

Registered number: 03595719

KTM SPORTMOTORCYCLE UK LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2020

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KTM SPORTMOTORCYCLE UK LIMITED

Directors	M Walker N Zaha
Company secretary	Mwlaw Services Limited
Registered number	03595719
Registered office	No 5 Buckingham Road Silverstone Park Towcester Northamptonshire NN12 8TJ
Independent auditor	Rödl & Partner Limited 170 Edmund Street Birmingham B3 2HB
Bankers	Barclays Bank Plc Northampton Business Centre Business Centre Cliftonville Northampton NN1 5LD
Solicitors	McGuire Woods LLP 11 Pilgrim Street London EC4V 6UN

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Directors' Report

for the Year Ended 31 December 2020

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

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Company during the year was the support of customers, dealers and the marketing of the KTM brand within the UK.

Directors

The directors who served during the year were:

M Walker

F Burguet (resigned 6 July 2020)

N Zaha (appointed 7 July 2020)

Results and dividends

The profit after tax for the year amounts to £523,275 (2019 - £742,507).

The directors have declared and paid a dividend of £700,000 (2019 - £700,000).

Directors' Report

for the Year Ended 31 December 2020

COVID-19

The outbreak of the COVID-19 pandemic led to significant impacts on the supply chain of the Austrian production sites due to an outage of key suppliers from Northern Italy and Spain. The production in Austria was interrupted temporarily from mid-March onwards. In close coordination with all suppliers, a new production plan was fixed in mid-April and the assembly line in Austria could start work again in mid-May. Since then, production has been going on with full capacity utilization. At the moment, there are no shortages expected until further notice.

The dealer network has been supported by temporarily extending payment terms as well as via supporting local logistic activities from and to the end customer. The supply for spare parts to the customer has been fully operating at any time.

Furthermore, KTM checked the availability of COVID-related governmental benefits and made use of such programs, provided that the local conditions were met. Reimbursement of expenses have been included in the income statement accordingly.

The lockdown measures induced at the beginning of the year led to revenue losses in the first few months of 2020. However, the existing travel restrictions and the change of consumer behavior regarding the use of public transport led to an increase in demand for motorized two-wheelers. Significant catch-up effects of retail-sales occurred already in the second quarter of 2020 as easing measures took place. Overall, the retail motorcycle market has developed surprisingly positively in 2020. Besides, due to the COVID 19-related measures, KTM anticipates that the two-wheeler will become increasingly crucial for individual private transportation.

However, the current development of the Corona crisis requires an ongoing reassessment of the situation.

Disclosure of information to auditor

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

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

Post balance sheet events

There were no events to report occurring after the reporting date.

Auditor

The auditor, Rödl & Partner Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies provision statement

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. They have also taken advantage of exemption 414B and not prepared a Strategic Report.

Directors' Report

for the Year Ended 31 December 2020

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



M Walker
Director

Date: 25/5/21

Independent Auditor's Report

to the Members of KTM SPORTMOTORCYCLE UK LIMITED

Opinion

We have audited the financial statements of KTM Sportmotorcycle UK Limited (the 'Company') for the year ended 31 December 2020, which comprise the Profit and Loss Account and Statement of Retained Earnings, Balance Sheet, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report

to the Members of KTM SPORTMOTORCYCLE UK LIMITED

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

to the Members of KTM SPORTMOTORCYCLE UK LIMITED

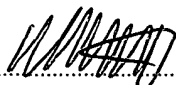
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.


.....
Imran Farooq (Senior Statutory Auditor)
For and on behalf of
Rödl & Partner Limited, Statutory Auditor

170 Edmund Street
Birmingham
B3 2HB

Date: ²⁵ May 2021

Profit and Loss Account and Statement of Retained Earnings

for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	2,692,878	2,796,817
Cost of sales		<u>(69,235)</u>	<u>(129,512)</u>
Gross profit		2,623,643	2,667,305
Administrative expenses		(2,042,028)	(1,788,714)
Other operating income	5	<u>78,431</u>	<u>42,688</u>
Operating profit	6	660,046	921,279
Other interest receivable and similar income	10	<u>17</u>	<u>-</u>
Profit before tax		660,063	921,279
Tax on profit	11	<u>(136,788)</u>	<u>(178,772)</u>
Profit after tax		<u>523,275</u>	<u>742,507</u>
Retained earnings at the beginning of the year		<u>1,466,640</u>	<u>1,424,133</u>
		1,466,640	1,424,133
Profit for the year		523,275	742,507
Dividends declared and paid		<u>(700,000)</u>	<u>(700,000)</u>
Retained earnings at the end of the year		<u>1,289,915</u>	<u>1,466,640</u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

KTM SPORTMOTORCYCLE UK LIMITED

Balance Sheet

as at 31 December 2020

Registered number: 03595719

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	78,750	-
Tangible assets	14	540,489	593,381
		<u>619,239</u>	<u>593,381</u>
Current assets			
Debtors: Amounts falling due within one year	15	2,346,698	1,849,867
Cash at bank and in hand	16	49,475	133,643
		<u>2,396,173</u>	<u>1,983,510</u>
Creditors: Amounts falling due within one year	17	(1,674,779)	(1,049,375)
Net current assets		<u>721,394</u>	<u>934,135</u>
Total assets less current liabilities		1,340,633	1,527,516
Provisions for liabilities			
Deferred tax	18	(40,718)	(50,876)
Net assets		<u>1,299,915</u>	<u>1,476,640</u>
Capital and reserves			
Called up share capital	19	10,000	10,000
Profit and loss account	20	1,289,915	1,466,640
Total equity		<u>1,299,915</u>	<u>1,476,640</u>

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



M Walker
Director

Date: 25/5/21

The notes on pages 9 to 22 form an integral part of these financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2020

1 General information

KTM Sportmotorcycle UK Limited is a private Company limited by shares registered in England and Wales, registration number 03595719. The Company's registered office and principal place of business is No 5 Buckingham Road, Silverstone Park, Towcester, Northamptonshire, NN12 8TJ.

2 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. All amounts have been rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a) (iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;

This information is included in the consolidated financial statements of KTM AG as at 31 December 2020 and these financial statements may be obtained from Stallhofnerstraße 3,A-5230 Mattighofen, Austria.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account and Statement of Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Grants for specific expenses such as furlough costs are credited to income in profit and loss account in the same period as the relevant expense.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and Loss Account and Statement of Retained Earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Profit and Loss Account and Statement of Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Tangible assets

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

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	15 years
Plant and machinery	4 - 5 years
Motor vehicles	7 years
Office equipment	5 - 10 years
Computer equipment	5 - 10 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account and Statement of Retained Earnings.

Intangible assets

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<i>Asset class</i>	<i>Amortisation method and rate</i>
Goodwill	2 years straight-line

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Provisions for liabilities

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

Provisions are charged as an expense to the Profit and Loss Account and Statement of Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account and Statement of Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Interest income

Interest income is recognised in the Profit and Loss Account and Statement of Retained Earnings using the effective interest method.

Notes to the Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Dividends

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

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, management have been required to make judgements, estimates and assumptions. These estimates are based on underlying assumptions and experience. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis.

The principal judgement are estimates made in relation to depreciation. Management review the useful economic life of fixed assets to ensure that the carrying value represents the value in use.

4 Turnover

All turnover arose within the United Kingdom and is attributable to the principal activity of the Company.

5 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2020 £	2019 £
Furlough funding for salaries	82,934	-
Sponsorship revenues	-	25,536
Recharge for use of assets	(4,503)	17,152
	<u>78,431</u>	<u>42,688</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

6 Operating profit

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible assets	83,198	74,866
Amortisation expense	47,250	-
Exchange differences	34	(242)
Other operating lease rentals	<u>179,383</u>	<u>140,829</u>

7 Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>7,300</u>	<u>7,200</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

8 Employees

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

	2020 £	2019 £
Wages and salaries	1,011,546	937,039
Social security costs	103,356	109,783
Cost of defined contribution scheme	<u>40,238</u>	<u>29,416</u>
	<u>1,155,140</u>	<u>1,076,238</u>

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

	2020 No.	2019 No.
Employees (incl directors)	<u>26</u>	<u>27</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

9 Directors' remuneration

	2020 £	2019 £
Directors' emoluments	<u>114,422</u>	<u>102,676</u>

During the year retirement benefits were accruing to 1 director (2019 - 1) in respect of defined contribution pension schemes.

10 Other interest receivable and similar income

	2020 £	2019 £
Interest income on financial assets	<u>17</u>	<u>-</u>

11 Taxation

	2020 £	2019 £
Current taxation		
Current tax on profits for the year	146,946	184,258
Adjustments in respect of prior periods	<u>-</u>	<u>63</u>
Total current tax	<u>146,946</u>	<u>184,321</u>
Deferred tax		
Origination and reversal of timing differences	(16,143)	(5,549)
Arising from changes in tax rates and laws	<u>5,985</u>	<u>-</u>
Total deferred tax	<u>(10,158)</u>	<u>(5,549)</u>
Taxation on profit on ordinary activities	<u>136,788</u>	<u>178,772</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

11 Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £	2019 £
Profit on ordinary activities before tax	<u>660,063</u>	<u>921,279</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	125,412	175,043
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,391	3,025
Tax rate changes	5,985	-
Adjustments to tax charge in respect of prior periods	-	63
Short term timing difference leading to an increase (decrease) in taxation	-	641
Total tax charge for the year	<u>136,788</u>	<u>178,772</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12 Dividends

	2020 £	2019 £
Ordinary shares		
Ordinary dividends	<u>700,000</u>	<u>700,000</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

13 Intangible assets

	<i>Goodwill</i> £
Cost or valuation	
At 1 January 2020	-
Additions	<u>126,000</u>
At 31 December 2020	<u>126,000</u>
Amortisation	
At 1 January 2020	-
Amortisation charge	<u>47,250</u>
At 31 December 2020	<u>47,250</u>
Carrying amount	
At 31 December 2020	<u><u>78,750</u></u>
At 31 December 2019	<u><u>-</u></u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

14 Tangible assets

	<i>Long-term leasehold property</i> £	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Office equipment</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost or valuation						
At 1 January 2020	725,861	7,730	21,806	117,951	-	873,348
Additions	9,217	2,379	1,746	14,368	2,596	30,306
Retirement	-	-	-	1,964	-	1,964
At 31 December 2020	<u>735,078</u>	<u>10,109</u>	<u>23,552</u>	<u>134,283</u>	<u>2,596</u>	<u>905,618</u>
Depreciation						
At 1 January 2020	211,888	5,830	8,000	54,249	-	279,967
Charge for the year	53,334	1,868	6,423	21,534	39	83,198
Retirement	-	-	-	1,964	-	1,964
At 31 December 2020	<u>265,222</u>	<u>7,698</u>	<u>14,423</u>	<u>77,747</u>	<u>39</u>	<u>365,129</u>
Carrying amount						
At 31 December 2020	<u>469,856</u>	<u>2,411</u>	<u>9,129</u>	<u>56,536</u>	<u>2,557</u>	<u>540,489</u>
At 31 December 2019	<u>513,973</u>	<u>1,900</u>	<u>13,806</u>	<u>63,702</u>	<u>-</u>	<u>593,381</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

15 Debtors

	2020 £	2019 £
Amounts owed by group undertakings	2,128,474	1,681,620
Other debtors	164,431	66,581
Prepayments and accrued income	46,618	101,666
Other taxation	7,175	-
	<u>2,346,698</u>	<u>1,849,867</u>

16 Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>49,475</u>	<u>133,643</u>

17 Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	18,503	25,141
Amounts owed to group undertakings	1,400,520	694,707
Corporation tax	-	1,030
Other taxation and social security	-	35,372
Accruals and deferred income	<u>255,756</u>	<u>293,125</u>
	<u>1,674,779</u>	<u>1,049,375</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020

18 Deferred taxation

	2020 £	2019 £
At beginning of year	50,876	56,425
Charged to profit or loss	(10,158)	(5,549)
At end of year	40,718	50,876

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	40,718	50,876

19 Share capital

Allotted, called up and fully paid shares

	2020 £	2019 £
10,000 (2019 - 10,000) Ordinary shares of £1 each	10,000	10,000

20 Reserves

Profit and loss account

The profit and loss account reserve includes all current period retained profits and losses.

21 Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £48,238 (2019 - £29,416). All contributions were paid at the balance sheet date and no creditor remained outstanding in respect of the pension scheme.

Notes to the Financial Statements

for the Year Ended 31 December 2020

22 Obligations under leases and hire purchase contracts

At 31 December 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	164,590	152,305
Later than 1 year and not later than 5 years	458,945	441,591
Later than 5 years	478,197	578,870
	<u>1,101,732</u>	<u>1,172,766</u>

23 Related party transactions

As a wholly owned subsidiary the Company has taken advantage of the provisions under section 33 of FRS 102 and has not disclosed transactions with other members of the group.

24 Ultimate parent undertaking and controlling party

The Company is controlled by its immediate parent undertaking KTM Sportmotorcycle GmbH, a company incorporated in Austria. The ultimate controlling party is KTM AG, a company incorporated in Austria.

The largest group in which the results of the Company are consolidated is that headed by Pierer Konzerngesellschaft mbH, Wels. Copies of its financial statements are available from the Provincial Court of Wels in its capacity as a Commercial Court under file number FN 134766 k.

The smallest group in which the results of the Company are consolidated is that headed by KTM AG, a company incorporated in Austria. Copies of its financial statements are available from Stallhofnerstraße 3, A-5230 Mattighofen, Austria.