that some pensions are increased in the period up until payment commences in line with increases in inflation, again, up to a certain cap.

Given that the proportion of the investments allocated to asset classes with returns directly linked to inflation is small in the Scheme, there will not necessarily be a corresponding increase in asset values to match liability increases if future inflation is at rates higher than assumed for the purposes of these calculations.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****16. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2020	2019
			£	£
100	Ordinary	1	<u>100</u>	<u>100</u>
Authorised			2020	2019
20,000 ordinary shares of £1 each			£'000	£'000
			20	20

**17. RESERVES**

	Retained earnings £'000
At 1 January 2020	(3,462)
Total comprehensive loss	<u>(10,929)</u>
At 31 December 2020	<u>(14,391)</u>

**18. LEASES****Right-of-use assets**

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 9):

**Amounts recognised in profit or loss**

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2020	2019
	£000	£000
Interest expense on lease liabilities	40	47
Expenses relating to short-term leases	<u>76</u>	<u>100</u>
	<u>116</u>	<u>147</u>

	Land and buildings	Plant, machinery and vehicles	Fixtures and fittings	Total
Cost	£000	£000	£000	£000
Balance at 1 January 2020	3,631	335	-	3,966
Additions to right-of-use assets	-	222	-	222
Remeasurement of cost	<u>(32)</u>	<u>-</u>	<u>-</u>	<u>(32)</u>
Balance at 31 December 2020	<u>3,599</u>	<u>557</u>	<u>-</u>	<u>4,156</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****18. LEASES – continued**

	Land and buildings £000	Plant, machinery and vehicles £000	Fixtures and fittings £000	Total £000
<b>Depreciation</b>				
Balance at 1 January 2020	448	177	-	625
Depreciation charge	<u>478</u>	<u>204</u>	<u>-</u>	<u>682</u>
Balance at 31 December 2020	<u>926</u>	<u>381</u>	<u>-</u>	<u>1,307</u>
Carrying amounts				
At 1 January 2020	<u>3,183</u>	<u>158</u>	<u>-</u>	<u>3,341</u>
At 31 December 2020	<u>2,673</u>	<u>176</u>	<u>-</u>	<u>2,849</u>
<b>Lease liabilities</b>	<b>2020</b>	<b>2019</b>		
	<b>£000</b>	<b>£000</b>		
Current	543	605		
Non-current	<u>2,322</u>	<u>2,739</u>		
<b>Lease liabilities at 31 December</b>	<u><b>2,865</b></u>	<u><b>3,344</b></u>		

*Terms and debt repayment schedule*

	Currency	Nominal interest rate	Year of maturity	Face value 2020 £000	Carrying amount 2020 £000	Face value 2019 £000	Carrying amount 2019 £000
Lease liabilities	GBP	1,49 %	2020 -2029	<u>          </u>	<u>2,865</u>	<u>          </u>	<u>3,344</u>

The Company leases warehouse, office and factory facilities under operating leases.

**19. ULTIMATE CONTROLLING PARTY**

The Company is a subsidiary undertaking of Continental AG which is the ultimate parent company incorporated in Germany.

The largest and smallest group in which the results of the company are consolidated was that headed by Continental AG. Copies of the group accounts in which these results are consolidated can be obtained from Continental AG, Vahrenwalder Strasse 9, D-30165 Hannover, Germany

**20. POST BALANCE SHEET EVENTS**

The Covid-19 pandemic continues to cause a significant impact to the UK's economy; however, the Company has continued to be paid in full since the year end and there appears to be no immediate impact on trade debtors and cash receipts. The Company remains operational.