

**ContiTech United Kingdom Limited**

**Annual Report and Financial Statements**

**Registered number 1076936**

**31 December 2015**

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## Strategic report

The directors present their annual report and financial statements for the year ended 31 December 2015.

### Business review

ContiTech United Kingdom Limited is part of the Continental Group of companies. The profit for the year retained by the company was £4,918,000.

The principal activities of the company are the manufacture and supply of power transmission belting for automotive, white goods and engineering industries, and the distribution and sale of ContiTech products.

Its main competitors are Gates, Goodyear and Hutchinson.

### Company Objectives and Business Strategy

The Company objective is to achieve and maintain the level of world class supplier to our customers, while making a positive contribution to the profitability of our parent company. The company will also ensure that its employees are proud to be associated with its success.

In the UK Market the company is placed in the following position;

Market	% of market
Automotive	2%
White goods	70%
Industrial goods	40%

The Company's overall focus is value creation. The Company's strategy in order to meet this objective is to specialise in high volume low complexity products. ContiTech United Kingdom specialises in multi-rib transmission products for the Automotive Aftermarket, White Goods and General Industry segments within the Power Transmission Group (PTG) of the Continental group.

The regulatory environment in which the Company operates is determined by the customers in the form of approval schemes and audits, and the Parent Company in the form of internal audits and monthly management accounts.

### Principal risks and uncertainties

Through the continual investment in its people, property, promotion and business processes, ContiTech United Kingdom Limited aims to pursue world class standards in the design, manufacture and delivery of our products, systems and services, thereby ensuring competitive advantage and market leadership. It recognises that its future success is entirely dependent on delivering the highest standards of customer service and that the motivation, development and loyalty of its employees are the key to achieving its business goals.

### Key Performance Indicators

The Company considers profit before tax, turnover growth and working capital to be its main financial indicators. The Company has produced a lower than planned profit before tax of £6,049,000 compared to a budget of £10,000,000. The planned sales value was set at £27,752,000 and ContiTech UK actually achieved £22,572,000. The Working Capital target (calculated as (sum of Inventory, Trade receivables-external, and Trade payables-external)/Revenue) was 5.7% and our achievement for the year 2015 was 10.3%.

In addition, there are non-financial targets which are assigned to the Company, which include 'Parts Per Million' objectives, implementation of a corporate lean management initiative and improvement of internal processes.

**Strategic report** *(continued)*

The Company's goal is to continue providing world class goods to its customers and adding value to the Continental Group. We have recorded tangible improvements in efficiency, and reduction in waste as a result of streamlining our processes.

By order of the board



I Jones 26.09.16  
Director

Hindley Green Business Park  
Leigh Road  
Hindley Green  
Wigan  
WN2 4TN

## Directors' report

### Dividend

No dividend was paid within the period (2014: £nil).

### Directors

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

I P Jones  
A Qual (resigned 31 May 2015)  
P M Griffin

### Employees

It is the policy of the company that there is no discrimination on the grounds of sex, religion, race or age in considering applications for employment including any necessary retraining. All employees, whether or not disabled, are given equal opportunities to train and to develop their knowledge and experience in order to further their careers. The company actively participates in the Investors In People scheme.

Communications with employees about matters concerning or of interest to them are provided by means of meetings, circulars, and dedicated notice boards giving information on the company's performance. In addition, the company provides general information by way of information boards, company newsletters and a number of intranet and internet sites. Employee participation and feedback is encouraged.

Within the company induction arrangements provide all employees with an initial understanding of the company's business, as well as their health and safety responsibilities and the terms and conditions of their work.

### Political and charitable contributions

The company made no political contributions (2014: £nil) or donations to charities during the year (2014: £678).

### Disclosure of information to auditor

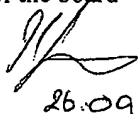
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

I Jones  
Director

  
26.09.16

Hindley Green Business Park  
Leigh Road  
Hindley Green  
Wigan  
WN2 4TN

2016

## **Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements**

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



KPMG LLP  
Edward VII Quay  
Navigation Way  
Preston  
PR2 2YF  
United Kingdom

## **Independent Auditor's Report to the Members of ContiTech United Kingdom Limited**

We have audited the financial statements of ContiTech United Kingdom Limited for the year ended 31 December 2015 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion 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.

**Independent Auditor's Report to the Members of ContiTech United Kingdom Limited**  
*(continued)*

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

We have nothing to report in respect of the following matters where 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.

*Rehman Minshall*

Rehman Minshall  
(Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
Edward VII Quay  
Navigation Way  
Preston  
PR2 2YF

29/9/2016



**Statement of Comprehensive Income**  
*for the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Revenue</b>	<i>1</i>	<b>22,572</b>	<b>21,948</b>
Cost of sales		<b>(15,318)</b>	<b>(14,741)</b>
<b>Gross profit</b>		<b>7,254</b>	<b>7,207</b>
Other income		<b>707</b>	<b>868</b>
Selling and distribution expenses		<b>(1,319)</b>	<b>(1,477)</b>
Administrative expenses		<b>(729)</b>	<b>(629)</b>
<b>Operating profit</b>		<b>5,913</b>	<b>5,969</b>
Net financial income	<i>4</i>	<b>136</b>	<b>177</b>
<b>Profit before tax</b>	<i>3</i>	<b>6,049</b>	<b>6,146</b>
Tax expense	<i>5</i>	<b>(1,131)</b>	<b>(1,032)</b>
<b>Profit for the year</b>		<b>4,918</b>	<b>5,114</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the year</b>	<i>15</i>	<b>4,918</b>	<b>5,114</b>

All of the above is attributable to equity holders of the company.

The notes on pages 12-33 form part of these financial statements.

**Statement of Changes in Equity**  
*for year ended 31 December 2015*

	<i>Note</i>	<b>Share capital £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
Balance at 1 January 2014		1,000	20,940	21,940
Total comprehensive income for the year		-	5,114	5,114
Dividends paid to equity holders	15	-	-	-
<b>Balance at 31 December 2014</b>		<b>1,000</b>	<b>26,054</b>	<b>27,054</b>
Balance at 1 January 2015		1,000	26,054	27,054
Total comprehensive income for the year		-	4,918	4,918
Dividends paid to equity holders	15	-	-	-
<b>Balance at 31 December 2015</b>		<b>1,000</b>	<b>30,972</b>	<b>31,972</b>

The notes on pages 12-33 form part of these financial statements.

**Statement of Financial Position**  
*at 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Non- current assets</b>			
Property, plant and equipment	6	2,517	2,231
Intangible assets	7	6	12
Investments in subsidiaries	8	-	-
Deferred tax assets	9	102	155
<b>Total non-current assets</b>		<b>2,625</b>	<b>2,398</b>
<b>Current assets</b>			
Inventories	10	1,449	1,206
Trade and other receivables	11	30,606	25,957
Cash and cash equivalents	12	1	-
<b>Total current assets</b>		<b>32,056</b>	<b>27,163</b>
<b>Total assets</b>		<b>34,681</b>	<b>29,561</b>
<b>Current liabilities</b>			
Trade and other payables	13	(2,709)	(2,507)
<b>Total liabilities</b>		<b>(2,709)</b>	<b>(2,507)</b>
<b>Net assets</b>		<b>31,972</b>	<b>27,054</b>
<b>Equity</b>			
Share capital	15	1,000	1,000
Retained earnings	15	30,972	26,054
<b>Total equity</b>		<b>31,972</b>	<b>27,054</b>

The notes on pages 12-33 form part of these financial statements.

These financial statements were approved by the board of directors on  
were signed on its behalf by:

26/9/ 2016 and



**Ian Jones**  
Director

26.09.16

Company Number: 1076936

**Statement of Cash Flows**  
*for the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Cash flows from operating activities</b>			
Profit for the year		<b>4,918</b>	<b>5,114</b>
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		<b>595</b>	<b>569</b>
Net finance Income		<b>(136)</b>	<b>(177)</b>
Tax expense		<b>1,131</b>	<b>1,032</b>
		<hr/>	<hr/>
		<b>6,508</b>	<b>6,538</b>
Decrease in trade and other receivables		<b>(273)</b>	<b>311</b>
Decrease/(increase) in inventory		<b>(243)</b>	<b>60</b>
Increase/(decrease) in trade and other payables		<b>202</b>	<b>196</b>
		<hr/>	<hr/>
<b>Cash generated from operations</b>		<b>6,194</b>	<b>7,105</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	<i>6,7</i>	<b>(874)</b>	<b>(789)</b>
Net Interest received/(paid)		<b>136</b>	<b>177</b>
Income taxes paid		<b>(1,080)</b>	<b>(1,077)</b>
		<hr/>	<hr/>
<b>Net cash generated from/(used in) investing activities</b>		<b>(1,818)</b>	<b>(1,689)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>4,376</b>	<b>5,416</b>
<b>Cash and cash equivalents at 1 January</b>		<b>23,390</b>	<b>17,974</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	<i>12</i>	<b>27,766</b>	<b>23,390</b>
		<hr/>	<hr/>

The notes on pages 12-33 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

ContiTech United Kingdom Limited (the “company”) is a single legal company incorporated and domiciled in the UK. The financial statements of the company for the year ended 31 December 2015 cover operations in the UK.

#### *Statement of compliance*

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (‘Adopted IFRSs’).

#### *Basis of preparation*

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

#### *Going concern*

The accounts for ContiTech United Kingdom Ltd have been prepared under the going concern assumption. The directors have prepared forecasts for a period of 12 months from the date of signing these financial statements. These forecasts demonstrate the company has sufficient cash and has a level of headroom which the directors believe is sufficient to continue to trade for at least the next 12 month period. In addition the company continues to reflect an overall net assets position and is debt free.

#### *Foreign currency*

Transactions in foreign currencies are translated 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 translated at the foreign exchange rate ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

#### *Investments in debt and equity securities*

Investments in subsidiaries are carried at cost less impairment.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

## Notes (continued)

### 1 Accounting policies (continued)

#### *Property, plant and equipment (continued)*

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Plant and machinery	-	2 – 10 years
Fixtures, fittings, tools and equipment	-	3 – 4 years

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow moving or defective items where appropriate.

#### *Intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation is charged to the income statement 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 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:

Know how	-	10 years
Access rights	-	15 years
Software development	-	3 years

#### *Financial instruments*

##### *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

##### *Trade and other receivables*

The fair value of trade and other receivables, for purposes of providing disclosure information as required by IFRS 7 'Financial Instruments: disclosures', is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. Doubtful receivable provisions are established based upon the difference between the receivable value and the estimated net collectible amount. Trade and other receivables held in foreign currencies are treated as described in the foreign currency transaction accounting policy note.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances and an inter-company finance account with Continental UK Group Holdings Limited.

Under IAS 7, the finance account with Continental UK Group Holdings Limited is considered to be a cash equivalent since it forms an integral part of the company's cash management system. It is therefore included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### *Trade and other payables*

Trade and other payables are measured at amortised cost using the effective interest method.

The fair value of trade and other payables, for purposes of providing disclosure information as required by IFRS 7 'Financial Instruments: Disclosures', is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. Amounts held in foreign currencies are treated as described in the foreign currency transaction accounting policy note.

#### *Share capital*

Ordinary shares are classified as equity.

#### *Impairment of assets*

The carrying value of the company's assets, other than inventory and deferred tax assets (refer to applicable accounting policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Where the Directors identify a reduction in the recoverable amount of an asset to below its carrying value, the carrying value of the asset is impaired to its estimated recoverable amount.

The recoverable amount of an asset is the greater of its net realisable value and value in use. The calculation of the value in use of the affected asset reflects the Directors' and executive management's best current estimate of the present value of the future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal. Where possible the affected asset is considered separately as an income-generating unit.

Where material to the accounts the impairment of an asset is disclosed separately in the income statement under the statutory heading to which it relates.

#### *Employee benefits*

##### *Defined contribution plans*

Employees who joined the company after 5 April 2002 are eligible to join a defined contribution scheme, the costs of which are recognised as an expense in the income statement as incurred.

##### *Defined benefit plans* Closed as at 5<sup>th</sup> April 2016

For employees in service as at 5 April 2002, the company provides pension benefits based on final pensionable pay from a group defined benefit scheme covering several UK Continental companies. The assets of the scheme are held separately from those of the group. Each year the company receives a single line recharge of the net defined benefit cost from the sponsoring employer, Continental UK Group Holdings Limited.

#### *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, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### *Revenue*

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

#### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

## Notes (continued)

### 1 Accounting policies (continued)

#### Finance income and expenses

Finance income comprises interest income on funds invested and inter-company balances. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest payable on borrowings and foreign exchange losses. All borrowing costs are recognised in the income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax is the expected tax payable on the taxable income 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 using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 an asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### Accounting standards adopted during the year

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

#### International Accounting Standards (IAS/IRFSs)

		Effective dates (periods beginning on or after)
IFRS 14*	Regulatory Deferral Accounts	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture Bearer Plants	1 January 2016
Amendments to IAS 27	Equity method in Separate Financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities Applying the Consolidation Exception	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Various standards	Annual improvements to IRFSs 2012 – 2014	1 January 2016
IRFS 15*	Revenue from Contracts with Customers	1 January 2018
IRFS 9*	Financial Instruments	1 January 2018
IRFS 16*	Leases	1 January 2019

\*not yet endorsed by the EU

#### Segment reporting

As a non-listed entity the company is not required under IFRS 8 to disclose segmental information. Also, in the opinion of the directors, the disclosure of segmental information as required by Companies Act 2006 would be seriously prejudicial to the interests of the reporting entity, therefore it does not need to be disclosed.



## Notes (continued)

### 2 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Production	91	103
Selling and distribution	44	43
Administration	17	11
	<u>152</u>	<u>157</u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	4,736	4,639
Social security costs	455	458
Other pension costs	775	682
	<u>5,966</u>	<u>5,779</u>

### Directors' remuneration

	2015 £000	2014 £000
Directors' emoluments	239	270
Pension contributions	33	32
	<u>272</u>	<u>302</u>

The aggregate emoluments of the highest paid director were £134,738 and company pension contributions of £18,534 were made to a defined benefit scheme on his behalf.

There are no transactions with key management personnel other than the above.

	Number of directors	
	2015	2014
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>2</u>	<u>2</u>

### 3 Profit before tax

Profit before tax is stated after charging:

	2015 £000	2014 £000
Auditor's remuneration:		
Audit of the Company	26	26
Audit related services	1	1
Other services relating to taxation	8	8
Depreciation of owned tangible fixed assets	589	569
Amortisation of intangible assets	6	4
Hire of other assets – operating leases	<u>447</u>	<u>445</u>

**Notes (continued)**

**4 Net Financial income/(expense)**

	2015 £000	2014 £000
Interest income on financial assets	259	241
Net foreign exchange loss	(123)	(64)
	<hr/>	<hr/>
Net financial expense	136	177
	<hr/>	<hr/>

**5 Income tax expense**

Recognised in the income statement

	2015 £000	2014 £000
<i>Current tax expense</i>		
Current year	1,129	1,183
Adjustments for prior years	(49)	(106)
	<hr/>	<hr/>
Current tax expense	1,080	1,077
	<hr/>	<hr/>
<i>Deferred tax (credit)/expense</i>		
Origination and reversal of temporary differences	(3)	(45)
Adjustments for prior years	54	-
	<hr/>	<hr/>
Deferred tax (credit)/expense (note 9)	51	(45)
	<hr/>	<hr/>
Total tax in income statement	1,131	1,032
	<hr/>	<hr/>

**Reconciliation of effective tax rate**

The current tax charge is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £000	2014 £000
Profit before tax	6,049	6,146
	<hr/>	<hr/>
Income tax using the UK corporation tax rate of 20.25% (2014: 21.49%)	1,225	1,321
Non-deductible expenses/income	2	3
Additional deduction for R&D expenditure	(8)	(8)
Temporary differences	(103)	(181)
Adjustment in respect of prior period	(49)	(106)
Adjustment in respect of prior period - deferred tax	54	
Adjustment of opening and closing deferred tax to average rate of 20.00%	10	3
Pensions adjustment	-	-
	<hr/>	<hr/>
Current tax in income statement	1,131	1,032
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

**Notes** *(continued)*

**6 Property, plant and equipment**

	<b>Plant and machinery £000</b>	<b>Fixtures, fittings tools and equipment £000</b>	<b>Total £000</b>
<i><b>Cost</b></i>			
Balance at 1 January 2014	12,127	267	12,394
Additions	683	106	789
Disposals	(1,365)	-	(1,365)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	11,445	373	11,818
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2015	11,445	373	11,818
Additions	753	24	777
Transfers from a group company	715	-	715
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2015</b>	<b>12,913</b>	<b>397</b>	<b>13,310</b>
	<hr/>	<hr/>	<hr/>
<i><b>Depreciation</b></i>			
Balance at 1 January 2014	10,134	248	10,382
Charge for the year	558	11	569
Disposals	(1,364)	-	(1,364)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	9,328	259	9,587
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2015	9,328	259	9,587
Charge for the year	573	16	589
Transfers from a group company	617	-	617
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2015</b>	<b>10,518</b>	<b>275</b>	<b>10,793</b>
	<hr/>	<hr/>	<hr/>
<i><b>Net book value</b></i>			
At 1 January 2014	1,993	19	2,012
	<hr/>	<hr/>	<hr/>
At 31 December 2014 and 1 January 2015	2,117	114	2,231
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2015</b>	<b>2,395</b>	<b>122</b>	<b>2,517</b>
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 7 Intangible assets

	Know how £000	Access rights £000	Software Development £000	Total £000
<b>Cost</b>				
Balance at 1 January 2014 and 31 December 2014	129	224	244	597
Additions	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>129</b>	<b>224</b>	<b>244</b>	<b>597</b>
<b>Amortisation and impairment</b>				
Balance at 1 January 2014 and 31 December 2014	129	224	232	585
Additions	-	-	6	6
<b>Balance at 31 December 2015</b>	<b>129</b>	<b>224</b>	<b>238</b>	<b>591</b>
<b>Net book value</b>				
Balance at 1 January 2014 and 31 December 2014	-	-	12	12
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>6</b>

### 8 Investments

	£000
<b>Cost</b>	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	974
<b>Impairment</b>	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	(974)
<b>Net Book Value</b>	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	-

The company had the following investment in subsidiaries:

	Country of incorporation and registration	Class of shares held	Ownership	
			2015	2014
ContiTech Thermopol Limited	United Kingdom	Ordinary	100%	100%

The company acquired a 100% share of ContiTech Thermopol Limited on 2 December 2008. The investment had been impaired in previous years to reflect the Directors estimate of the fair value of the investment.

## 9 Notes (continued)

### Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following:

	Assets		Liabilities		Net	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Property, plant and equipment	83	110	-	-	83	110
Timing differences	19	45	-	-	19	45
Net tax assets	102	155	-	-	102	155

#### Movement in temporary differences during the year

	Balance at 1 January 2015 £000	Recognised in Income statement £000	Balance at 31 December 2015 £000
Property, plant and equipment	100	(17)	83
Provisions	55	(36)	19
Pension and post-retirement benefits	-	-	-
Total assets	155	(53)	102

#### Movement in temporary differences during the prior year

	Balance at 1 January 2014 £000	Recognised in income statement £000	Balance at 31 December 2014 £000
Property, plant and equipment	102	(2)	100
Provisions	8	47	55
Pensions and post-retirement benefits	-	-	-
	110	45	155

## 10 Inventories

	2015 £000	2014 £000
Raw materials and consumables	446	375
Work in progress	174	149
Finished goods	829	682
	1,449	1,206

The carrying value of inventory is not materially different from its recoverable amount.

Included within inventories is £1,449,000 (2014: £1,206,000) expected to be recovered in more than 12 months.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £9,200,000 (2014: £9,400,000).

**Notes (continued)**

**11 Trade and other receivables**

	2015 £000	2014 £000
Receivables due from affiliates	27,997	23,922
Trade receivables net of impairment loss recognised	2,285	1,661
	<hr/>	<hr/>
	30,282	25,583
Other receivables	63	150
Prepayments and accrued income	261	224
	<hr/>	<hr/>
	30,606	25,957
	<hr/>	<hr/>

**12 Cash and cash equivalents**

	2015 £000	2014 £000
Bank balances (petty cash)	1	-
Finance account with Continental UK Group Holdings Limited	27,765	23,390
	<hr/>	<hr/>
Cash and cash equivalents in the statement of cash flows	27,766	23,390
	<hr/>	<hr/>

The finance account with Continental UK Group Holdings is shown within 'receivables due from affiliates' as disclosed in note 11.

**13 Trade and other payables**

	2015 £000	2014 £000
Payables due to affiliates	247	119
Trade payables	1,405	1,289
Accruals and deferred income	1,057	1,099
	<hr/>	<hr/>
	2,709	2,507
	<hr/>	<hr/>

## Notes (continued)

### 14 Employee benefits

#### Defined benefit scheme

The company provides pension benefits to eligible employees based on final pensionable pay. Benefits are provided via a group defined benefit scheme covering Continental Tyre Group Limited and ContiTech United Kingdom Limited with Continental UK Group Holdings Limited as the sponsoring employer. The assets of the scheme are held separately from those of the group. As sponsoring employer, all assets and liabilities in relation to the scheme are shown in the accounts of Continental UK Group Holdings Limited, whilst the charge or credit to the income statement is partially recharged to Continental Tyre Group Limited and ContiTech United Kingdom Limited which are settled for cash.

A full actuarial valuation was carried out as at 5 April 2015 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Company and the trustees in line with those requirements. These in particular require the surplus /deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

The detailed particulars of the group scheme are disclosed in the financial statements of Continental UK Group Holdings Limited. However the following information is shown in accordance with IAS 19.

The group scheme has the following positions:

	2015 £'000	2014 £'000
Fair value of plan assets	112,131	109,321
Present value of defined benefit obligation	(104,939)	(106,931)
Surplus/(deficit) in scheme	7,192	2,390
Impact of asset ceiling	-	(234)
Asset/(liability) to be recognised	7,192	2,156
Deferred Tax	(1,294)	(431)
Net asset/(liability) to be recognised	5,898	1,725

## Notes (continued)

### 14 Employee benefits (continued)

#### Pension plans (continued)

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the plan liabilities, whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In assessing this figure for the purpose of these disclosures, allowance has been made for future statutory revaluation of benefits up to retirement.

	2015 £'000	2014 £'000
Impact of asset ceiling	234	2,426
Effect of the asset ceiling included in net interest cost	8	107
Actuarial (gains)/losses on asset ceiling	(242)	(2,299)
	<hr/>	<hr/>
Actuarial losses on asset ceiling	-	234
	<hr/>	<hr/>

The company has recognised this adjustment in line with the requirements of IFRIC 14 which includes recognition of the schedule of contributions as a liability.

#### Reconciliation of the opening and closing present value of the defined benefit obligation

	2015 £'000	2014 £'000
Defined benefit obligation at start of period	106,931	92,997
Current service cost	1,583	1,365
Expenses	230	278
Interest cost	3,834	4,057
Contributions by plan participants	388	403
Actuarial (gains)/loss due to scheme experiences	(1,024)	48
Actuarial (gains) due to changes in demographic assumptions	(253)	-
Actuarial (gains)/loss due to changes in financial assumptions	(3,139)	11,375
Benefit paid, death in service premiums and expenses	(3,611)	(3,592)
	<hr/>	<hr/>
Defined benefit obligation at end of period	104,939	106,931
	<hr/>	<hr/>



## Notes (continued)

### 14 Employee benefits (continued)

#### Pension plans (continued)

There have been no plan amendments, curtailments or settlements in the accounting period.

#### Reconciliation of the opening and closing values of the fair value of plan assets

	2015 £'000	2014 £'000
Fair value of plan assets at start of period	109,321	91,503
Interest income	3,943	4,027
Return on plan assets(excluding amounts included in interest income)	(1,177)	13,730
Contributions by the Company	3,267	3,250
Contributions by plan participants	388	403
Benefit paid, death in service premiums and expenses	(3,611)	(3,592)
Fair value of plan assets at end of period	112,131	109,321

The actual return on the plan assets over the period ending 31 December 2015 was £2,766,000 (2014: £17,757,000).

#### Assets

	2015 £'000	2014 £'000	2013 £'000
Fixed Income/Debt Securities	34,838	42,747	30,393
Diversified Growth Funds	33,922	27,965	49,360
Cash	2,404	2,797	3,628
Absolute Return Strategy	40,967	35,812	8,122
<b>Total Assets</b>	<b>112,131</b>	<b>109,321</b>	<b>91,503</b>

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied by, or other assets used by, the Company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

It is the policy of the trustees and the Company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

A proportion of the plan assets are invested in Liability Driven Investment (LDI) funds. The plan therefore holds assets which aim to behave in the same way as the liabilities which should result in reduced volatility of the scheme deficit.

#### Significant actuarial assumptions (expressed as weighted averages):

	2015	2014	2013
Discount rate for liabilities	3.80%	3.60%	4.40%
Salary increases	4.30%	4.25%	4.45%
Rate of increase for pensions in payment and deferred pensions- RPI 5% / CPI 5%	3.14%/2.25%	3.10%/2.20%	3.30%/2.4%

## Notes (continued)

### 14 Employee benefits (continued)

The mortality assumptions adopted at 31 December 2015 are 110% of the standard tables S1PxA, Year of Birth, no age rating for males and females, projected using CMI\_2014 converging to 1.25% p.a. These imply the following life expectancies:

	<i>Life expectancy at age 65 years</i>
Male retiring in 2015	21.6
Female retiring in 2015	23.6
Male retiring in 2035	23.3
Female retiring in 2035	25.5

#### Analysis of the sensitivity to the principle assumptions of the present value of defined benefit obligation

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.5% p.a.	Increase by 9.0%
Rate of inflation (revaluation and pension increases only)	Increase of 0.5% p.a.	Increase by 3.8%
Rate of salary growth	Increase of 0.5% p.a.	Increase by 1.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.5%
Commutation	Members commute an extra 10% of post a day pension on retirement	Decrease of 0.5%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and excludes salary growth. The average duration of the defined benefit obligation at the period ending 31 December 2015 is 19 years.

The plan typically exposes the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future P&L accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings, and in any qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

#### ContiTech UK contributions to the defined benefit plan

Pension costs for the defined contribution scheme amounted to £670,000. There were no outstanding contributions at year end.

#### Defined contribution scheme

Pension costs for the defined contribution scheme amounted to £105,000. There were no outstanding contributions at year end.

**Notes (continued)**

**15 Capital and reserves**

**Reconciliation of movement in capital and reserves**

*Attributable to equity holders of the company*

	Share capital £000	Retained Earnings £000	Total £000
Balance at 1 January 2014	1,000	20,940	21,940
Total recognised income and expense	-	5,114	5,114
Dividend	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	1,000	26,054	27,054
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2015	1,000	26,054	27,054
Total recognised income and expense	-	4,918	4,918
Dividend	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	1,000	30,972	31,972
	<hr/>	<hr/>	<hr/>
<b>Share capital</b>		<b>2015</b>	<b>2014</b>
		<b>£000</b>	<b>£000</b>
1,000,000 ordinary shares of £1 each		1,000	1,000
		<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes (continued)

### 16 Financial instruments

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### *Fair values*

The carrying value for each class of financial assets and financial liabilities in the balance sheet, which are given below, are not considered to be materially different to their fair values. The basis for calculation of fair values, where applicable, is set out in the accounting policy notes:

IAS 39 categories of financial instruments:

	Carrying amount 2015 £000	Carrying amount 2014 £000
Loans and receivables	30,606	25,957
Cash and cash equivalents	1	-
<b>Total financial assets</b>	<b>30,607</b>	<b>25,957</b>
Trade and other payables	(2,709)	(2,507)
<b>Total financial liabilities</b>	<b>(2,709)</b>	<b>(2,507)</b>
<b>Total financial instruments</b>	<b>27,898</b>	<b>23,450</b>

#### *Credit risk*

Credit risk is the risk of financial loss to the company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and loans to related parties.

Management has a credit policy in place and monitors credit risk on an on-going basis. Credit checks are performed on all customers requiring credit. At the balance sheet date, there were no significant concentrations of credit risk.

There is not considered to be any credit risk in relation to cash and cash equivalents.

## Notes (continued)

### 16 Financial instruments (continued)

#### Credit risk (continued)

The company's exposure is attributable to dealings with a wide-range of customers across established and clearly defined business units; Automotive, White Goods and Industrial Goods.

Management has established, within corporate guidelines, a formal credit policy which is reviewed annually by central corporate credit management. New and existing customers are constantly monitored for creditworthiness, using external information, including published accounts. Credit limits are set and are subject to ongoing review.

The vast majority of the company's customers have been buying from the company for well over ten years and receive regular personal visits.

Wherever possible goods are sold subject to retention of title clauses so that there is a reasonable expectation of recovery should customers default. More often than not the company does not require collateral in respect of trade receivables.

The company has made an impairment allowance against trade receivables based on historical evidence. The maximum exposure to credit risk is represented by the carrying value in the balance sheet.

The maximum exposure to credit risk for trade receivables by geographic region as at 31 December was:

	2015 £000	2014 £000
United Kingdom	751	717
Rest of world	1,534	944
<b>Total</b>	<b>2,285</b>	<b>1,661</b>

The maximum exposure to credit risk for trade receivables by customer type as at 31 December was:

	2015 £000	2014 £000
Automotive	409	399
White Goods	1,809	1,115
Industrial Goods	394	460
<b>Sub Total</b>	<b>2,612</b>	<b>1,974</b>
<i>Less Allowance</i>		
Automotive	(290)	(290)
White Goods	(26)	(17)
Industrial Goods	(11)	(6)
	<b>(327)</b>	<b>(313)</b>
<i>Net position</i>		
Automotive	119	109
White Goods	1,783	1,098
Industrial Goods	383	454
<b>Total</b>	<b>2,285</b>	<b>1,661</b>

## Notes (continued)

### 16 Financial instruments (continued)

#### Credit risk (continued)

The most significant customer accounts for £433,163 of the trade receivables carrying value at 31 December 2015.

The ageing of trade debtors as at 31 December was:

	2015			2014		
	Gross £000	Impairment Allowance £000	Net £000	Gross £000	Impairment Allowance £000	Net £000
Not past due	1993	(30)	1963	1,368	(15)	1,353
Past due 1-29 days	252	(3)	249	302	(4)	298
Past due 30-90 days	16	-	16	8	-	8
Past due 91-120 days	-	-	-	2	-	2
Past due >121 days	351	(294)	57	294	(294)	-
	<u>2,612</u>	<u>(327)</u>	<u>2,285</u>	<u>1,974</u>	<u>(313)</u>	<u>1,661</u>

#### Impairment allowance

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 £000	2014 £000
Balance at 1 January	313	381
Increase/(release) of impairment allowance	14	(68)
<b>Balance at 31 December</b>	<u>327</u>	<u>313</u>

The allowance for trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against trade receivables directly. The company's policy is to impair all balances, net of recoverable VAT, by 1.5%.

#### Receivables due from affiliates

Receivables due from affiliates arise in the normal course of business from trading with affiliates. The company has not made any impairment allowance against the affiliated balances at the year end as the directors are of the opinion there is no credit risk on these. The carrying value at the balance sheet date was £27,997,000.

## Notes (continued)

### 16 Financial instruments (continued)

#### Liquidity risk (continued)

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company operates within a UK-wide cash pooling arrangement with the clearing bankers. This is managed by Continental UK Group Holdings Limited within corporate guidelines. Regular sweeps are made of the company's bank account during the week into the pooling account. All companies in this arrangement cross-guarantee bank overdrafts up to a limit of £5 million.

The holding company obviates the need for the company to make any short-term investments or from seeking their own bank borrowings, in order to optimise the use of its group credit lines.

Monthly payments to Continental AG Group for purchases of product are settled automatically in line with corporate policy. Payments to third parties are made within agreed payment terms.

The company is able to meet its financial obligations when due.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting arrangements as at 31 December 2015.

	Carrying value	2015 Contractual £000			
		Cashflows	< 6 months	6-12 months	1-2 years
Trade payables	1,405	(1,405)	(1,405)	-	-
Payables to affiliates	247	(247)	(247)	-	-
Accruals	1,057	(1,057)	(1,057)	-	-
	<u>2,709</u>	<u>(2,709)</u>	<u>(2,709)</u>	<u>-</u>	<u>-</u>
	Carrying value	2014 Contractual £000			
		Cashflows	< 6 months	6-12 months	1-2 years
Trade payables	1,289	(1,289)	(1,289)	-	-
Payables to affiliates	119	(119)	(119)	-	-
Accruals	1,099	(1,099)	(1,099)	-	-
	<u>2,507</u>	<u>(2,507)</u>	<u>(2,507)</u>	<u>-</u>	<u>-</u>

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

#### Interest rate risk

The company has borrowings and has advanced loans that incur and generate interest at floating rates and hence is exposed to interest rate risk. No interest rate swaps are used. Management constantly monitors the floating interest rates so that action can be taken should it be considered necessary.

The company does not hedge currencies nor engage in interest rate swaps. There are no available-for-sale equity securities.

## Notes (continued)

### 16 Financial instruments (continued)

#### Sensitivity analysis

A 1% increase in interest rates at the balance sheet date would have no material effect on equity and profit or loss.

#### Foreign currency risk

The company's raw material purchases are mainly from European and UK companies who invoice in Euros and Sterling. The majority of sales are into Europe and the UK and are invoiced in Euros and Sterling. The company is exposed to foreign currency risk on both purchases and sales. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement. No forward contracts are used to fix the exchange rate on future transactions.

The company's exposure to foreign currency risk is as follows:

31 December 2015	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Cash and Cash equivalents	1	-	-	-	1
Trade receivables	877	1,257	151	-	2,285
Receivables due from affiliates	27,807	190	-	-	27,997
Trade payables	1,189	216	-	-	1,405
Payables due to affiliates	247	-	-	-	247
<b>Balance sheet exposure</b>	<b>30,121</b>	<b>1,663</b>	<b>151</b>	<b>-</b>	<b>31,935</b>
<b>31 December 2014</b>	<b>Sterling £000</b>	<b>Euro £000</b>	<b>US Dollar £000</b>	<b>Other £000</b>	<b>Total £000</b>
Cash and Cash equivalents	-	-	-	-	-
Trade receivables	693	838	129	1	1,661
Receivables due from affiliates	23,424	498	-	-	23,922
Trade payables	850	439	-	-	1,289
Payables due to affiliates	119	-	-	-	119
<b>Balance sheet exposure</b>	<b>25,086</b>	<b>1,775</b>	<b>129</b>	<b>1</b>	<b>26,991</b>

The following significant exchange rates applied during the year:

	2015 Average rate	2014 Average rate	2015 Year end mid-spot rate	2014 Year end mid-spot rate
Euro €1 = £	0.726	0.8065	0.737	0.7797
US Dollar \$1 = £	0.654	0.6068	0.675	0.642

#### Sensitivity analysis

A 1% weakening in the Euro and US dollar against the pound sterling at 31 December 2015 would have had no material effect on equity and profit or loss.



## Notes (continued)

### 17 Financial instruments (continued)

#### Capital Management

The company's objective when managing capital is to maintain a strong capital base, to maintain confidence in, and to sustain future development of, the business.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In assessing the level of capital, all components of equity are taken into account (ie share capital and retained earnings) which at 31 December 2015 amounted to £31,972,000. The company is not subject to any externally imposed capital requirements. Management of capital therefore focuses around the company's ability to generate cash from its operations.

In order to maintain or adjust the capital structure, the company may adjust dividends paid or sell assets to raise funds. The company believes that it is meeting its objectives for managing capital, as funds are available for re-investment where necessary.

There were no changes in the approach to capital management during the year.

### 18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	503	458
Between one and five years	1,563	1,817
	<u>2,066</u>	<u>2,275</u>

During the year £447,000 was recognised as an expense in the income statement in respect of operating leases (2014: £445,000).

### 19 Capital commitments

During the year, the company entered into a contract to purchase property, plant and equipment for £97,000. These commitments are expected to be settled in the following financial year.

### 20 Contingencies

The company has entered into a joint agreement with Continental UK Group Holdings Limited, Continental Tyre Group Limited and Continental Teves UK Limited to cross guarantee bank overdrafts up to a limit of £5 million.

## Notes (continued)

### 21 Related parties

#### Affiliated companies

During the years ended 31 December 2015 and 31 December 2014 the following related party transactions and balances exist with affiliated Continental companies.

	2015 £000	2014 £000
<b>Transactions</b>		
Purchase of goods	4,431	4,446
Sales of goods	12,456	13,899
Interest received	259	241
Recharges of expenses	1,161	701
	<hr/>	<hr/>
<b>Year end balances</b>		
<i>Within trade and other receivables</i>		
ContiTech Power Transmission (Ninghai)	-	-
CT Hungary	-	12
Roulunds Korea	-	3
ContiTech Antriebssysteme GmbH	174	368
TIC Italy	2	13
ContiTech Brasil	28	10
CT Anoflex	-	5
Roulunds Rubber A/S	-	-
Continental UK Group Holdings	27,765	23,390
CT MGW	-	93
Conti India	27	21
CT Luftfedersysteme GmbH	-	-
Dan Belt	1	7
	<hr/>	<hr/>
	27,997	23,922
<i>Within trade and other payables</i>		
CT Vibration Control GmbH	(71)	(67)
CT Romania SRL	(20)	(18)
Continental Teves	-	(12)
ContiTech China	(136)	(22)
Continental AG	(3)	-
CT Shanghai	(3)	-
CT Aftermarket	(6)	-
CT Automotive	(8)	-
	<hr/>	<hr/>
	(247)	(119)
	<hr/>	<hr/>
	27,750	23,803
	<hr/>	<hr/>

Consideration for all transactions is physical cash.

### 22 Ultimate parent company and parent company of a larger group

The company's ultimate parent company is Continental AG incorporated in Germany. The company's immediate parent company is ContiTech Holdings Netherland B.V, a company incorporated in The Netherlands.

The largest and smallest group in which the results of the company are consolidated is that headed by Continental AG. The consolidated accounts of these groups are available to the public and may be obtained from Vahrenwalder Strasse 9, 3000 Hanover 1, Germany.