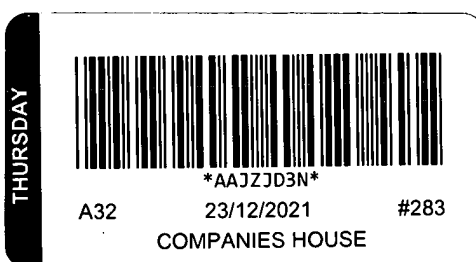


Registered No. 03402476

## **Kautex Textron CVS Limited**

### **Report and Financial Statements**

31 December 2020



## Kautex Textron CVS Limited

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### **Directors**

J Rautenstrauch

J Perez Pascual

### **Secretary**

N Rojas-Mera resigned 1<sup>st</sup> February 2020

Richard Lewis effective 1<sup>st</sup> February 2020

### **Auditors**

Ernst & Young LLP

The Paragon

Counterslip

Bristol BS1 6BX

### **Bankers**

Bank of America Merrill Lynch

2 King Edward Street

London EC1A 1HQ

### **Solicitors**

Warren Murton

23 Bedford Row

London WC1R 4EB

### **Registered office**

23 Bedford Row

London WC1R 4EB

Registered No. 03402476

## Kautex Textron CVS Limited

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Registered No. 03402476

### Strategic report

#### Results and dividends

The loss for the year after taxation amounted to (£459k) (2019 – profit £1,011k).

The directors do not recommend a final dividend (2019 – £nil).

Dividends paid in the year amounted to £nil (2019 – £19,500,000)

#### Principal activity and review of the business

The company's principal activity during the year continued to be the manufacture and distribution of washer systems for the automotive industry.

The company's key performance indicators during the year were as follows:

	2020	2019
	£000	£000
Turnover	22,002	31,253
Operating (loss) profit	(701)	1,173
(Loss) / Profit after tax	(459)	1,011
Shareholders' funds	12,206	12,570

Turnover in 2020 has decreased from 2019 by 30% which was mainly due to the global impact of COVID-19 resulting in decreased demand from customers.

The government furlough scheme was utilised, particularly in the second quarter (April to June). In addition, only essential costs were incurred, and savings were achieved on travel through the year. The business picked up in Q3 as the motor industry regained some traction.

Focus continued on further improving operational stability and efficiencies. Significant successes were achieved in operational performance, stock control and product quality.

2021 has started well, however the outlook is disappointing, due to changing customer schedules which negatively impact the Company. Consequently, on the 18<sup>th</sup> March 2021, an announcement was made that the business had started a process to assess closure. In June, agreement was reached with the employee forum that the plant will close in 2022.

The Company's tax strategy can be found at <https://investor.textron.com/investors/corporate-governance/default.aspx>

#### Principal risks and uncertainties

The directors continually review and evaluate the risks that the company is facing. The principal risks and uncertainties are broadly grouped as competitive, legislative and financial risk.

##### *Competitive risks*

Largely owing to the nature of the market in the UK, the company has faced very strong competition in recent years. The company puts strong emphasis on its excellent service levels, quality of its product and competitive pricing to its customer base to maintain its position within the market.

##### *Legislative risks*

Risk within the UK industry is controlled by specific recognised bodies who provide good practice and standards to follow.

## Kautex Textron CVS Limited

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### Strategic report (continued)

#### *Financial risks*

The company has established a risk and financial management framework the primary objectives of which are to protect the company from events that hinder the achievement of the company's performance objectives.

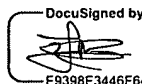
The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

#### **Covid - 19**

Kautex Textron CVS Ltd operates in a global automotive market with its main customers based in the UK, Europe and worldwide. As a result, impact on the business is directly related to the performance of this global automotive market. Both the group-wide and UK Business Continuity Plans have been activated, including rapid and extensive deployment of remote working where practicable, prioritisation of key production lines and social distancing measures for remaining site-based operations. Furthermore, the available relevant Government support has been utilised in the form of furloughing some employees who are not able to perform their role remotely within the context of the lockdown, and the automatic VAT payment deferral. It is increasingly clear that the prevailing situation is likely to persist to some degree for the near term. Kautex Textron CVS Ltd continues to monitor and adapt its countermeasures in order that it can continue to supply products to its customers despite these unprecedented circumstances.

On behalf of the Board

Javier Perez  
Director

DocuSigned by:  
  
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Date: December 21, 2021

## Kautex Textron CVS Limited

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### **Directors' report**

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

#### **Research and development expenditure**

The company undertakes development work on new products to improve existing performance by reducing size and weight and increasing capability.

#### **Post balance sheet event**

On the 18th March 2021, an announcement was made that the business had started a process to assess closure.

In June 2021, agreement was reached with the employee forum that the plant will close in the first half of 2022.

Accordingly, these financial statements have been prepared on a basis other than a going concern.

#### **Future outlook**

It is expected that the Company will be liquidated following the termination of trading during the 2022 financial year.

#### **Directors**

The directors who served the company during the year and to the date of this report were as follows:

J Rautenstrauch  
J Perez Pascual

#### **Directors' liabilities**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

#### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

#### **Employee involvement**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company newsletter and the Textron 'Our Voice' survey. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **Use of derivatives**

The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Kautex Textron CVS Limited

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## Directors' report (continued)

### S172 Statement

Companies with financial year ends post 1 January 2019 must comply with the new requirement of reporting how Directors have fulfilled their duty under section 172 of the Companies Act 2006 (the 'Act'). Accordingly, the Company Directors hereby confirm we have complied with the provisions of the Act and, consistent with the size and complexity of the business, make this declaration in good faith. We believe we have acted and made decisions in a way considered most likely to promote the success of the Company for the benefit of its members. In doing so, we gave regard to:

- The likely long-term consequences of any decision;
- The interest of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and other stakeholders;
- The impact of the Company's operations on the community and the environment;
- The Company's desire to maintain a reputation for business conduct of a high standard; and
- The need to act fairly between all members of the Company

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

In accordance with section 487(2) of the Companies Act 2006, the auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days beginning with the day on which copies of this Report and Financial Statements are sent to members unless a resolution is passed under section 488 of the Companies Act 2006 to the effect that they should not be re-appointed.

On behalf of the Board

Javier Perez  
Director

DocuSigned by:  
  
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Date: December 21, 2021

**Kautex Textron CVS Limited**

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## **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAUTEX TEXTRON CVS Limited**

### **Opinion**

We have audited the financial statements of Kautex Textron CVS Limited 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 1 to 20, 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 FRS 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 company's affairs as at 31 December 2020 and of its loss 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 UK, including the FRC'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.

### **Emphasis of Matter - financial statements prepared on a basis other than going concern**

We draw attention to Note 1 on page 13 of the financial statements which explains that the directors intend to liquidate the company and therefore do not consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 1. Our opinion is not modified in respect of this matter.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAUTEX TEXTRON CVS 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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions 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 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 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.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAUTEX TEXTRON CVS Limited (continued)**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

### **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.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the United Kingdom. In addition, the Company must comply with laws and regulations relations to its operating; including UK employment law, health & safety and GDPR.
- We understood how Kautex Textron CVS Limited is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated our enquiries through reading of Board minutes, papers provided to the Audit Committee and Internal Audit reports. Our audit procedures were designed to either corroborate or provide contrary evidence, the results of which were followed up appropriately.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also understood the performance targets in the context of variable pay reward schemes and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAUTEX TEXTRON CVS Limited (continued)**

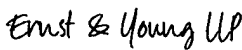
Where this risk was higher, we performed incremental audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reading board minutes to identify any noncompliance with laws and regulations, reading Internal Audit Reports and enquiries of management and those charged with Governance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

DocuSigned by:  
  
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Jane Barwell (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

December 22, 2021

## Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
<b>Turnover</b>	2	22,002	31,253
Cost of sales		(19,884)	(26,318)
<b>Gross Profit</b>		2,118	4,935
Distribution costs		(319)	(440)
Administrative expenses		(2,500)	(3,322)
<b>Operating (Loss)/Profit</b>	3	(701)	1,173
Interest receivable and similar charges	6	4	76
<b>(Loss)/Profit on ordinary activities before taxation</b>		(697)	1,249
Tax	7	238	(238)
<b>(Loss)/Profit for the financial year</b>		(459)	1,011

All amounts relate to continuing activities.

## Statement of changes in equity

for the year ended 31 December 2020

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2019	541	30,484	31,025
Share-based payment	-	34	34
Textron Dividend	-	(19,500)	(19,500)
Profit for the year	-	1,011	1,011
At 31 December 2019	541	12,029	12,570
Share-based payment	-	95	95
Loss for the year	-	(459)	(459)
At 31 December 2020	541	11,665	12,206

## Kautex Textron CVS Limited

**Balance sheet**

at 31 December 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible assets	8	2,604	2,592
<b>Current assets</b>			
Stocks	9	1,891	2,088
Debtors	10	9,771	9,574
Cash at bank and in hand		-	1
		11,662	11,663
<b>Non-Current assets</b>			
Other Debtors	10	2,638	3,350
<b>Creditors: amounts falling due within one year</b>	11	(4,698)	(5,035)
<b>Net current assets</b>		6,964	6,628
<b>Total assets less current liabilities</b>		12,206	12,570
<b>Capital and reserves</b>			
Called up share capital	12	541	541
Profit and loss account		11,665	12,029
<b>Shareholders' funds</b>		12,206	12,570

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

Javier Perez  
Director

DocuSigned by:  
  
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Date: December 21, 2021

Kautex Textron CVS Limited

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## Notes to the financial statements

at 31 December 2020

### 1. Accounting policies

#### *Basis of preparation and statement of compliance with FRS102*

During the 2021 financial year the Company agreed that it would cease trading activities within the first half of the 2022 financial year, with liquidation expected in the second half of the year. In accordance with FRS102, paragraph 3.8, these financial statements are prepared on a basis other than going concern to reflect the fact that trading will cease. There has been no impact to the financial results for the year ended 31 December 2020 as a result of this decision.

Kautex Textron CVS Limited is a private company limited by shares incorporated in the UK, and registered in England and Wales, with its registered office at Warren Murton, 23 Bedford Row, London WC1R 4EB. These financial statements are prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the historical cost convention. The principal accounting policies adopted by the company are set out below and have been consistently applied throughout the year.

The financial statements are presented in the company's functional currency of GB Pounds (Sterling), rounded to the nearest thousand Pounds (£000).

The company is a qualifying entity (note 19) and has taken advantage of the following disclosure exemptions under FRS 102:

- (a) The requirements of Section 7 – Statement of Cash Flows and Section 3 – Financial Statement Presentation paragraph 3.17(d); and
- (b) The requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 29A relating to financial instruments;
- (c) The requirements of Section 26 – Share Based Payment – paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- (d) The requirement of Section 33 – Related Party Disclosures paragraph 33.7

Kautex Textron CVS Limited

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## Notes to the financial statements

at 31 December 2020

### 1. Accounting policies (continued)

#### Group support

The Directors have considered information regarding Textron Inc's ability to provide financial support to the Company.

This information included:

Kautex Textron CVS Ltd strategic business review for 2021 to 2022 (based on forecasts provided by IHS and customers);

Review of liquidity and capital resources from 10-Q of Textron Inc

Discussions with directors of Textron Inc. who provide a written financial support guarantee to 31 December 2022 for Kautex Textron CVS Ltd;

The Group had total cash and cash equivalents of \$2,346m (c.£1,728m) as at 31 December 2020 and \$2,188m (c. £1,587m) as at 30 June 2021. The Group is forecast to maintain a positive cash position over the 12 months ending 31 December 2022.

The total net debt is \$4,369m (c.£3,217m) at 31 December 2020 and \$3,833m (c.£2,780m) at 30 September 2021. The Group has forecast that there will be sufficient funds available and that sufficient funds will be generated within the group to cover all short-term obligations, including long-term debt that will be mature in 2021 and 2022. A significant deterioration would need to be incurred for a breach of debt covenants to be incurred.

The Directors have made enquiries of the Directors of Textron Inc. on its ability to provide the facility, noting the financial position of the Group as described above. The Directors conclude that Textron Inc. and its related affiliates will be able to provide the facility from the date of signing these financial statements, for the 15 months to 31 December 2022, should the need arise.

#### **Tangible fixed assets**

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value based on the prices prevailing at the date of acquisition of each asset, evenly over its expected useful life as follows:

Plant, machinery and tooling	–	over 1-15 years
Fixtures and fittings	–	over 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Kautex Textron CVS Limited

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## Notes to the financial statements

at 31 December 2020

### 1. Accounting policies (continued)

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

Cost includes all costs incurred in bringing each product to its present location and condition and is based on purchase cost as follows:

Raw materials, consumables

and goods for resale

– purchase cost on a first-in, first-out basis.

Work in progress and finished goods

– cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### **Revenue recognition**

Turnover is recognised in line with the contract terms and conditions of its customers which recognises revenue when risk changes from seller to buyer, this is at the point of despatch.

#### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Use of derivatives**

The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. This is done each year, usually at the same currency rate as next year's annual budget rate.

Purchases and sales in foreign currencies are recorded at the actual rate of exchange ruling at the date of the transaction. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The company does not undertake any hedge accounting transactions.

#### **Leasing and hire purchase commitments**

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.



## Kautex Textron CVS Limited

## Notes to the financial statements

at 31 December 2020

### 1. Accounting policies (continued)

#### *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### *Share-based payment*

Employees of the Company receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares (equity-settled transactions). The shares issued are those of the Company's ultimate parent undertaking and controlling party, Textron Inc. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is based on the market value of the shares at the date of grant less required adjustments to reflect the fair value of the award as dividends are not paid or accrued until the shares vest.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the periods in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest. No expense is recorded for awards that do not ultimately vest. The terms of the equity-settled award do not allow modifications.

#### *Research and development*

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual tooling project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

#### *Warranties*

Warranty costs are charged to the profit and loss account when incurred.

#### *Government grants*

Government grants are recognised when it is reasonable to expect the grants will be received and that all related conditions will be met, usually on submissions of a valid claim for payment.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	2020 £000	2019 £000
United States	67	120
Western Europe	19,205	27,006
Eastern Europe	1,922	3,020
Northern Africa	754	1,069
Asia	54	38
	<u>22,002</u>	<u>31,253</u>

## Kautex Textron CVS Limited

**Notes to the financial statements**

at 31 December 2020

**3. Operating profit**

This is stated after charging/(crediting):

	2020	2019
	£000	£000
Auditors' remuneration	34	29
Depreciation	349	363
Operating lease rentals – leasehold property	308	308
Operating lease rentals – vehicles & equipment	65	60
Foreign exchange (gain)/loss	(39)	66
Coronavirus Job Retention Scheme Income	1,229	-

**4. Directors' remuneration**

The Directors received no remuneration for their services in respect of the company in the current year. Directors' remuneration is borne by another company within the group. Their time spent on the activities of the company is negligible.

None of the directors were members of a defined benefit pension scheme. Consequently, no company contributions have been made to such a scheme.

**5. Staff costs**

	2020	2019
	£000	£000
Wages and salaries	6,920	9,106
Social security costs	680	738
Pension costs	486	478
Expense of share-based payment (note 15)	95	34
	8,181	10,356

The costs above include the claim for the Government's Coronavirus Job Retention Scheme ("Furlough") under which the company recovered £1.2M

The average monthly number of employees during the year was made up as follows:

	No.	No.
Management and administration	114	120
Production	159	174
Sales and marketing	2	2
	275	296

## Kautex Textron CVS Limited

**Notes to the financial statements**

at 31 December 2020

**6. Interest receivable and similar charges**

	2020 £000	2019 £000
Group interest receivable	4	76

**7. Tax****(a) Tax on profit on ordinary activities**

The tax charge/(credit) is made up as follows:

	2020 £000	2019 £000
UK Corporation tax expense	(119)	176
Adjustment in respect of prior periods	(157)	1
RDEC Claim		
<b>Current tax expense</b>	<b>(276)</b>	<b>177</b>
Origination and reversal of timing differences	18	62
Effects of changes in tax rates	(35)	-
Adjustments in respect of prior periods	55	(1)
<b>Deferred Tax (credit)/expense</b>	<b>38</b>	<b>61</b>
<b>Tax expense included in profit or loss</b>	<b>(238)</b>	<b>238</b>
Total current and deferred tax relating to items of other comprehensive income	-	-
	<b>(238)</b>	<b>238</b>

All losses surrendered/received are paid for and so group relief has not been recognised in the accounts.

## Kautex Textron CVS Limited

**Notes to the financial statements**

at 31 December 2020

**Tax (continued)****(b) Factors affecting tax charge for the year**

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2019:19%). The differences are reconciled below:

	2020 £000	2019 £000
Profit on ordinary activities before taxation	(697)	1,249
Profit on ordinary activities multiplied by standard rate of tax in UK of 19% (2019:19%)	(132)	237
Expenses not deductible for tax purposes	13	2
Employee share acquisition	18	6
Effect of change in tax rate	(35)	(7)
RDEC claim	-	-
Adjustment in respect of prior periods	(102)	-
Corporation tax charge for the year	(238)	238
Effective Tax Rate	34.19%	19.08%

**(c) Factors that may affect future charges**

The Finance 2016 enacted on 15 September 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. This reduction was reversed by the Finance Act 2019-21 which was substantively enacted on the 17 March 2020.

The Finance Act 2021 enacted on 10 June 2021 increases the main rate of corporation tax to 25% from 1 April 2023

Deferred tax assets and liabilities at 31 December 2020 have been calculated at 19%

The rate change and the capital allowance changes will impact any future cash tax payment to be made by the Company.

**(d) Deferred tax asset**

	£'000
At 1 January 2020	353
Effect of change in tax rate	35
Charged to profit and loss account	(18)
Adjustment in respect of prior periods	(55)
At 31 December 2020	315

## Kautex Textron CVS Limited

**Notes to the financial statements**

at 31 December 2020

**Tax (continued)**

	2020 £000	2019 £000
<b>Recognised</b>		
Accelerated capital allowances	69	230
Loss carried back to earlier periods	125	-
Other timing differences	121	123
	<u>315</u>	<u>353</u>

The deferred tax asset is expected to reduce by £200k in 2021

**8. Tangible fixed assets**

	<i>Plant and machinery</i> £000	<i>Fixtures and fittings</i> £000	<i>Assets under construction</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2020	8,071	247	662	8,980
Additions	-	-	361	361
Transfers	301	-	(301)	-
At 31 December 2020	<u>8,372</u>	<u>247</u>	<u>722</u>	<u>9,341</u>
Depreciation:				
At 1 January 2020	6,141	247	-	6,388
Provided during the year	349	-	-	349
At 31 December 2020	<u>6,490</u>	<u>247</u>	<u>-</u>	<u>6,737</u>
Net book value:				
At 31 December 2020	<u>1,882</u>	<u>-</u>	<u>722</u>	<u>2,604</u>
At 31 December 2019	<u>1,930</u>	<u>-</u>	<u>662</u>	<u>2,592</u>

## Kautex Textron CVS Limited

**Notes to the financial statements**

at 31 December 2020

**9. Stocks**

	2020	2019
	£000	£000
Raw materials and consumables	1,612	1,752
Finished goods and goods for resale	279	336
	<u>1,891</u>	<u>2,088</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**10. Debtors**

	2020	2019
	£000	£000
Trade debtors	4,222	4,499
Amounts owed by group undertakings	5,443	4,944
Other debtors	2,638	3,350
Prepayments and accrued income	106	131
	<u>12,409</u>	<u>12,924</u>

Amounts falling after more than one year included above are:

	2020	2019
	£000	£000
Included in Other debtors:		
Deferred tax asset	315	353
Other taxes	264	-
Customer tooling	2,059	2,997
	<u>2,638</u>	<u>3,350</u>

**11. Creditors: amounts falling due within one year**

	2020	2019
	£000	£000
Trade creditors	1,525	1,477
Amounts owed to group undertakings	1,262	1,637
Other taxes and social security costs	-	117
Accruals and deferred income	1,911	1,804
	<u>4,698</u>	<u>5,035</u>

**12. Issued share capital**

		2020		2019
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £0.01 each		541	54,087,201	541

## Kautex Textron CVS Limited

## Notes to the financial statements

at 31 December 2020

### 13. Capital commitments

The capital commitments at 31 December 2020 were £nil (2019 - £nil).

### 14. Pensions

The company participates in a defined contribution pension scheme, the Textron Limited Pension Scheme, for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no unpaid contributions outstanding at the year end (2019 - £nil).

### 15. Share-based payments

#### *1999 Long-term incentive plan*

Eligible employees of the Company receive awards under the Restricted Stock section of the 1999 long-term incentive plan (the Plan). The Plan is operated by the Company's ultimate parent undertaking and controlling party, Textron Inc. An award of Restricted Stock vests one-third in each of the third, fourth and fifth years following the date of grant. The employee must still be employed by the Company at the date of vest for the shares to become vested. There are no performance conditions attached to the award. Restricted stock is transferred to the employee's ownership, at the date of vest, at no cost to the employee.

### 16. Other financial commitments

At 31 December 2020 the company had total commitments under non-cancellable operating leases as set out below:

	2020	2019
	£000	£000
Land & buildings operating leases which expire:		
Within one year	308	308
In two to five years	616	924
Equipment operating leases which expire:		
Within one year	34	56
In two to five years	20	40
	<u>978</u>	<u>1,328</u>

## Kautex Textron CVS Limited

**Notes to the financial statements**

at 31 December 2020

**17. Contingent liabilities**

	2020	2019
	£000	£000
HM Revenue and Customs import duty guarantee	100	100

**18. Provisions for liabilities**

	Maintenance Dilapidations	Total
	£000	£000
At 1 January 2020	230	230
Additions during the year	-	-
At 31 December 2020	230	230

A provision has been made for dilapidations of the leased building. It is expected that these costs will be incurred on the vacation of the property at the end of the agreed lease term. The current lease term ends in December 2023.

**19. Ultimate parent undertaking and controlling party**

The company's immediate parent undertaking is Textron International Holding BV. The ultimate parent undertaking and controlling party is Textron Inc, a company incorporated in the United States of America. This is the largest group of which the company is a member and for which group financial statements are prepared. Their financial statements are available from the registered office at 40 Westminster Street, Providence, RI 02903, USA.

**20. Post Balance Sheet Event**

On 18<sup>th</sup> March 2021, an announcement was made that the business had started a process to assess closure.

In June 2021 agreement was reached with the employee forum that the plant will close in 2022.

**Balance sheet assessment**

An assessment of each balance sheet item outlines the future use, and recovery or settlement of the balances are disclosed below.

Property, plant and equipment all fixed assets will be continued to be used during the 2021 financial period and up until the point that trade is expected to cease in 2022. No impairment of the assets was considered necessary as at the 31st of December 2020 in light of the value in use and expected proceeds from sale. Effective from the date of the announcement of the cessation of trade during 2021, the directors have reassessed the remaining useful lives and residual values of these assets to be reflective of the pattern of use up to point trade ceases and based on the expected proceeds from sale.



Kautex Textron CVS Limited

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## Notes to the financial statements

at 31 December 2020

### Post Balance Sheet Event (continued)

Inventories - all raw material and work in progress stock is expected to be converted into finished goods to supply to customers in line with the forecasted production and delivery schedules agreed with the Company's customers.

External debtors - trade debtors and accrued income are expected to be recovered from cash. Impairment of trade debtors is expected to be immaterial.

Prepayments and deferred tax - these balances will be released to profits and losses as utilised/recovered.

External creditors - trade creditors, corporation tax, other taxes and accrued liabilities will be settled through cash once they have become due.

Intercompany balances - these balances are with multiple entities across the Textron group. It is the intention of management to recover/settle group balances through cash, with the value remaining to represent the expected positive cash balance attributable to the Company within the cash pool. This receivable balance is to remain until such a time as the parent entity chooses how best to proceed with wind-up of the Company.

Provision for future costs - an assessment of all future costs to be incurred by the entity as a result of the decision to cease trade has been made. These costs are expected to be settled using the cash resources available to the Company through the cash pool. Accordingly, these costs will be debited to profit and loss as incurred

Severance & Redundancy costs

£2,618k