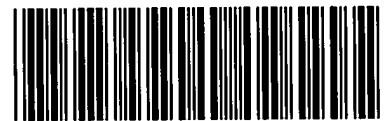


STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
CONTINENTAL AUTOMOTIVE TRADING UK
LIMITED

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CONTINENTAL AUTOMOTIVE TRADING UK LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2021

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COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

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)

INDEPENDENT AUDITORS: PricewaterhouseCoopers LLP Statutory Auditors
1 Chamberlain Square
Birmingham
B3 3AX

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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 (IAM), Special Vehicle Electronics (SVE) and Diagnostics & Services (D&S) which includes offering Engineering Solutions (ES) to UK customers.

The sales are made across a number of different sales channels including original equipment (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 reception and vehicle value assessment tools and this is expected to be a strong revenue generating business in the future. This investment is being funded by operating turnover and intercompany loans and is being expensed within the year that the R&D cost is incurred.

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 develop this business starting with a Remote Vehicle Data solution and a Diagnostic reception tool that can also be used for vehicle value assessment and growing sales in the UK and other European 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, however, commercial arrangements - sales and profits are direct between the UK customers and the Group business units in Germany. The UK business acts as an agent and we recover our costs in supporting this activity by charging our costs back to the Germany based legal entity with a mark-up of 6%.

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 we continued to give HR, Finance and IT support to Vitesco Technologies UK Ltd until September 2021 when Vitesco Technologies became independent from Continental and was listed on the Frankfurt Stock Exchange. All support costs were recharged to Vitesco Technologies UK Ltd with an uplift of 5%.

Principal risks and 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. We are seeing a higher staff turnover that is in line with UK trends and we have introduced many initiatives to minimise this as well as increasing the sharing of knowledge to minimise this risk

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

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021 - continued

Principal risks and risk management -continued

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 affecting 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. We have transferred our Republic of Ireland sales of IAM parts to being supplied and invoiced by our German legal entity to avoid the tariff we would have to pay for goods moving from Germany to Ireland via the UK. The lost sales for the UK was minimal and will be compensated by sales in other areas.

In March 2021 we closed the Coventry site and moved the roles to the Birmingham office with the team having a mix of working from the office and working remotely.

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

Tachograph and services business sales were down by 20% in 2021 compared to 2020 with lower sales of our garage equipment and Tachograph products, most of this reduction was due to supply problems from our factory in Germany. The reduction in sales of our Tachograph products was intercompany sales and was compensated for by a lower transfer price for these products such that we retained our 2% Return on Sales (ROS).

The SVE sales had a decline in sales of 24% compared to the 2020 level as many of our OE customers closed due to the pandemic. The IAM parts range of products was down 23% in 2021 compared to 2020 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% higher than 2020 with many garage customers opening up after the pandemic and starting to make capital investments.

The Engineering solutions part of the Diagnostics and services business increased by 7% as many of our customers restarted projects that had been delayed due to the Covid-19 pandemic. As a result of controlled costs development our profitability in this area improved compared to previous years.

The investment in R&D in this area remains the main driver for the losses in 2021, 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 developments and business forecast

We expect the SVE product area to recover in 2022 (increased from £3,658,000 to £4,506,000). We do have a good pipeline of potential business in our SVE area and therefore we expect to see a steady growth 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 2022 (increased from £8,237,000 to £10,307,000). The Independent Aftermarket sales are expected to recover slightly in 2022 but held back by continued supply problems. Looking ahead to quarter 4 in 2023 and 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 impact to the sales is not known, but market development is monitored by the sales management to evaluate new opportunities.

The Diagnostics Aftermarket business increased in 2021 and is expected to be above the 2021 level in 2022 (increased from £4,447,000 to £4,562,000) and then continue to grow with the launch of new Emissions unit and Sindri in 2023.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021 - continued

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 (increased from £4,928,000 to £5,671,000).

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 business in the UK was a reduction in sales of 4% in 2021 and this sales reduction was partly compensated by the reduction in costs from Furloughing employees also in 2021.

Engineering Solutions (ES) is a people business. Automotive R&D departments currently face challenges for their organisations like a short- to medium-term capacity bottleneck due to the development of conventional powertrains in parallel to electrified powertrain and with reduced overall headcount and new required competencies. We provide flexible, skilled and cost-efficient engineering teams to deliver customer projects.

ES is customer on-site business and often integrated with option offsite turnkey, hence the relatively low overheads for this business mean that even with a reduction in sales this area we have always 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 best cost countries and charged to the UK. The plan over the next 18 months is not to increase the R&D roles and to use best cost countries and keep the UK as a centre of excellence for the Diagnostic content data. Best cost countries are offering the most favourable balance of being the lowest cost countries, quality, and delivery times. The costs are booked in the UK as the business segment Independent Aftermarket 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 best 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 (Commercial launch in Automechanika in 2022 exhibition).

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 10.4 Million GBP in 2022 and 10.7 Million GBP in 2023.

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 24 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021 -continued**

Key performance indicators

The directors monitor the progress of the company by reference to the following KPIs:

	2021	2020
	£'000	£'000
Revenue (£000)	30,332	35,594
Loss before tax (£000)	(14,395)	(13,408)
Net liabilities	(24,963)	(14,391)

Principal risks and uncertainties

Credit risk

Management has a credit policy in place and monitors credit risk on an ongoing basis.

Foreign currency risk

Since the company operates globally there is significant potential for exchange rate risks. The primary currencies in which the company operates are Pounds Sterling and Euros, and the company is exposed to foreign currency risk on both purchases and sales. The company's sales of finished goods to UK and European customers are mainly invoiced in euros, and the majority of purchases of raw materials are from European companies who invoice in euros, helping to offset risk in this area. The company does not use forward contracts to fix the exchange rate on future transactions.

Liquidity, cash flow risk and financial risk management

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Company has exposure to a number of financial risks which are managed with the purpose of minimising any adverse effect on the company's performance.

UK exiting the European Union

There was a small amount of disruption following the exit of the UK from the European Union. However, the company had prepared itself for the customs procedures required from 1 January 2021 for all imports and exports of goods to and from the EU and this ensured that any disruption experienced was minimised.

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 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021.

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 (2020: £Nil).

RESEARCH AND DEVELOPMENT

In the year under review, our research and development (R&D) focused on products relating to garage workshop equipment. R&D spending in year 2021 were £15,291,000 (2020: £13,831,000).

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 (2020: £Nil).

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

QUALIFYING THIRD-PARTY AND PENSION SCHEME INDEMNITY PROVISIONS

The Company has made qualifying third-party indemnity provisions for the benefit of its directors. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2021 financial year and remain in force for all current and past Directors of the Company.

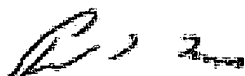
GOING CONCERN

Notwithstanding a loss of £10,572,000 for the year ended 31 December 2021 (2020: £10,929,000), net current liabilities of £37,439,000 (2020: £24,327,000) and net liabilities of £24,963,000 (2020: £14,391,000) the directors have prepared the financial statements on a going concern basis for the reasons set out below. The Company is a member of the UK cash pooling facility managed by Continental UK Group Holdings Limited. 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 ultimate parent will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due. This undertaking will remain in place for the foreseeable future and will not be withdrawn during a period of 24 months from the date of this letter.

INDEPENDENT AUDITORS

Following a competitive tender process PricewaterhouseCoopers LLP have been appointed to succeed KPMG LLP.

ON BEHALF OF THE BOARD:



.....
P J Jennings - Director

29.08.2023

Date:

36 Gravelly Industrial Park
Birmingham
West Midlands
B24 8TA

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also 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.

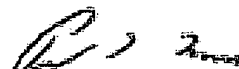
The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

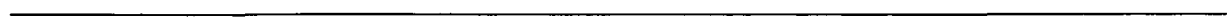
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
P J Jennings - Director

29.08.2023
Date:

36 Gravelly Industrial Park
Birmingham
West Midlands
B24 8TA



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTINENTAL
AUTOMOTIVETRADING UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Continental Automotive Trading UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2021; Profit and Loss account and other comprehensive income and Statement of Changes of changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTINENTAL AUTOMOTIVE TRADING UK LIMITED (continued)

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTINENTAL AUTOMOTIVE TRADING UK LIMITED (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and profits and the manipulation of accounting estimates and judgements which could be subject to management bias.. Audit procedures performed by the engagement team included:

- Reviewing accounting estimates for management bias and validating support behind assumptions and judgments made by management, including challenging possible alternatives.
- Identifying and testing journal entries relating to unusual account combinations and posted on unexpected posting dates.
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Sarah O'Donnell

Sarah O'Donnell (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

30 August 2023

**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

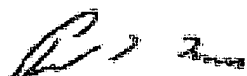
	Note	2021 £'000	2020 £'000
TURNOVER	2	30,332	35,594
Cost of sales		<u>(31,985)</u>	<u>(33,498)</u>
GROSS (LOSS)/PROFIT		(1,653)	2,096
Distribution costs		(635)	(602)
Administrative expenses		(13,245)	(16,467)
Other income	3	<u>1,378</u>	<u>1,814</u>
OPERATING LOSS		(14,155)	(13,159)
Interest payable and similar expenses	5	<u>(240)</u>	<u>(249)</u>
LOSS BEFORE TAXATION	6	(14,395)	(13,408)
Tax on loss	7	<u>3,172</u>	<u>2,433</u>
LOSS FOR THE FINANCIAL YEAR		(11,223)	(10,975)
Actuarial gain relating to the pension scheme	15	651	57
Deferred income tax credit in OCI for period	7	<u>-</u>	<u>(11)</u>
OTHER COMPREHENSIVE INCOME		<u>651</u>	<u>46</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(10,572)</u>	<u>(10,929)</u>

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	8	12,415	12,415
Tangible assets	9	<u>2,643</u>	<u>3,228</u>
		<u>15,058</u>	<u>15,643</u>
CURRENT ASSETS			
Stocks	10	2,790	2,883
Debtors	11	5,059	7,955
Cash at bank and in hand		<u>4</u>	<u>2</u>
		7,853	10,840
CREDITORS			
Amounts falling due within one year	12	<u>(45,292)</u>	<u>(35,167)</u>
NET CURRENT LIABILITIES		<u>(37,439)</u>	<u>(24,327)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(22,381)</u>	<u>(8,684)</u>
NON-CURRENT LIABILITIES			
Leasing liabilities	18	(1,817)	(2,322)
Deferred tax liability	13	-	-
Other provisions	14	(554)	(524)
Pension liability	15	(211)	(2,861)
		<u>(2,582)</u>	<u>(5,707)</u>
NET LIABILITIES		<u>(24,963)</u>	<u>(14,391)</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Accumulated losses	17	<u>(24,963)</u>	<u>(14,391)</u>
TOTAL SHAREHOLDERS' DEFICIT		<u>(24,963)</u>	<u>(14,391)</u>

29.08.2023

The financial statements on pages 12 to 36 were approved by the Board of Directors on _____ and 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 2021

	Called up share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2020	-	(3,462)	(3,462)
Total comprehensive loss for the period			
Loss for the year	-	(10,975)	(10,975)
Net actuarial gain	-	46	46
Balance at 31 December 2020	-	(14,391)	(14,391)
Total comprehensive loss for the period			
Loss for the year	-	(11,223)	(11,223)
Net actuarial gain	-	651	651
Balance at 31 December 2021	-	(24,963)	(24,963)

NOTES TO THE FINANCIAL STATEMENTS

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:

- The requirements of IAS 7 Statement of Cash flows.
- Disclosures in respect of capital management;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirements of paragraph 58 of IFRS 16
- Disclosures in respect of the compensation of the key management personnel;
- 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.

The financial statements are presented in Sterling which is the Company's functional currency.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

Notwithstanding a total loss for financial year of £11,223,000 for the year ended 31 December 2021 (2020: £10,975,000), net current liabilities of £37,439,000 (2020: £24,327,000) and net liabilities of £24,963,000 (2020: £14,391,000) the directors have prepared the financial statements on a going concern basis for the reasons set out below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 24 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. 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.
 - 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%. Furthermore, the Russian attack to Ukraine is not having any direct or indirect impact on the company.
-

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods (Commercial Vehicle fleet services, The Independent Aftermarket, Special Vehicle Electronics) or services (Diagnostics & Services (D&S) and Engineering Solutions) have transferred to the customer and the customer has control of these.

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES – continued**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*

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.

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES – continued*(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

- | | |
|-------------------------|-----------------|
| • Goodwill | indefinite life |
| • Buildings | 5 years |
| • Motor vehicles | 3 years |
| • Fixtures and fittings | 5 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES – continued

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 recoverable 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.

Inventory valuation is based on standard cost, 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.

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 2021 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.

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%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

	2021	2020
	£'000	£'000
Sale of goods	19,776	22,476
Sale of services	<u>10,556</u>	<u>13,118</u>
Total turnover	<u>30,332</u>	<u>35,594</u>

An analysis of turnover by geographical market is given below:

	2021	2020
	£'000	£'000
United Kingdom	24,448	26,428
Europe	5,026	8,434
Rest of the world	<u>858</u>	<u>732</u>
Total turnover	<u>30,332</u>	<u>35,594</u>

3. OTHER INCOME

	2021	2020
	£'000	£'000
Profit from disposal of assets	10	-
Furlough credit receipts	34	-
Release of trade receivable provisions	19	-
Inter-company recharges	<u>1,315</u>	<u>1,814</u>
	<u>1,378</u>	<u>1,814</u>

4. STAFF NUMBER AND COST

The aggregate payroll costs were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	7,953	8,294
Social security costs	779	836
Defined benefit pension costs	-	30
Contributions to defined contribution plans	<u>675</u>	<u>720</u>
	<u>9,407</u>	<u>9,880</u>

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

	2021	2020
	Number	Number
Manufacturing	26	31
Selling	35	39
Other	<u>130</u>	<u>148</u>
	<u>191</u>	<u>218</u>

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

	2021	2020
	£000	£000
Directors' remuneration	131	147
Company contributions to money purchase pension plans	<u>25</u>	<u>27</u>
	<u>156</u>	<u>174</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

	2021	2020
	£'000	£'000
Loan interest from group undertakings	184	136
Interest on leases (note 18)	30	40
Net interest on pension scheme assets	<u>26</u>	<u>73</u>
	<u>240</u>	<u>249</u>

Interest rates for Continental Holdings UK cash pool are 0.55% (2020: 0.68%) for debit and 0.29% (2020: 0.43%) for credit balances.

6. LOSS BEFORE TAXATION IS AFTER CHARGING/(CREDITING)

	2021	2020
	£'000	£'000
Research and Development cost	15,291	13,831
Foreign exchange differences	(36)	42
Depreciation - owned assets	100	70
Depreciation - leased assets	583	682
Development costs amortisation	-	1,420
Disposal Development cost	-	1,393
Expenses relating to short-term leases	<u>56</u>	<u>76</u>
Auditors' remuneration - audit of these financial statements	<u>53</u>	<u>38</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION

	2021 £000	£000	2020 £000	£000
UK corporation tax				
Current tax on income for the period	(3,247)		(2,376)	
Adjustments in respect of prior periods	<u>75</u>		<u>(46)</u>	
Total current tax		(3,172)		(2,422)
Deferred tax (see note 13)				
Origination and reversal of temporary differences	-		(11)	
Effect of rate change on opening balance	-		-	
Prior year adjustments	<u>-</u>		<u>-</u>	
Tax on loss of ordinary activities		<u>(3,172)</u>		<u>(11)</u> <u>(2,433)</u>
Deferred tax recognised in other comprehensive income				
Deferred tax current year charge	-		11	
Deferred tax prior year	<u>-</u>		<u>-</u>	
		<u>(3,172)</u>		<u>11</u> <u>(2,422)</u>
Reconciliation of effective tax rate				
			2021	2020
			£000	£000
Loss for the year			(11,223)	(10,975)
Total tax income			<u>(3,172)</u>	<u>(2,433)</u>
Loss excluding taxation			<u>(14,395)</u>	<u>(13,408)</u>
Tax using the UK corporation tax rate of 19% (2020: 19%)			(2,735)	(2,547)
Non-deductible expenses			10	5
Impact of super deduction			(109)	-
Prior year adjustment			75	(46)
Exempt amounts			2	-
Amounts not recognised			<u>(415)</u>	<u>155</u>
Tax on loss of ordinary activities			<u>(3,172)</u>	<u>(2,433)</u>

Factors that may affect future, current and total tax charges

Following the enactment of the Finance Act 2021, the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023. Deferred tax has been recognised at 25%, the rate expected to be in force at the time of the reversal of temporary differences. As part of the mini-budget on 23 September 2022 the increase in corporation tax rate to 25% from 6 April 2023 was cancelled but this was subsequently reversed in October 2022.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 31 December 2020 and 1 January 2021	12,521
At 31 December 2021	<u>12,521</u>
ACCUMULTED AMORTISATION AND IMPAIRMENT	
At 31 December 2020 and 1 January 2021	106
At 31 December 2021	<u>106</u>
NET BOOK VALUE	
At 31 December 2021	<u>12,415</u>
At 31 December 2020	<u>12,415</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:

	2021 £000	2020 £000
Administrative expenses	-	1,420

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:

	2021 £000	2020 £000
Diagnostics and Services units		
Goodwill	12,415	12,415
Development costs	-	-
	<u>12,415</u>	<u>12,415</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>	2021	2020
Discount rate	12.80%	10.70%
Sales growth rate	7.0	5.0
Budgeted EBITDA growth rate (average of next five years)	16.0	25.0

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 12.80% (2020: 10.70%) and a terminal value growth rate of 1.5% from 2026 (2020: 1.5%). Discount rate of 12.80% is Corporate rate for Automotive sector of the group.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately £4,429,046 (2020: £884,000). 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>	2021	2020
Discount rate	3.8	0.6
Sales growth rate (average over next five years)	(2.5)	2.5
Budgeted EBITDA growth rate (average of next five years)	(5.7)	(1.5)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TANGIBLE ASSETS

	Buildings £000	Vehicles £000	Fixtures & fittings £000	Total £000
COST				
At 1 January 2021	3,599	557	1,158	5,314
Additions	-	260	40	300
Disposals	<u>(265)</u>	<u>-</u>	<u>(115)</u>	<u>(380)</u>
Balance at 31 December 2021	<u>3,334</u>	<u>817</u>	<u>1,083</u>	<u>5,234</u>
ACCUMULATED DEPRECIATION				
At 1 January 2021	926	381	779	2,086
Charge for year	414	169	100	683
Disposals	<u>(63)</u>	<u>-</u>	<u>(115)</u>	<u>(178)</u>
Balance at 31 December 2021	<u>1,277</u>	<u>550</u>	<u>764</u>	<u>2,591</u>
NET BOOK VALUE				
At 31 December 2021	<u>2,057</u>	<u>267</u>	<u>319</u>	<u>2,643</u>
At 31 December 2020	<u>2,673</u>	<u>176</u>	<u>379</u>	<u>3,228</u>

Right-of-use assets

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

	Buildings £000	Vehicles £000	Fixtures & fittings £000	Total £000
Right-of-use asset				
At 31 December 2020	<u>2,673</u>	<u>176</u>	<u>-</u>	<u>2,849</u>
At 31 December 2021	<u>2,057</u>	<u>267</u>	<u>-</u>	<u>2,324</u>

10. STOCKS

	2021 £000	2020 £000
Finished goods	1,828	1,488
Raw materials and consumables	827	1,165
Work in progress	<u>135</u>	<u>230</u>
	<u>2,790</u>	<u>2,883*</u>

(*) The amounts for FY20 have been restated to disclose the different types of inventories. These were shown as one inventory category in the prior year financial statements.

Raw material, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £16,397,470 (2020: £18,561,820). The stock provision amounted to £1,390,650 (2020: £904,603)

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£'000	£'000
Trade debtors	4,599	5,945
Amounts owed by group undertakings	194	1,643
Other debtors	25	25
Prepayments and accrued income	<u>241</u>	<u>342</u>
	<u>5,059</u>	<u>7,955</u>

Trade receivables are stated after provision for impairment of £542,120 (2020: £359,079)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£'000	£'000
Trade creditors	1,923	1,679
Amounts owed to group undertakings	39,248	27,477
Other creditors	889	2,974
Lease liabilities	517	543
Accruals and Deferred income	<u>2,715</u>	<u>2,494</u>
	<u>45,292</u>	<u>35,167</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

A deferred tax asset has not been recognised for the following positions on the basis that there is no forecasted suitable taxable profits in the foreseeable future from which the future reversal of the underlying temporary difference can be deducted

Unrecognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Fixed assets	(183)	(158)	-	-	(183)	(158)
Short term timing differences	-	-	-	-	-	-
Provisions	(117)	(105)	-	-	(117)	(105)
Pensions	<u>(53)</u>	<u>(544)</u>	-	-	<u>(53)</u>	<u>(544)</u>
Tax (assets) / liabilities	<u>(353)</u>	<u>(807)</u>	-	-	<u>(353)</u>	<u>(807)</u>
Net of tax liabilities / (assets)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net tax (assets) / liabilities	<u>(353)</u>	<u>(807)</u>	<u>-</u>	<u>-</u>	<u>(353)</u>	<u>(807)</u>

Movement in deferred tax during the prior 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>	-
Tax (asset) liability	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>11</u>	<u>-</u>

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

	Warranty £000	Dilapidation £000	Total £000
At beginning of year	114	410	524
Released during the year	(10)	-	(10)
Provisions made during the year	<u>-</u>	<u>40</u>	<u>40</u>
Total at the end of the year	<u>104</u>	<u>450</u>	<u>554</u>

Warranty: Total provision is a sum of accruals and releases of the provision during the year. The provision is established to recognise known and expected claims against delivered products or services within the contractual guarantee periods for such sale. The provision is based on estimates made from historical warranty data and warranty claims can vary from year to year.

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:

	2021 £'000	2020 £'000
Defined benefit asset	90,809	92,979
Total defined benefit liability	<u>(91,020)</u>	<u>(95,840)</u>
	<u>(211)</u>	<u>(2,861)</u>

Movements in net defined benefit (liability)/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At beginning of year	95,840	89,544	92,979	85,004	(2,861)	(4,540)
Included in profit and loss						
Past service cost	-	30	-	-	-	(30)
Current service cost	-	-	-	-	-	-
Curtailements	-	-	-	-	-	-
Interest cost/income	1,315	1,753	1,289	1,680	(26)	(73)
Included in OCI						
Remeasurements (loss)/gain	-	-	(1,676)	8,337	(1,676)	8,337
Actuarial loss/(gain) arising from:						
- Changes in demographic assumptions	351	355	-	-	(351)	(355)
- Changes in financial assumptions	(3,170)	9,434	-	-	3,170	(9,434)
- Experience adjustment	492	(1,509)	-	-	(492)	1,509

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. EMPLOYEE BENEFIT OBLIGATIONS – continued

Other

Contributions paid by the employer and participants	-	-	2,025	1,725	2,025	1,725
Benefits paid	(3,808)	(3,767)	3,808	(3,767)	-	-
At end of year	91,020	95,840	90,809	92,979	(211)	(2,861)

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

	2021	2020
	£'000	£'000
Cash and cash equivalents	4,925	480
Equity instruments	3,782	93
Debt instruments e.g. Government bonds	37,195	39,113
Derivatives (interest rate swap)	10,595	9,941
Other Assets	25,084	27,046
Investment funds	<u>9,228</u>	<u>16,306</u>
	<u>90,809</u>	<u>92,979</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

Under IAS19 the discount rate should be based upon the yield available on high quality corporate bonds (usually taken as AA rated in the UK) of appropriate term and currency. At 30 September 2021, bond yields increase as their terms increase and this feature should be reflected in the choice of discount rate.

The RPI inflation assumption at 30 September 2021 is higher than the assumption used last year, reflecting changes in expectations for future inflation over the period. Increases in pensions which are linked to inflation are assumed to be in line with the inflation assumption, taking into account any limits that may apply.

	2021	2020
	%	%
Discount rate at 31 December	2.05	1.25
Future pension increases	3.40	2.90
Price inflation	3.60	3.15

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 of the future life expectancy at age 65 is as follows:

Future life expectancy at age 65	2021	2020
	Years	Years
- Male currently aged 45 years old	23.7	23.7
- Female currently 45 years old	26.2	26.1
- Male currently aged 65 years old	22.4	22.4
- Female currently 65 years old	23.7	24.6

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. EMPLOYEE BENEFIT OBLIGATIONS - continued**Sensitivity analysis**

The request to calculate the sensitivity of increasing the life expectancy by 1 year could be interpreted in different ways, which would result in a different sensitivity figure. In order to calculate this figure, the actuaries have adjusted the underlying mortality tables to increase the life expectancy by 1 year for the “average” member in each class of membership.

The discount rate as at 31 December 2021 will be used to determine next year’s interest cost on the Defined Benefit Obligation and next year’s interest income on the assets. It is worth noting that corporate bond yields have fallen by about 0.3% since the provisional assumptions were determined.

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 2019, a recovery plan was agreed between the Trustees and the Employer to meet the shortfall over the period ending 31 August 2026.

The contributions payable under this recovery plan was in 2021: £2,025,000 (2020: £1,725,000) per annum payable monthly.

The Company is required to agree a Schedule of Contributions with the Trustees of the Scheme following a valuation which must be carried out at least once every three years. 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 and market risk, inflation risk and investment risk.

1) Longevity risk

In the event that members live longer than assumed a deficit will emerge in the Scheme.

2) Interest rate and market risk

The Scheme’s liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.

3) Inflation risk

A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme’s assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging.

4) Investment risk

The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

There were no Scheme amendments, curtailments or settlements during the period.

The Scheme is managed by a trustee board and trustees are appointed in part by the Company and part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme’s assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal Value £:	2021	2020
Number:	Class:		£	£
100	Ordinary	1	<u>100</u>	<u>100</u>
Authorised			2021	2020
20,000 ordinary shares of £1 each			£'000	£'000
			20	20

17. RESERVES

	Accumulated Losses £000
At 1 January 2020	(3,462)
Total comprehensive loss	<u>(10,929)</u>
At 31 December 2020	<u>(14,391)</u>
At 1 January 2021	(14,391)
Total comprehensive loss	<u>(10,572)</u>
At 31 December 2021	<u>(24,963)</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 tangible fixed assets (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:

	2021	2020
	£000	£000
Interest expense on lease liabilities	30	40
Expenses relating to short-term leases	<u>56</u>	<u>76</u>
	<u>86</u>	<u>116</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. LEASES – continued

	Land and Buildings	Plant, machinery and vehicles	Total	Land and Buildings	Plant, machinery and vehicles	Total
	2021	2021	2021	2020	2020	2020
Cost	£000	£000	£000	£000	£000	£000
Balance at 1 January	3,599	557	4,156	3,631	335	3,966
Additions	-	260	260	-	222	222
Disposals	(265)	-	(265)	-	-	-
Remeasurement of cost	-	-	-	(32)	-	(32)
Balance at 31 December	<u>3,334</u>	<u>817</u>	<u>4,151</u>	<u>3,599</u>	<u>557</u>	<u>4,156</u>

	Land and Buildings	Plant, machinery and vehicles	Total	Land and Buildings	Plant, machinery and vehicles	Total
	2021	2021	2021	2020	2020	2020
Accumulated depreciation	£000	£000	£000	£000	£000	£000
Balance at 1 January	926	381	1,307	448	177	625
Depreciation charge	414	169	583	478	204	682
Disposals	(63)	-	(63)	-	-	-
Balance at 31 December	<u>1,277</u>	<u>550</u>	<u>1,827</u>	<u>926</u>	<u>381</u>	<u>1,307</u>

	2021	2020
	£000	£000
Lease liabilities		
Current	517	543
Non-current	<u>1,817</u>	<u>2,322</u>
Lease liabilities at 31 December	<u>2,334</u>	<u>2,865</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2021 £000	Carrying amount 2020 £000
Lease liabilities	GBP	1.49 %	2020 -2029	<u>2,334</u>	<u>2,865</u>

19. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Continental Automotive Holding UK Limited, which owns all of the ordinary shares. The ultimate parent and controlling party is Continental AG a company incorporated in Germany, which produces consolidated financial statements

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. POST BALANCE SHEET EVENTS

Continental's global business area Smart Mobility, to which Continental Automotive Trading UK Limited is a part, decided in January 2023 to reorganise the R&D organisation and the R&D operations in the UK were terminated in June 2023 and some of the product developers were dismissed, some were transferred to other units of the group in the UK and some were transferred to other roles within Continental Automotive Trading UK Limited. This closure of R&D causes cost savings, the final amount of which is not yet known, but will significantly improve the company's cash flow in the coming years.
