

**STANDARD MOTOR PRODUCTS EUROPE LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**



**STANDARD MOTOR PRODUCTS EUROPE LIMITED**

**COMPANY INFORMATION**

**Directors**

K Hudson  
R L Toomey  
I L Turner  
J Wass (appointed 1 March 2021)  
W Hodgkisson (appointed 1 March 2021, resigned 31 March 2021)

**Registered number**

00955888

**Registered office**

Unit 5b Little Oak Drive  
Sherwood Park  
Annesley  
Nottinghamshire  
NG15 0DR

**Independent auditor**

Cooper Parry Group Limited  
Chartered Accountants & Statutory Auditor  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

**STANDARD MOTOR PRODUCTS EUROPE LIMITED**

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## **STANDARD MOTOR PRODUCTS EUROPE LIMITED**

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

#### **Introduction**

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

#### **Business review**

Sales throughout 2020 were affected by the Covid 19 pandemic, with a heavy decline in the 2nd quarter. This was followed by a good recovery in monthly sales through the remainder of the year generating, above budget monthly sales figures in the final quarter. Management restructured the business during the slowdown to reduce overheads and ensure that the services offered better matched the demands of our customers. Our Polish subsidiary company is now successfully producing the majority of our manufactured products, with consistent cost, quality and service levels achieved. Activity in our Nottingham development centre continued throughout the pandemic as we increased the number of engineers employed developing new products.

#### **Principal risks and uncertainties**

The company uses financial instruments, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The company also use derivatives in the form of forward exchange contracts. The main purpose of these financial instruments is to raise finance for the company's operations and manage foreign exchange risk. The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

##### **Interest rate risk**

The company finances its operations through a mixture of retained earnings and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

##### **Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through retained earnings or through loans. Short term flexibility is achieved by overdraft facilities.

##### **Foreign currency risk**

The company is exposed to transaction and translation foreign exchange risk. To manage this risk, the company enters into forward exchange contracts and maintains bank balances in foreign currencies to settle its liabilities as they fall due.

##### **Export market risks**

The company has taken the decision to move the export packing and distribution business to their Poland facility so that all EU shipments are distributed from Poland instead of the UK. This will allow the company to reduce the Brexit risk and also ensure a more consistent and reliable delivery service to customers based in EU. The company has also taken significant Brexit advice from their accountants to support them through the transition.

##### **Defined pension scheme**

The company operates a defined pension scheme. To limit the company's exposure to future potential pension liabilities the pension scheme is closed to future accrual. A recovery plan is in place in accordance within the requirements of the Pensions Act.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### Coronavirus

At the date of signing these accounts, Coronavirus is still a risk to the business and its people. The company continues to take active measures to ensure its people remain safe and healthy. Measures include supplementary education on cleanliness, self-isolation, social distancing, mental health and wellbeing courses, and the ability to work from home or in roster patterns where necessary. There are regular business continuity and health and safety meetings to ensure compliance with the measures introduced.

The company responded promptly to the pandemic with employees working from home where possible and social distancing implemented in all our offices and within the factories. The UK government has announced unprecedented levels of financial support for the economy, in the form of grants, as well as extensions of time to pay certain taxes due. The company accessed the Coronavirus Job Retention Scheme in respect of employees who were on furlough and unable to continue working during the pandemic as well as gaining support from its bank, Barclays, by arranging additional facilities under the Coronavirus Business Interruption Loan Scheme.

#### Financial key performance indicators

Sales in the year ended 31 December 2020 were £31.6m (2019: £33.7m), with gross profit decreasing during the year by £1.3m to £6.2m. The profit before tax for the year decreased by £0.8m to £0.3m.

The trend of costs as a proportion to sales were encouraging in the year and were as follows:

	2020	2019
Other operating charges	18.4%	19.0%

The directors are pleased with the year-end position of the company with net assets of £11.1m.

The company continues to demonstrate sustainable profitability and will focus on improving sales, underlying profitability and cash position in 2021.

#### Trading outlook

Our product range continues to expand to meet the needs of our markets and the changing nature of car parts. The increased investment in engineering, design and development is ensuring that our product offering remains relevant and attractive to our customers. Longer term we are carefully monitoring the ambitions of government to reduce vehicle emissions and the growth of alternatives to the internal combustion engine. Although the timescales involved are extremely long, we are already researching and developing products for these vehicles.

The trading outlook for 2021 is very good, with some solid growth prospects in the UK and OES sectors, and indeed in the first quarter of 2021 we saw good sales growth. There are strong cost pressures on raw material and transport costs, which along with the strengthening of Sterling create some costing and pricing challenges for the entire automotive aftermarket. We believe that SMP Europe will be able to maintain margins through the changes.

**STANDARD MOTOR PRODUCTS EUROPE LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Brexit**

The effects of Brexit have led to significant delays, cost and bureaucracy. In the 2nd quarter 2021 we have reorganised to adjust to these new demands. Our plan is to set up an EU distribution centre, in the 3rd quarter, in Poland to further smooth sales paths and provide enhanced service levels.

Whilst economic uncertainty associated with the Covid-19 pandemic continues across the world, SMP Europe has proven to be resilient in sales and service levels and is well set to cope with the continuing commercial challenges. The company has a strong balance sheet, a talented and flexible workforce, and the infrastructure to allow us to continue operating even where many of our staff members will be unable to leave their homes. We are confident that the company is well positioned to cope with the challenges of 2021, and to take advantage of the opportunities that will present themselves in the fast-changing automotive market of the future.

This report was approved by the board and signed on its behalf.

DocuSigned by:

*Ian Turner*

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**I L Turner**  
Director

Date: 28 September 2021

## **STANDARD MOTOR PRODUCTS EUROPE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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

#### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **Results and dividends**

The profit for the year, after taxation, amounted to £353,485 (2019: £1,006,755).

During the year the company paid a dividend of £844,000 (2019: £1,350,000). The directors have declared a dividend post year end of £51,000 (2019: £244,000).

#### **Directors**

The directors who served during the year were:

K Hudson  
R L Toomey  
I L Turner

**STANDARD MOTOR PRODUCTS EUROPE LIMITED**

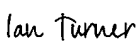
**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf.

DocuSigned by:  
  
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**I L Turner**  
Director

Date: 28 September 2021

## **STANDARD MOTOR PRODUCTS EUROPE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANDARD MOTOR PRODUCTS EUROPE LIMITED**

#### **Opinion**

We have audited the financial statements of Standard Motor Products Europe Limited (the 'company') for the year ended 31 December 2020, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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.

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.

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

## **STANDARD MOTOR PRODUCTS EUROPE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANDARD MOTOR PRODUCTS EUROPE LIMITED (CONTINUED)**

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANDARD MOTOR PRODUCTS EUROPE LIMITED (CONTINUED)

#### Auditor's responsibilities for the audit of the financial statements

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

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:

Our assessment focussed on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of manufacturing of car parts and related products;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence where applicable; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
  - Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
  - Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
- To address the risk of fraud through management bias and override of controls, we:
  - Tested journal entries to identify any unusual transactions;
  - Assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias, in particular the carrying value of stocks, the valuation of the defined benefit pension scheme assets and liabilities and the valuation of derivatives; and
  - Investigated the rationale behind significant or unusual transactions.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANDARD MOTOR PRODUCTS EUROPE LIMITED (CONTINUED)

- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
  - Agreeing financial statement disclosures to underlying supporting documentation;
  - Enquiring of management as to actual and potential litigation and claims;
  - Reviewing legal and professional expenses;
  - Reading the minutes of meetings of those charged with governance; and
  - Reviewing correspondence with HMRC and associated parties.

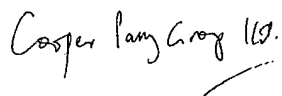
Whilst considering how our audit work addressed the detection based on our approach. Irregularities from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

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



Alison Fovargue (Senior Statutory Auditor)

for and on behalf of

**Cooper Parry Group Limited**

Chartered Accountants  
Statutory Auditor

Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: 28 September 2021

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
<b>Turnover</b>	3	31,609,722	33,732,863
Cost of sales		(25,393,691)	(26,266,033)
<b>Gross profit</b>		6,216,031	7,466,830
Distribution costs		(1,401,021)	(1,901,103)
Administrative expenses		(4,647,621)	(4,294,329)
Other operating income	4	296,748	-
Fair value movements on foreign exchange contracts		(66,148)	(205,704)
<b>Operating profit</b>	5	397,989	1,065,694
Interest payable and similar charges	9	(148,170)	(113,308)
Interest receivable and similar income	10	86,664	142,920
Other finance income	25	1,000	(7,000)
<b>Profit on ordinary activities before taxation</b>		337,483	1,088,306
Tax on profit on ordinary activities	12	16,002	(81,551)
<b>Profit for the year</b>		353,485	1,006,755
<b>Other comprehensive income for the year</b>			
Actuarial gain on defined benefit pension scheme	25	8,000	132,000
Movement in deferred tax relating to actuarial gain on pension scheme	21	(1,520)	(22,440)
<b>Other comprehensive income for the year</b>		6,480	109,560
<b>Total comprehensive income for the year</b>		359,965	1,116,315

The notes on pages 13 to 33 form part of these financial statements.

**STANDARD MOTOR PRODUCTS EUROPE LIMITED**  
**REGISTERED NUMBER: 00955888**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	13	690,822	740,315
Tangible assets	14	3,229,241	3,505,721
Investments	15	209,248	209,248
		<u>4,129,311</u>	<u>4,455,284</u>
<b>Current assets</b>			
Stocks	16	9,089,749	5,212,671
Debtors	17	9,741,671	9,861,876
Cash at bank and in hand		1,128,876	315,097
		<u>19,960,296</u>	<u>15,389,644</u>
<b>Creditors: amounts falling due within one year</b>	18	(9,792,772)	(7,980,756)
<b>Net current assets</b>		<u>10,167,524</u>	<u>7,408,888</u>
<b>Total assets less current liabilities</b>		<u>14,296,835</u>	<u>11,864,172</u>
<b>Creditors: amounts falling due after more than one year</b>	19	(3,091,666)	-
<b>Provisions for liabilities</b>			
Deferred tax	21	(193,950)	(179,955)
Other provisions	22	(109,489)	(114,452)
Pension asset	25	213,000	29,000
<b>Net assets</b>		<u><u>11,114,730</u></u>	<u><u>11,598,765</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	100	100
Profit and loss account		<u>11,114,630</u>	<u>11,598,665</u>
		<u><u>11,114,730</u></u>	<u><u>11,598,765</u></u>

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

DocuSigned by:

*Ian Turner*  
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**I L Turner**  
 Director

Date: 28 September 2021

The notes on pages 13 to 33 form part of these financial statements.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	100	11,598,665	11,598,765
Profit for the year	-	353,485	353,485
Actuarial gains on pension scheme	-	8,000	8,000
Movement in deferred tax relating to actuarial gain on pension scheme	-	(1,520)	(1,520)
Dividend paid	-	(844,000)	(844,000)
<b>At 31 December 2020</b>	<b>100</b>	<b>11,114,630</b>	<b>11,114,730</b>

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	100	11,832,350	11,832,450
Profit for the year	-	1,006,755	1,006,755
Actuarial gains on pension scheme	-	132,000	132,000
Movement in deferred tax relating to actuarial gain on pension scheme	-	(22,440)	(22,440)
Dividends paid	-	(1,350,000)	(1,350,000)
<b>At 31 December 2019</b>	<b>100</b>	<b>11,598,665</b>	<b>11,598,765</b>

The notes on pages 13 to 33 form part of these financial statements.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1. Accounting policies

Standard Motor Products Europe Limited is a limited liability company incorporated and domiciled in the United Kingdom. The address of the registered office is shown on the company information page.

The financial statements are prepared in Sterling (£) which is the functional currency of the company. The financial statements are prepared for the year ended 31 December 2020 (2019: year ended 31 December 2019).

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

##### 1.2 Exemptions

As permitted by FRS 102 section 1.12, the company has taken advantage of the disclosure exemptions available under the standard in relation to related party transactions with wholly owned subsidiary companies, financial instruments, presentation of a statement of cash flows and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the group accounts of Standard Motor Products Holdings Limited. The group accounts for Standard Motor Products Holdings Limited are available to the public and can be obtained as set out in note 28.

##### 1.3 Coronavirus and going concern

At the balance sheet date, the company had a cash balance of £1.1m (2019: £0.3m) and a strong net current asset position of £10.2m (2019: £7.4m).

At the time of signing these accounts, the directors have considered the effect of the Coronavirus on the going concern position and consider that the company will continue to trade for a period of at least 12 months from the date of signing these accounts with the current level of funding available to it. The company traded throughout 2020 despite UK wide and local lockdowns to enforce social distancing and control the virus. As a result of these measures, the company furloughed some employees due to the impact on trade and received support from its bank in the form of additional facilities. The performance of the company is reviewed monthly, at the time of signing these accounts the company continues to deliver positive results and is forecast to remain on target for the next 12 months.

On that basis, the directors have prepared these financial statements on a going concern basis.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1. Accounting policies (continued)

##### 1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. The following criteria must also be met before turnover is recognised:

##### Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to profit and loss during the period in which they are incurred.

Depreciation is provided on the following basis:

Freehold land and buildings	- 2% straight line
Long-term leasehold property	- 2% straight line or over the life of the lease
Plant and machinery & fixtures and fittings	- 10 - 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined, which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised as an expense where the carrying amount exceeds the recoverable amount.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1. Accounting policies (continued)

##### 1.6 Intangible assets

###### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the statement of comprehensive income over its useful economic life. Its useful economic life was assessed as ten years from the date of transition to FRS 102.

###### Computer software

Computer software costs are initially recognised at cost. After recognition, under the cost model, computer software costs are measured at cost less any accumulated amortisation and any accumulated impairment losses. The computer software is considered to have a finite useful life of 10 years.

##### 1.7 Valuation of investments

Investments in subsidiaries and other investments are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified, this is recognised immediately in the statement of comprehensive income and the value of the investment is reduced accordingly.

##### 1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

##### 1.9 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for foreign exchange derivatives.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1. Accounting policies (continued)

##### 1.10 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### 1.11 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

##### 1.12 Pensions

###### Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

###### Defined benefit pension plan

The company also operates a defined benefit plan for certain employees and the pension charge is based on the last actuarial valuation completed as at 30 September 2019, updated by an independent qualified actuary at 31 December 2020 using revised assumptions that are consistent with requirements of Financial Reporting Standard 102 section 28. The assets of the scheme are held separately from those of the company. From March 2001 the scheme was closed to new entrants.

In accordance with FRS 102, the regular service cost of providing retirement benefits to employees during the period, together with the cost of any benefits relating to past service is charged to operating profit in the period.

The net interest element is determined by multiplying the net defined benefit asset by the discount rate, at the start of the period taking into account any changes in the net defined benefit asset during the period as a result of contribution and benefit payments. The net interest is recognised in the statement of comprehensive income as other finance income.

Re-measurements comprising actuarial gains and losses and the return on the net defined benefit asset (excluding amounts included in net interest) are recognised in other comprehensive income in the period in which they occur.

The defined net benefit pension asset in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information.

The deferred tax as a result of the surplus within in the defined benefit pension scheme is included as a provision.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1. Accounting policies (continued)

##### 1.13 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

##### 1.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'administrative expenses'.

##### 1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### 1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

The provision for warranty claims is based on a percentage of sales using historic claim data.

**STANDARD MOTOR PRODUCTS EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. Accounting policies (continued)**

**1.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

**1.18 Government grants**

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure. Government grants relate to the receipt of Coronavirus Job Retention Scheme income which is recognised within other operating income in the period to which it relates.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 2. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors make estimates and assumptions concerning the future. The directors are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

##### **Impairment of tangible and intangible assets**

The directors assess the impairment of property, plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets; and
- Significant negative industry or economic trends.

##### **Depreciation, amortisation and residual values**

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of plant and machinery, and have concluded that asset lives and residual values are appropriate.

##### **Carrying value of stocks**

The directors review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

##### **Recoverability of trade debtors**

Trade and other receivables are recognised to the extent that they are judged recoverable. Directors reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the statement of comprehensive income.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**2. Judgements in applying accounting policies (continued)****Provisions**

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and the director's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

**Taxation**

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due, and after taking appropriate professional advice.

The directors estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

**Defined benefit pension scheme**

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount factor on corporate bonds. The directors estimate these factors in determining the net pension obligation on the balance sheet. The assumptions reflect historical experience and current trends. See note 25 for the disclosures relating to the defined benefit pension scheme.

**3. Turnover**

The whole of the turnover is attributable to the company's principal activity.

Turnover by geographical market has not been disclosed as the directors consider that such disclosure would be seriously prejudicial to the interests of the company.

**4. Other operating income**

	2020 £	2019 £
Government grants receivable	296,748	-

Government grants receivable relate to income received under the Coronavirus Job Retention Scheme.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**5. Operating profit**

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	419,615	503,374
Amortisation of intangible assets, including goodwill	156,712	92,174
Exchange differences	199,603	96,379
Operating lease expense	49,501	41,404
Loss on disposal of fixed assets	5,746	1,205
	<u>          </u>	<u>          </u>

**6. Auditor's remuneration**

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	29,525	26,000
<b>Fees payable to the company's auditor in respect of:</b>		
Taxation compliance services	<u>5,635</u>	<u>5,500</u>

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	3,601,189	4,218,257
Social security costs	359,490	391,699
Pension costs	133,047	168,133
	<u>4,093,726</u>	<u>4,778,089</u>

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

	2020 No.	2019 No.
Production	19	35
Distribution	33	44
Administrative	57	56
	<u>109</u>	<u>135</u>

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**8. Directors' remuneration**

	2020 £	2019 £
Directors' emoluments	262,056	393,655
Company contributions to defined contribution pension schemes	20,116	38,549
	<u>282,172</u>	<u>432,204</u>

During the year retirement benefits were accruing to 2 directors (2019: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £129,853 (2019: £131,139).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,129 (2019: £9,856).

**9. Interest payable and similar expenses**

	2020 £	2019 £
Bank interest payable	<u>148,170</u>	<u>113,308</u>

**10. Interest receivable**

	2020 £	2019 £
Group interest receivable	86,282	142,181
Bank interest receivable	382	739
	<u>86,664</u>	<u>142,920</u>

**11. Dividends**

	2020 £	2019 £
Dividends paid	<u>844,000</u>	<u>1,350,000</u>

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 12. Taxation

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	58,075
Adjustments in respect of previous periods	(28,477)	(85,352)
<b>Total current tax</b>	<u>(28,477)</u>	<u>(27,277)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(8,696)	64,882
Adjustments in respect of previous periods	-	43,946
Effect of tax rate change on opening balance	21,171	-
<b>Total deferred tax</b>	<u>12,475</u>	<u>108,828</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(16,002)</u>	<u>81,551</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>337,483</u>	<u>1,088,306</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	64,122	206,778
<b>Effects of:</b>		
Expenses not deductible for tax purposes	978	5,607
Capital allowances for year in excess of depreciation	32,436	33,991
Enhanced tax relief in relation to research and development	(106,232)	(103,851)
Adjustments to corporation tax charge in respect of prior periods	(28,477)	(85,352)
Adjustments to deferred tax charge in respect of prior periods	-	43,946
Adjustment for change in tax rates	21,171	(10,263)
Other differences	-	8,488
Group relief claimed	-	(17,793)
<b>Total tax charge for the year</b>	<u>(16,002)</u>	<u>81,551</u>

**Factors that may affect future tax charges**

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. As at 31 December 2020 the substantively enacted rate for deferred tax calculation purposes was 19% and deferred taxation has been calculated at this rate.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. Intangible assets

	Computer software £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2020	304,600	3,633,986	3,938,586
Additions	107,219	-	107,219
At 31 December 2020	411,819	3,633,986	4,045,805
<b>Amortisation</b>			
At 1 January 2020	-	3,198,271	3,198,271
Charge for the year	69,569	87,143	156,712
At 31 December 2020	69,569	3,285,414	3,354,983
<b>Net book value</b>			
At 31 December 2020	342,250	348,572	690,822
At 31 December 2019	304,600	435,715	740,315

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 14. Tangible fixed assets

	Freehold land and buildings £	Long-term leasehold property £	Plant and machinery & fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2020	2,200,000	638,219	4,372,163	7,210,382
Additions	-	-	186,333	186,333
Disposals	-	-	(53,823)	(53,823)
At 31 December 2020	2,200,000	638,219	4,504,673	7,342,892
<b>Depreciation</b>				
At 1 January 2020	249,334	403,033	3,052,294	3,704,661
Charge for the year	17,600	42,461	359,554	419,615
Disposals	-	-	(10,625)	(10,625)
At 31 December 2020	266,934	445,494	3,401,223	4,113,651
<b>Net book value</b>				
At 31 December 2020	1,933,066	192,725	1,103,450	3,229,241
At 31 December 2019	1,950,666	235,186	1,319,869	3,505,721

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 January and 31 December 2020	809,253
<b>Impairment</b>	
At 1 January and 31 December 2020	600,005
<b>Net book value</b>	
At 31 December 2020	209,248
At 31 December 2019	209,248

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Kerr Nelson Limited	Scotland	Dormant	Ordinary	100%
Fuel Parts UK Limited	England & Wales	Dormant	Ordinary	100%
SMP Webcon Limited	England & Wales	Dormant	Ordinary	100%
Lemark Auto Accessories Limited	England & Wales	Dormant	Ordinary	100%
Four Seasons Limited	England & Wales	Dormant	Ordinary	100%
Carol Cables Limited	England & Wales	Dormant	Ordinary	100%
Blue Streak Europe Limited	England & Wales	Dormant	Ordinary	100%
Injection Correction UK Limited	England & Wales	Dormant	Ordinary	100%
Standard Motor Products Europe Sp.zo.o	Poland	Manufacture and distribution of automotive components	Ordinary	100%

All subsidiary undertakings, except Kerr Nelson Limited and Standard Motor Products Europe Sp.zo.o, share the same registered office as Standard Motor Products Europe Limited. Details can be found on the company information page.

The registered office of Kerr Nelson Limited is C/O Thomas Barrie & Co Llp Atlantic House, 1a Cadogan Street, Glasgow, G2 6QE.

The registered office of Standard Motor Products Europe Sp.zo.o is 129 Boleslaw Chrobrego Street, 87-100 Torun, NIP 7822688960, Regon 366708646.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**16. Stocks**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Raw materials	1,452,424	416,291
Finished goods	7,637,325	4,796,380
	<u>9,089,749</u>	<u>5,212,671</u>

An impairment gain of £297,322 (2019: impairment gain of £302,915) was recognised in administrative expenses during the year due to slow-moving and obsolete stock.

**17. Debtors**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Trade debtors	7,482,102	6,177,262
Amounts owed by group undertakings	-	2,786,677
Other debtors	1,937,966	628,198
Prepayments and accrued income	321,603	269,739
	<u>9,741,671</u>	<u>9,861,876</u>

An impairment gain of £124,480 (2019: impairment gain of £41,552) was recognised against trade debtors.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 18. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	408,334	-
Trade creditors	5,840,850	2,351,833
Credit facility	892,644	3,933,989
Amounts owed to group undertakings	785,639	73,413
Corporation tax	852	-
Other taxation and social security	124,998	95,430
Other creditors	583,472	618,439
Accruals and deferred income	1,155,983	885,575
Financial instruments	-	22,077
	<u>9,792,772</u>	<u>7,980,756</u>

The bank loans are secured against all assets of the company and its parent company.

The credit facility is secured over certain amounts included within trade debtors.

## 19. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	<u>3,091,666</u>	<u>-</u>

The aggregate amount of liabilities repayable wholly or in part more than five years after the balance sheet date is:

	2020 £	2019 £
Repayable by instalments	<u>291,667</u>	<u>-</u>

Interest is charged on the bank loan at 2.95% above the Bank of England base rate and is repayable in installments to May 2026.

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
<b>Amounts falling due within one year</b>		
Bank loans	408,334	-
<b>Amounts falling due 1-2 years</b>		
Bank loans	700,000	-
<b>Amounts falling due 2-5 years</b>		
Bank loans	2,100,000	-
<b>Amounts falling due after more than 5 years</b>		
Bank loans	291,666	-
	<u>3,500,000</u>	<u>-</u>

## 21. Deferred taxation

	2020 £	2019 £
At beginning of year	179,955	48,687
Charged to the statement of comprehensive income	12,475	108,828
Charged to other comprehensive income	1,520	22,440
<b>At end of year</b>	<u>193,950</u>	<u>179,955</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	210,415	197,105
Tax losses carried forward	19,868	(17,150)
Other deductions	(36,333)	-
	<u>193,950</u>	<u>179,955</u>

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 22. Provisions

	Warranty provision £
At 1 January 2020	114,452
Credited to the statement of comprehensive income	(4,963)
<b>At 31 December 2020</b>	<b>109,489</b>

## 23. Share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
263 Ordinary shares of £0.38 each	100	100

## 24. Capital commitments

At 31 December 2020 the company had capital commitments as follows:

	2020 £	2019 £
Contracted for but not provided in these financial statements	-	58,720

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**25. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £226,386 (2019: £168,133).

The company operates a defined benefit pension scheme.

The company participates in a defined benefit pension scheme to provide benefits to directors and employees. The defined benefit section was closed to new entrants and future accrual from March 2001. The scheme is set up under trust and its assets are therefore independent to those of the company. The related costs are assessed in accordance with advice of a professionally qualified actuary. The most recent actuarial valuation of the scheme, at 30 September 2019, has been updated by an independent qualified actuary at 31 December 2020 using revised assumptions that are consistent with requirements of Financial Reporting Standard 102 section 28. Investments have been valued, for this purpose, at fair value, including equities at the bid price.

Composition of plan assets:

	2020 £	2019 £
Fair value of plan assets	3,899,000	3,445,000
Present value of plan liabilities	3,686,000	3,416,000
<b>Net pension scheme asset</b>	<b>213,000</b>	<b>29,000</b>

The amounts recognised in the statement of comprehensive income are as follows:

	2020 £	2019 £
Administrative expenses	(1,000)	(2,000)
Net interest on obligation	2,000	(5,000)
<b>Total</b>	<b>1,000</b>	<b>(7,000)</b>

Reconciliation of fair value of plan liabilities were as follows:

	2020 £	2019 £
Opening defined benefit obligation	3,416,000	3,231,000
Interest cost	63,000	86,000
Actuarial losses	397,000	228,000
Benefits paid	(190,000)	(129,000)
	<b>3,686,000</b>	<b>3,416,000</b>

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 25. Pension commitments (continued)

Reconciliation of fair value of plan assets were as follows:

	2020 £	2019 £
Opening fair value of scheme assets	3,445,000	3,010,000
Expected return on plan assets	65,000	81,000
Actuarial gains	405,000	360,000
Contributions by employer	175,000	125,000
Administration expenses	(1,000)	(2,000)
Benefits paid	(190,000)	(129,000)
	<u>3,899,000</u>	<u>3,445,000</u>

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income was £1,123,000 (2019: £1,131,000).

The company expects to contribute £175,000 to its defined benefit pension scheme in 2021.

Principal actuarial assumptions at the balance sheet date, expressed as weighted averages:

	2020 %	2019 %
Discount rate	1.2	1.9
Expected return on scheme assets	1.2	1.9
Future pension increases	2.2	2.25
Mortality rates		
- for a male aged 65 now	21.5	21.5
- at 65 for a male aged 45 now	22.9	22.8
- for a female aged 65 now	23.5	23.4
- at 65 for a female aged 45 now	25	24.9

## STANDARD MOTOR PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**26. Commitments under operating leases**

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	19,682	22,335
Later than 1 year and not later than 5 years	36,206	38,225
	<u>55,888</u>	<u>60,560</u>

**27. Derivative financial commitments**

At 31 December 2020, the company had entered into contracts for the forward purchase of US Dollars for the contracted value of €Nil (2019: €3,600,000). There were no transaction costs for these contracts.

The contracts matured between the months of January 2020 and June 2020.

**28. Controlling party**

The company's immediate and ultimate parent undertaking is Standard Motor Products Holdings Limited, a company registered in the UK.

Standard Motor Products Holdings Limited is ultimately controlled by I L Turner and M Turner.

Standard Motor Products Holdings Limited is the largest and smallest group for which consolidated accounts are prepared, copies of which can be obtained from Companies House, Cardiff, CF14 3UZ.