COMPANY REGISTRATION NUMBER 09064412

FINCO OMAHA LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 2 JANUARY 2021

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DIRECTORS

N.A. Rogers
M.G.Swanson
C.C. Bracken

SECRETARY

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The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Finco Omaha Ltd. (the "Company") was formed on 30 May 2014 and is a wholly owned subsidiary of Gates Global LLC. The Company's ultimate parent undertaking is Gates Industrial Corporation plc, a public company registered in England and Wales and listed on the New York Stock Exchange.

In this annual report, the term 'the Group' refers to Gates Industrial Corporation plc and its subsidiaries.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the current period continued to be that of an investment holding company.

BUSINESS REVIEW

The Company's results for the period and its financial position at the end of the period are shown in the financial statements on pages 11 to 27.

The Company's results are heavily influenced by the effect of interest rates on loan receivables and payables and interest rate fluctuations on financial instruments that are largely held to hedge interest rate exposures. During the period, the Company recognised a net loss of $58.7 million (2019: $23.5 million loss) on interest rate and currency hedging instruments as a consequence of changes in relation to future interest rate expectations and currency movements since the instruments were entered into.

KEY PERFORMANCE INDICATORS

	2020 $ million	2019 $ million	
Interest payable	**185.2**	209.2	Amount payable on inter-company and third party borrowings
Interest receivable	**6.6**	11.6	Amount receivable on inter-company and third party borrowings
Net assets	**1,446.0**	1512.5	Investments and working capital less borrowings

Interest payable and receivable have both decreased in 2020 compared to 2019. This is primarily due to the effect of an intercompany loan restructuring project within the group that was implemented in the second half of 2019.

Net assets have decreased by $66.5m as a result of the loss in the year of $138.4m offset by the share issue in the year which raised $71.9m. The net assets are primarily made up of investments in subsidiaries of $3.7bn less loan balances. The investment valuation has been reviewed in detail and no impairment was deemed necessary for 2020.

Management are satisfied with the results for the year and the movements noted above are in line with expectations.

PRINCIPAL RISKS AND UNCERTAINTIES

As an intermediate holding company, the process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls developed at a Group level. All policies are subject to Group Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority. The Group compliance team and Group finance department take on an important oversight role in this regard. The Group Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The principal risks and exposures related to the Company itself are a mixture of interest rates - which impact on the cost of borrowing - and return interest received on loan advances, together with the risks associated with movements in foreign exchange rates. The currency profile of borrowings does not mirror that of loan advances and consequently the Company may be adversely impacted by exchange rate movements.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Additionally, the valuation of the Company's investments may be impacted by risks associated with their operations, associated with operating in numerous countries within a global economy, including:

- Worldwide and regional economic conditions;
- Economic, political and associated risks of operating in different geographic regions around the world;
- Pricing pressures from competitors and suppliers, raw material and workforce availability; and
- Customer or supplier failure or manufacturing difficulties.

FUTURE DEVELOPMENTS

There have been no significant future developments since the balance sheet date.

GREENHOUSE GAS EMMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY ACTION

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

SECTION 172 STATEMENT

Section 172(1) of the Companies Act 2006 ("section 172") requires our directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of our shareholders. As part of the Board's decision-making process, the directors consider the potential impact of decisions on relevant stakeholders whilst also having regard to several broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Engaging with stakeholders takes a variety of forms, from day-to-day business interactions to specific outreach initiatives. As authority for the day-to-day management of the Company is delegated by the Board to executive management, subject to defined limits and monitoring by the Board, most of this engagement takes places at an operational level or at a global basis by the executive management of Gates Industrial Corporation plc, the ultimate parent company of Finco Omaha Limited. Please therefore also refer to the Section 172 statement that has been made in the annual report of Gates Industrial Corporation plc.

As a non-trading company within the group that holds investments and loan balances with other group companies there are no employees or transactions outside of the Gates group of companies. The key stakeholders for Finco Omaha Limited are therefore aligned with those of Gates Industrial Corporation plc.

The most critical group wide decisions made during 2020 were in response to the COVID-19 pandemic. Social distancing measures were implemented in line with Government guidance to ensure the well-being of all employees and to enable us to continue operations as a designated essential business.

The Directors are supported in the discharge of their duties by the Treasury team in the Denver head office and the local management in Dumfries in the United Kingdom.

Approved by the board of Directors on 28 September 2021 and signed on their behalf by:

N.A. Rogers
Director

The Directors present their annual report and the audited financial statements of the Company, for the period ended 2 January 2021.

The Directors do not currently expect any change in the Company's activities in the foreseeable future.

THE DIRECTORS

The Directors of the Company, who were in office throughout the period and subsequently (unless stated otherwise) are as follows:

N.A. Rogers	
J.S. Seely	(resigned 30 March 2020)
M.G. Swanson	
C.C. Bracken	(appointed 30 March 2020)

The Directors have been granted qualifying third-party indemnities that remain in force at the time of this report.

DIVIDENDS

No dividends were paid by the Company during the period (2019: NIL).

GOING CONCERN

Based on internal forecasts and projections that take into account reasonably possible changes in the Company's trading performance, the Directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Company's financial statements.

FINANCIAL INSTRUMENTS

Derivative financial instruments are held from time to time by the Company in relation to the Group's financial risk management policy which is described in the consolidated financial statements of Gates Industrial Corporation plc. It is the Company's policy not to hold or issue derivative financial instruments for speculative purposes.

The Company is exposed to credit risk in relation to its financial assets, which consist mostly of loans to other Group undertakings.

COVID-19

The first quarter of 2020 marked the beginning of an unprecedented environment for the global economy, as governments, companies and communities implemented strict measures to minimize the spread of the Covid-19 pandemic. We are prioritising the health and safety of our employees and the communities around the world in which we operate, taking additional protective measures in our plants to safely maintain operational continuity in support of our global customer base.

As a non-trading company within the group, the main effects of the pandemic on our results are limited to exposure to movements in currency rates and investment valuations.

For further information on COVID-19 and the uncertainties created by the global pandemic we would refer to the Directors' Report of Gates Industrial Corporation plc.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditor is not aware; and

- He or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

INDEMNITIES

The Company has provided indemnities to each of the Directors, relating to certain losses and liabilities which they may incur in the course of their duties, which are in force as at the date of this report. Similar indemnities will be offered to any new directors joining the Board. Insurance cover also remains in place to protect all Directors and senior management in the event of a claim being brought against them in their capacity as Directors or officers of the Company.

STATUTORY DISPENSATION

The Company has in force an election dispensing with the laying of accounts and reports before the Company in General Meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually.

Approved by the board of Directors on 28 September 2021 and signed on their behalf by:

N.A. Rogers
Director

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

Company law requires the Directors to prepare financial statements for each financial period. The Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Principles), including FRS 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 at the end of the financial period and of its profit or loss for the financial period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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.

OPINION

We have audited the financial statements of Finco Omaha Ltd. ('the Company') for the period ended 2 January 2021, which comprise the profit and loss account, balance sheet, the statement of changes in equity and the related notes 1 to 18, 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 (United Kingdom Generally Accepted Accounting Practice), 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 Company's financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 January 2021 and of its loss for the period 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 Accounting (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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 Auditors' 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 other information and, in doing so, consider whether the other information is materially consistent 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 this fact.

We have nothing to report in this regard.

REPORTING ON 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management and from our commercial knowledge;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence;
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- reviewing the key areas of the financial statements most susceptible to fraud whilst tailoring our audit plans.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates (such as investment valuations) were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the available minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 7, 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 cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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/auditorsresponsibilites. 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 Auditors' 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 the opinions we have formed.

Douglas Russell CA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants and Statutory Auditors
Dumfries, United Kingdom
30 September 2021

	Note	**Period ended 2 January 2021 $ million**	Period ended 28 December 2019 $ million
Administrative income		**0.7**	0.5
Management fees		**(0.1)**	(0.1)
OPERATING PROFIT		**0.6**	0.4
Dividends received		**-**	46.0
Loss on disposal of subsidiary undertaking		**-**	(0.4)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		**0.6**	46.0
Finance costs (net)	4	**(178.6)**	(197.6)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	**(178.0)**	(151.6)
Tax on loss on ordinary activities	7	**39.6**	21.7
LOSS FOR THE FINANCIAL PERIOD		**(138.4)**	(129.9)

All of the activities of the Company are classed as continuing.

The Company did not recognise any gains or losses other than those noted above. The directors have therefore not presented a statement of other comprehensive income.

Finco Omaha Ltd.
Balance sheet
As at 2 January 2021

	Note	As at 2 January 2021 $ million	As at 28 December 2019 $ million
FIXED ASSETS			
Investments	8	**3,696.5**	3,696.5
CURRENT ASSETS			
Cash at bank and on hand		**0.9**	0.4
Debtors due within one year	9	**46.6**	39.3
Debtors due after more than one year	9	**-**	276.0
		47.5	315.7
CREDITORS: Amounts falling due within one year	10	**(2,194.2)**	(31.3)
NET CURRENT ASSETS/(LIABILITIES)		**(2,146.7)**	284.4
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,549.8**	3,980.9
CREDITORS: Amounts falling due after more than one year	11	**(103.8)**	(2,468.4)
NET ASSETS		**1,446.0**	1512.5
CAPITAL AND RESERVES			
Ordinary share capital	14	**-**	-
Share premium account		**113.7**	41.8
Profit and loss account		**1,332.3**	1470.7
SHAREHOLDER'S FUNDS		**1,446.0**	1512.5

The financial statements of Finco Omaha Ltd. (Company registration number: 09064412) were approved by the board of Directors and authorised for issue on 28 September 2021. They were signed on its behalf by:

N.A. Rogers
Director

Finco Omaha Ltd.
Statement of changes in equity
As at 2 January 2021

EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

	Ordinary share capital $ million	Share premium account $ million	Profit and loss account $ million	Total: Shareholder's funds $ million
As at 29 December 2018	**-**	**-**	**866.4**	**866.4**
Loss for the financial period	-	-	(129.9)	(129.9)
Share Issues	-	776.0	-	776.0
Capital reduction	-	(734.2)	734.2	-
As at 28 December 2019	**-**	**41.8**	**1,470.7**	**1,512.5**
Loss for the financial period	-	-	(138.4)	(138.4)
Share issue	-	71.9	-	71.9
As at 2 January 2021	**-**	113.7	**1,332.3**	**1,446.0**

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period.

Accounting period

The Company's annual financial statements were drawn up to the 2 January 2021. Accordingly, these financial statements cover the period from 29 December 2019 to 2 January 2021 ('2020') with comparative figures for the period from 30 December 2018 to 28 December 2019 ('2019').

General information and basis of accounting

Finco Omaha Ltd. is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is 1 Bartholomew Lane, London, EC2N 2AX. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The principal operations of the Company and its subsidiaries are based in the US and the majority of the profit is generated in US Dollars, consequently the Directors consider the Company's functional currency to be the US dollar and these financial statements are accordingly presented in US dollars.

Finco Omaha Ltd. meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in relation to share based payments, financial instruments, presentation of a cash-flow statement, intra-group transactions and remuneration of key management personnel.

As permitted by section 400 of the Companies Act 2006, the Company has not prepared consolidated financial statements because the Company is a wholly owned subsidiary of Gates Industrial Corporation plc, a company incorporated in England and Wales. Gates Industrial Corporation plc prepares consolidated financial statements in accordance with US GAAP that are available on the Companies House website.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review, which forms part of the strategic report. The strategic report also describes the financial position of the Company, its cash-flows, liquidity position and borrowing facilities; the Company's objectives, policies for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through access to funds from its subsidiaries and parent entities which will continue to support the operations of the Company.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of support available to it.

The directors have a reasonable expectation that the Company has adequate resources and support to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(vi) Hedge accounting

The company does not designate any of its derivative contracts as hedging instruments.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets
For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (continued)

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.
Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above); and

- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Taxation

The Company's tax charge on ordinary activities is the sum of the total current tax and deferred tax charges and credits. The calculation of the total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be readily determined until resolution has been reached with the relevant tax authority.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine future taxable profits, reference is made to the latest available profit forecasts. Where temporary differences are related to losses, the relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Impairment reviews

Management are required to undertake an annual test for impairment to the value of investment in subsidiaries and loans to subsidiaries, where indicators of impairment are identified at the reporting date.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of an asset can be supported by the net present value of cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA
- timing and quantum of future capital expenditure
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

Changes in the assumptions selected by management, in particular to the discount and growth rate assumptions used in the cash flow projections, could significantly affect the impairment evaluation and hence results.

3. SEGMENT INFORMATION

The Company's activities consist solely of investment management and are conducted within the United Kingdom.

4. FINANCE COSTS (NET)

	2020 $ million	2019 $ million
Investment income	**6.6**	11.6
Interest payable and similar charges	**(104.8)**	(155.4)
Other finance costs	**(80.4)**	(53.8)
	(178.6)	(197.6)

Investment income:	2020 $ million	2019 $ million
- Interest on loans to group undertakings	**3.4**	5.9
- Other interest receivable and similar income	**3.2**	5.7
	6.6	11.6

Interest payable and similar charges:	2020 $ million	2019 $ million
- Interest on loans from group undertakings	**103.4**	154.8
- Other interest payable	**1.4**	0.6
	104.8	155.4

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after (charging) / crediting:

	2020 $ million	2019 $ million
Deferred financing costs	**(6.4)**	(33.4)
Foreign exchange gain	**0.8**	3.1
Dividends received from subsidiaries	**-**	46.0

Auditor's remuneration

Fees payable to the Company's auditor, Armstrong Watson Audit Limited, in respect of the audit of the Company's accounts were $28,807 (2019: $31,961).

6. STAFF NUMBERS AND COSTS

In the current period the Company had no employees and no part of the Directors' remuneration was specifically attributable to their services to the Company.

7. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of income tax credit in the period

	2020 $ million	2019 $ million
UK current tax:		
- UK Corporation tax on the (loss) / profit for the period	**14.0**	17.7
- Adjustments in respect of prior period	**-**	(0.4)
Total current corporation tax credit	**14.0**	17.3
Deferred tax:		
- Origination and reversal of temporary differences	**10.0**	5.0
- Effect of increase in tax rates on opening asset	**2.2**	-
- Increase in estimate of recoverable deferred tax asset	**13.4**	-
- Adjustments in respect of prior period	**-**	(0.6)
Total deferred tax credit	**25.6**	4.4
Tax credit on (loss) / profit on ordinary activities	**39.6**	21.7

(b) Factors affecting the current tax credit

The difference between the total current tax credit shown above and the amount calculated by applying the standard rate of UK Corporation tax to the loss on ordinary activities before taxation may be analysed as follows:

	2020 $ million	2019 $ million
Loss on ordinary activities before taxation	**(178.0)**	(151.6)
Tax at the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**33.8**	28.8
Other permanent differences	**(9.8)**	4.3
Change in unrecognised deferred tax assets	**13.4**	(8.8)
Rate differential	**2.2**	(1.6)
Short-term timing differences	**-**	(1.0)
Total current credit	**39.6**	21.7

An increase to the UK Corporation Tax Rate has been enacted within the Finance Act 2021; it shall increase to 25% with effect from 1 April 2023.

8. INVESTMENTS

	Subsidiary undertakings $ million
Cost	
As at 28 December 2019	3,696.5
As at 2 January 2021	**3,696.5**
Net book value	
As at 28 December 2019	3,696.5
As at 2 January 2021	**3,696.5**

The Company's subsidiary undertakings at 2 January 2021 were as follows:

Name of company	Country of incorporation	Holding	Nature of Business
Gates Argentina S.A.	Argentina	100%	Sales office and warehouse
Gates Australia Pty, Limited	Australia	100%	Wholesaler of industrial and automotive hose, belts and fittings
Gates Engineering & Services Australia Pty Ltd	Australia	100%	Wholesaler of industrial and automotive hose, belts and fittings
Gates E&S Bahrain WLL	Bahrain	49% *	Supply of hoses, fittings and related spares and services.
Gates Distribution Centre N.V.	Belgium	100%	Distribution center
Gates do Brasil Industria e Comercio Ltda	Brazil	100%	Manufacturer and distributor of Power Transmission and Fluid Power products
Gates Fleximak Ltd	British Virgin Islands	100%	Holding company
Atlas Hydraulics Inc.	Canada	100%	Design, manufacture and supply of hydraulic tube and hose assemblies
Gates Canada Inc.	Canada	100%	Power Transmission product manufacturing and distribution
Gates Industrial Canada Ltd	Canada	100%	Corporate functions
Gates Auto Parts (Suzhou) Co., Ltd	China	100%	Power Transmission product manufacturing and distribution
Gates Fluid Power Technologies (Changzhou) Co., Ltd	China	100%	Manufacturer and distributor of Power Transmission and Fluid Power products
Gates Trading (Shanghai) Co., Ltd.	China	100%	Corporate offices and distribution
Gates Unitta Power Transmission (Shanghai) Limited	China	51%	Power Transmission product manufacturing
Gates Unitta Power Transmission (Suzhou) Limited	China	51%	Corporate functions and Power Transmission product manufacturing and distribution
Gates Winhere Automotive Pump Products (Yantai) Co. Ltd	China	60%	Manufacture of automotive water pumps and accessories
Gates Hydraulics s.r.o	Czech Republic	100%	Manufacture and suppy of couplings, hose and tube assemblies
Gates France S.a.r.l.	France	100%	Sales/service center
Gates S.A.S.	France	100%	Manufacture of belts
Gates Service Center S.A.S.	France	100%	Distribution of belts and metal parts
Gates Tube Fittings GmbH	Germany	100%	Manufacture of hydraulic fittings
Gates Gmbh	Germany	100%	Sales office and technical center
Gates Holding GmbH	Germany	100%	Holding company
Gates TPU Gmbh	Germany	100%	Manufacture of polyurethane belts
Gates India Private Limited	India	100%	Manufacture and assembly of industrial and hydraulic hose and assembly
Gates Unitta India Company Private Limited	India	51%	Manufacture and distribution of Power Transmission products
PT Gates Industrial Indonesia	Indonesia	100%	Distribution center
Tomkins Insurance Limited	Isle of Man	100%	Captive insurance company
Gates S.r.l.	Italy	100%	Sales office
Gates Japan KK	Japan	100%	Sales office
Gates Unitta Asia Company	Japan	51%	Manufacture of belts, tensioners and associated products
Gates Korea Company, Limited	Korea	51%	Manufacture and distribution of belts and tensioners
Gates Unitta Korea Co., Ltd.	Korea	51%	Sales office
Gates Holding Luxembourg SARL	Luxembourg	100%	Holding company
Gates Industrial Europe SARL	Luxembourg	100%	Holding company

Gates Investments SARL	Luxembourg	100%	Holding company
Gates Industrial & Automotive (Malaysia) SDN. BHD.	Malaysia	100%	Distribution center
Industrias Atlas Hydraulics S de RL de CV	Mexico	100%	Design, manufacture and supply of hydraulic tube and hose assemblies
Lerma Hose Plant S.A. de C.V.	Mexico	100%	Manufacture and sale of industrial hoses
Gates de Mexico, S.A. de C.V.	Mexico	100%	Manufacture and sale of hoses, connectors and other industrial and automotive products
Gates E&S Mexico, S.A. de C.V.	Mexico	100%	Sale of oil & gas products and engineering services
Servicios IAHS S de RL de CV	Mexico	100%	Design, manufacture and supply of hydraulic tube and hose assemblies
Gates Engineering & Services (Muscat) LLC	Oman	70%	Sale and maintenance of hose and accessory products
Gates Polska S.p.z o.o	Poland	100%	Manufacture of hose products
Gates CIS LLC	Russian Federation	100%	Wholesale and distribution
Gates Engineering & Services Closed Joint Stock Company	Saudi Arabia	75%	Hose and connector assembly, maintenance and support services
Gates Engineering & Services PTE Limited	Singapore	100%	Sale of hydraulics and industrial hose solutions
Gates Industrial Singapore PTE. LTD.	Singapore	100%	Holding company
Gates Rubber Company (S) Pte Limited	Singapore	100%	Sale of hydraulics and industrial hose
Gates Unitta Asia Trading Company Pte Ltd	Singapore	51%	Marketing and sales support for other Gates entities
Gates PT Spain SA	Spain	100%	Manufacture of Power Transmission products
Gates (Thailand) Co., Ltd.	Thailand	100%	Manufacture and distribution of Power Transmission products
Gates Unitta (Thailand) Co., Ltd	Thailand	51%	Manufacture of industrial and automotive Power Transmission belts
Gates Güç Aktarim Sistemleri Dagitim Sanayi Ve Ticaret Limited Şirketi	Turkey	100%	Distribution center
Gates Endüstriyel Metal Kauçuk Sanayi ve Ticaret Anonim Şirketi	Turkey	100%	Manufacture of tensioners and other Power Transmission products
Gates Hortum Sanayi ve Ticaret Limited Şirketi	Turkey	100%	Manufacture of Fluid Power products
Rapro Kauçuk ve Plastik Ürünleri İthalat Ihracat Mümessillik Pazarlama Ticaret Limited Şirketi	Turkey	100%	Manufacture and sales of molded and branched hoses and other Fluid Power products
Rapro Kimya Turizm Bilişim Sanayi ve Ticaret Anonim Şirketi	Turkey	100%	Manufacture and sales of molded and branched hoses and other Fluid Power products
Gates Engineering & Services Hamriyah FZE	UAE	100%	Manufacture and assembly of industrial belts and hoses
Gates Engineering & Services Co. LLC	UAE	49% *	Sale of hoses and hydraulic components, belts, pumps and other products for the marine and oil & gas industries
Gates E&S Industries LLC	UAE	49% *	Manufacture of rubber tubes, pipes and hoses
Gates Engineering & Services FZCO	UAE	100%	Sale of pipes, hoses, fittings and spare parts
Gates E&S Trading LLC (UAE)	UAE	49% *	Hydraulic and filtration engineering and sale of Power Transmission and Fluid Power products
Gates Acquisitions Limited	UK	100%	Holding company
Gates Auto Parts Holdings China Limited	UK	100%	Holding company
Gates (U.K.) Limited	UK	100%	Research, development, manufacture and sales of synchronous timing belts and assembly of hydraulic hose fitments
Gates Engineering & Services Global Limited	UK	100%	Holding company
Gates Engineering & Services UK Holdings Limited	UK	100%	Holding company
Gates Engineering & Services UK Limited	UK	100%	Design, manufacture and assembly of rubber hose products for use in the oil & gas industry
Gates Finance Limited	UK	100%	Treasury company
Gates Fluid Power Technologies Investments Ltd	UK	100%	Holding company
Gates Holdings Limited	UK	100%	Holding company
Gates Treasury (Canadian Dollar) Company	UK	100%	Treasury company
Gates Treasury (Dollar) Company	UK	100%	Treasury company
Gates Treasury (Euro) Company	UK	100%	Treasury company
Gates UK Pension Trustees Limited	UK	100%	Pension company

Gates Worldwide Limited	UK	100%	Holding company
Tomkins BP UK Holdings Limited	UK	100%	Holding company
Tomkins Engineering Limited	UK	100%	Holding company
Tomkins Investments Limited	UK	100%	Holding company
Tomkins Overseas Investments Limited	UK	100%	Holding company
Gates UK Finance Limited	UK	100%	Structure company
Atlas Hydraulics, Inc.	South Dakota, U.S.	100%	Design, manufacture and supply of hydraulic tube and hose assemblies
Gates Nitta Belt Company, LLC	Colorado, U.S.	51%	Holding company
Gates Administration Corp.	Delaware, U.S.	100%	Corporate functions
Gates Corporation	Delaware, U.S.	100%	Research, development, manufacture, distribution and sale of Power Transmission and Fluid Power products
Gates E&S North America, Inc.	Delaware, U.S.	100%	Sale of Fluid Power products
Gates International Holdings LLC	Delaware, U.S.	100%	Holding company
Gates Investments, LLC	Delaware, U.S.	100%	Structure company
Gates TPU, Inc.	Delaware, U.S.	100%	Manufacture and sale of thermoplastic polyurethane belt products
Gates Winhere LLC	Delaware, U.S.	60%	Manufacture and sale of water pumps
Omaha Acquisition Inc.	Delaware, U.S.	100%	Holding company
Philips Holding Corporation	Delaware, U.S.	100%	Holding company
Tomkins BP US Holding Corporation	Delaware, U.S.	100%	Holding company
Gates de Mexico Services, S de RL de CV	Mexico	100%	Trading Company
Gates Treasury (Brazilian Real) Limited	UK	100%	Financing Company
Gates Business Services Europe	Poland	100%	Holding Company
Gates Treasury (TRY) Limited	UK	100%	Treasury Company
Gates Fleximak Oilfield Services Establishment	UAE	49%*	Oil & gas field services and sale of hoses and related accessories

* These entities are subsidiary undertakings and are consolidated by the Company on the basis that it has the right to exercise a dominant influence over the undertaking by virtue of a control contract whereby the Company exercises control over the undertaking

9. DEBTORS

	As at 2 January 2021 $ million	As at 28 December 2019 $ million
Due within one year		
Amounts owed by Group undertakings	-	11.5
Income tax – group relief	**15.4**	18.0
Derivatives (note 12)	-	4.2
Deferred tax (note 13)	**31.2**	5.6
	46.6	39.3
Due after more than one year		
Amounts owed by Group undertakings	-	276.0
	46.6	315.3

Amounts owed by group undertakings are classified as falling due after more than one year where there is a formal loan agreement in place with an expiry date falling due more than one year from the reporting date. Where the loan agreement has expired, or no loan agreement is in place the amounts are classified as repayable on demand and are shown as falling due within less than one year.

10. CREDITORS: Amounts falling due within one year

	As at 2 January 2021 $ million	As at 28 December 2019 $ million
Amounts owed to Group undertakings	**2,194.2**	31.3

11. CREDITORS: Amounts falling due after more than one year

	As at 2 January 2021 $ million	As at 28 December 2019 $ million
Amounts owed to Group undertakings	**1.9**	2,407.8
Derivative financial instruments (see note 12)	**101.9**	60.6
	103.8	2,468.4

The carrying amount of loans may be analysed as follows:

	As at 2 January 2021 $ million	As at 28 December 2019 $ million
Carrying amount	**2,191.1**	2,396.4
Deferred financing costs	**5.0**	11.4
Principal amount	**2,196.1**	2,407.8

Maturity analysis of bank and other loans:

	As at 2 January 2021 $ million	As at 28 December 2019 $ million
- Within one year	**2,194.2**	-
- Between one and five years	**1.9**	2,407.8
- More than 5 years	-	-
	2,196.1	2,407.8

11. CREDITORS: Amounts falling due after more than one year (continued)

Amounts owed to Group undertakings

Amounts owed to group undertakings are classified as falling due after more than one year where there is a formal loan agreement in place with an expiry date falling due more than one year from the reporting date. Where the loan agreement has expired or no loan agreement is in place the amounts are classified as repayable on demand and are shown as falling due within less than one year.

Of amounts owed to Group undertakings, loans totalling $1,330.0 million are listed on The International Stock Exchange. These borrowings are subject to specified interest rates and repayment dates. Loans totalling $870.0 million are floating rate loans bearing interest at a floating rate of LIBOR plus an applicable margin of 3.25%, and loans totalling $460.0 million bear interest at a fixed rate of 6.00%.

12. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Risk management policy

Derivative financial instruments are held from time to time by the Company in relation to the Group's financial risk management policy which is described in the consolidated financial statements of Gates Industrial Corporation plc.

The Company does not hold or issue derivatives for speculative purposes.

The carrying value of derivative financial instruments held by the Company was as follows:

	As at 2 January 2021			As at 28 December 2019		
Interest rate and currency swaps and caps	**Assets $ million**	**Liabilities $ million**	**Net $ million**	Assets $ million	Liabilities $ million	Net $ million
Currency swaps	-	**(41.6)**	**(41.6)**	4.2	(19.3)	(15.1)
Interest rate caps	-	-	-	-	(7.0)	(7.0)
Interest rate swaps	-	**(60.3)**	**(60.3)**	-	(34.3)	(34.3)
	-	**(101.9)**	**(101.9)**	4.2	(60.6)	(56.4)
Classified as:						
- Due in more than 1 year	-	**(101.9)**	**(101.9)**	4.2	(60.6)	(56.4)

(b) Interest rate swaps

The Company utilizes interest rate swaps and interest rate caps as part of our interest rate risk management strategy to add stability to interest expense and to manage our exposure to interest rate movements. As of 2 January 2021, we held two (2019: three) pay-fixed, receive-floating interest rate swaps with an aggregate notional amount of $870.0 million, which run from June 30, 2020 through June 30, 2023. Our interest rate caps involve the receipt of variable rate payments from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium. As of 2 January 2021, and 28 December 2019, the notional amount of the interest rate cap contracts outstanding was $519 million and $1.7 billion, respectively.

(c) Currency swaps

Currency swaps are used to alter the currency profile of borrowings. As at 2 January 2021, the nominal value of the contracts outstanding was $311 million (2019: $270 million). During the period, the Company recognised a net fair value gain of $3.3 million (2019: $5.7 million gain) in relation to these contracts.

13. DEFERRED TAX ASSET

	As at 2 January 2021 $ million	As at 28 December 2019 $ million
As at 28 December 2019	**5.6**	1.2
Credited to profit and loss account	**25.5**	4.4
As at 2 January 2021	**31.1**	5.6

At 2 January 2021, the Company had operating losses of $8.0 million (2019: $1.4 million) available for offset against future profits. Deferred tax was provided as follows:

	As at 2 January 2021 $ million	As at 28 December 2019 $ million
Other timing differences	**29.6**	5.6
Operating losses	**1.5**	-

14. ORDINARY SHARE CAPITAL

	Number of shares	Nominal value $ million
Allotted, issued and fully paid ordinary shares		
As at 28 December 2019 - nominal value $1.00 each	**15**	-
Shares issued – nominal value $1.00 each	**1**	-
As at 2 January 2021 – nominal value $1.00 each	**16**	-

The Company has one class of ordinary shares which carry no right to fixed income.

On 22 December 2020 the Company issued one ordinary share of $1.00 to Gates Global LLC. The subscription of the share was satisfied by the transfer of USD 71.9M.

15. ULTIMATE PARENT UNDERTAKING

Gates Global LLC is the Company's immediate parent undertaking, which is incorporated in Delaware, United States.

Gates Industrial Corporation plc, a company incorporated in England and Wales, is the Company's ultimate parent undertaking. Gates Industrial Corporation plc is a public company listed on the New York Stock Exchange. Consolidated financial statements are prepared and filed with Companies House in the United Kingdom (website, www.companieshouse.gov.uk) and also on the Gates Corporate website (https://investors.gates.com/financials/annual-reports/UK-Annual-Reports). Gates Industrial Corporation plc prepares consolidated financial statements in accordance with US GAAP and is the parent undertaking of the smallest group in which the Company is consolidated.

16. GUARANTEES

At a meeting of the Board of Directors of the Company held on 21 October 2016 it was resolved that the Company would guarantee all future and present obligations and liabilities (whether actual or contingent and whether owed jointly or severally and in any capacity whatsoever) of the employers to make payments in respect of the following pension schemes: Tomkins Retirement Benefits Plan; Tomkins 2008 Pension Scheme (Ruskin Section); Tomkins 2008 Pension Scheme (FormFlo Section); Tomkins 2008 Pension Scheme (Guest and Chrimes Sections); Tomkins 2008 Pension Scheme (Hattersley Newman Hender Section); Tomkins 2008 Pension Scheme (Pegler Section).

17. RELATED PARTY TRANSACTIONS

These accounts are part of the consolidated accounts prepared by Gates Industrial Corporation plc, therefore the Company has taken advantage of the disclosure exemptions provided by part 33 of FRS 102 'Related Party Disclosures' from disclosing transactions with entities that are part of the group headed by Gates Industrial Corporation plc.

During the current period, there were no transactions or outstanding balances with anyone outside the Gates Industrial Corporation plc Group.

18. COVID-19

The first quarter of 2020 marked the beginning of an unprecedented environment for the global economy, as governments, companies and communities implemented strict measures to minimize the spread of the Covid-19 pandemic. We are prioritising the health and safety of our employees and the communities around the world in which we operate, taking additional protective measures in our plants to safely maintain operational continuity in support of our global customer base.

As a non-trading company within the group, the main effects of the pandemic on our results are limited to exposure to movements in currency rates and investment valuations.

For further information on COVID-19 and the uncertainties created by the global pandemic we would refer to the Directors' Report of Gates Industrial Corporation plc.

Gates Industrial Corporation plc

Annual Report and Financial Statements
January 2, 2021

Registered Number 10980824

Registered Office:
1 Bartholomew Lane, London
EC2N 2AX
United Kingdom

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Gates Industrial Corporation plc

STRATEGIC REPORT

The directors present their Strategic Report for the year ended January 2, 2021. This report is comprised of the following sections:

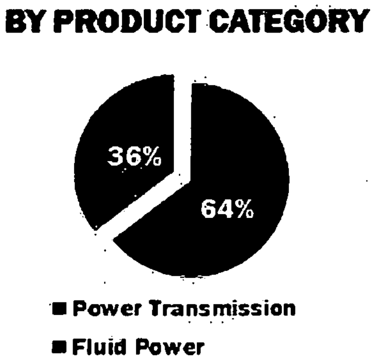
This Strategic Report has been prepared for the Group for the year ended January 2, 2021 consistent with the basis of preparation of the accompanying consolidated financial statements.

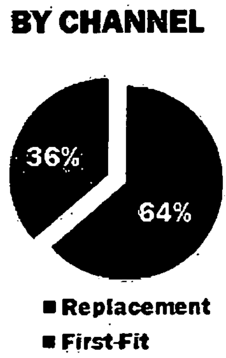
I. Strategy and Outlook

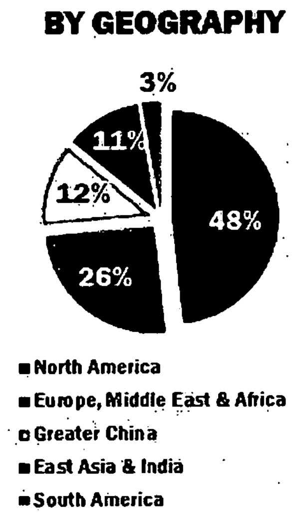
We are a global manufacturer of innovative, highly engineered power transmission and fluid power solutions. We offer a broad portfolio of products to diverse replacement channel customers, and to original equipment ("first-fit") manufacturers as specified components, with the majority of our revenue coming from replacement channels. Our products are used in applications across numerous end markets, including off-highway end markets such as construction and agriculture, on-highway end markets such as transportation, diversified industrial, energy, automotive, consumer products and many others. Our net sales have historically been, and remain, highly correlated with industrial activity and utilization, and not with any single end market given the diversification of our business and high exposure to replacement markets. Key indicators of our performance include industrial production, industrial sales and manufacturer shipments. We sell our products globally under the Gates brand, which is recognized by distributors, equipment manufacturers, installers and end users as a premium brand for quality and technological innovation; this reputation has been built over 110 years since Gates' founding in 1911.

Within the diverse end markets we serve, our highly engineered products are often critical components in applications for which the cost of downtime is high relative to the cost of our products, resulting in the willingness of end users to pay a premium for superior performance and availability. These applications subject our products to normal wear and tear, resulting in natural, and often preventive, replacement cycles that drive high-margin, recurring revenue. Our product portfolio represents one of the broadest ranges of power transmission and fluid power products in the markets we serve, and we maintain long-standing relationships with a diversified group of blue-chip customers throughout the world. As a leading designer, manufacturer and marketer of highly engineered, mission-critical products, we have become an industry leader across most of the regions and end markets in which we operate.

Gates' business is well-balanced and diversified across products, channels and geographies, as highlighted in the following charts showing breakdowns of our Fiscal 2020 net sales of $2,793.0 million.







Business Model

Premier Recognized Brand

We offer our products and services under the widely-recognized Gates brand across our broad end markets and geographies. Since 1911, Gates has been recognized by many distributors, installers, equipment manufacturers and end users as a premier name for power transmission and fluid power products, services and solutions. We are known for our premium quality, reliability, customer service, global footprint, leading technology and breadth of product offerings. In our replacement businesses, we experience strong pull-through demand from end users who specifically request Gates-branded products from our channel partners. We believe that we are a partner of choice when major customers are developing new platforms or upgrading existing ones.

Global Presence

Our commercial and manufacturing footprint is global. Our in-region/for-region operating strategy, with over 120 sales, R&D, factory and distribution center locations around the world, places us close to our customers, provides diversification from regional cyclicality, and positions us to capitalize on growth opportunities in every region. Our products are sold in more than 120 countries with approximately 52% of Fiscal 2020 net sales originating from outside of North America, and approximately 36% of our Fiscal 2020 net sales originating from emerging markets.

Leading Market Positions

The breadth of our catalog, our market position in many product categories and our share of available content with key customers put us in what we believe is a leading market position in most channels, regions and end markets in which we operate. With $1,800.2 million of Fiscal 2020 net sales in Power Transmission and $992.8 million of Fiscal 2020 net sales in Fluid Power, we believe we are the top global player in power transmission belts, as well as a top-three global player in industrial hydraulic hose and couplings, engine systems, metals and oil and gas drilling hose. These leading market positions combined with our strong brand serve as platforms from which we can extend our solution coverage in underpenetrated segments and generate sales growth in excess of our end markets.

Channel Breadth and Relationships

We have a longstanding, global presence in replacement channels that accounted for approximately 64% of our total Fiscal 2020 sales. We maintain a broad portfolio of highly engineered components that wear over time, resulting in natural replacement cycles that provide opportunities for higher-margin, recurring revenue. We believe that our regional commercial teams have established one of the broadest distribution networks in our industry, across a variety of end market-focused channels. Our distributors range from large corporations with numerous locations to small, individually-owned companies with a single location. Our channel partners provide global coverage and stock inventory of our products in close proximity to end users. They are able to generate demand for our products, as well as offer customer service and product knowledge to end users in their local language. Many of them also have the capability to configure or assemble our products to meet diverse end-user requirements where a suitable off-the-shelf solution is not available. We have a demonstrated track record of building our presence in replacement channels in emerging markets such as Eastern Europe and South America. In regions such as Southeast Asia and China, we are continuing to build our channel presence and leveraging our experience in other emerging markets such as Africa and the Middle East. These extensive distribution networks give us the ability to access a broad base of end users and to reinforce the Gates brand. We believe that this established channel represents one of the largest replacement footprints in the industry, enabling access to a significant addressable market and rapid launches of new products to end users.

Product and Catalog Coverage of Application-Critical Components

Our power transmission and fluid power product portfolios in the first-fit and replacement markets are some of the broadest in our industry. We believe our product breadth simplifies our customers' purchasing decisions and creates loyalty to us. In the automotive replacement markets, product coverage of the light vehicles in a region (the "car parc") is essential for the success of our distributors and installers. Within our core synchronous and Micro-V® belt product lines, our products can be used across 99% of the North American, European and Chinese car parcs. These car parcs comprise over 70% of the global car parc of over 1.4 billion vehicles. We are particularly focused on expanding our catalog coverage in the more-fragmented car parcs in emerging markets. For our industrial markets, we also believe we maintain an industry-leading portfolio of catalogs containing both general purpose and application-specific products for a variety of end markets. We continuously invest in updating our product and catalog coverage to remain at the forefront of our industry and provide end users with convenient access to our comprehensive product portfolio.

Our highly engineered power transmission and fluid power products are often critical to the functioning of the equipment, process or system of which they are components, creating a dynamic where the cost of downtime or potential equipment damage is high relative to the cost of our products. Consequently, our products are typically replaced at regular intervals for preventative maintenance, resulting in high-margin, recurring revenue streams. Our catalog coverage, combined with the mission-critical nature of our products, makes us a valued partner to our customers.

History of Successful Innovation

We have a history of successful innovation, from commercializing the V-belt to pioneering the use of certain synthetic elastomers in serpentine belts. The interplay between materials science and product and process innovation differentiates Gates, enabling us to provide valuable product features to our customers, while ensuring that these products can be made efficiently and with high levels of quality. We believe that our materials science expertise forms the foundation of our innovation capabilities. Our products must withstand extreme temperature, pressure and load conditions, resist wear, maintain flexibility, avoid corrosion and fulfill other critical application requirements, all of which can only be met using the latest advancements in materials science, in combination with product and process technologies. For example, we believe our carbon fiber technologies are best-in-class and continue to support our leadership position in several industrial power transmission product categories.

Our innovation capabilities play a key role in enabling our growth initiatives. We are developing products utilizing new technologies that we believe will, among other things, provide additional market access for our Chain-to-Belt and other initiatives, as well as enable us to capitalize on electrification trends in our end markets. Consistent with our overall focus on the environment, a significant focus of our product innovation is on sustainability and improving the efficiency of our customers' applications, primarily through reduced weight, improved energy consumption, and/or reduced maintenance and lubrication requirements. We are also developing advanced materials that do not rely on chlorinated compounds, products that use less material to provide the same or better performance and efficiency, and manufacturing processes that result in less scrap and energy consumption.

In addition, our innovation activities include ongoing programs to develop Internet of Things solutions to enable remote monitoring and predictive diagnostics. We believe these programs, along with other digital tools, improve the overall value proposition we deliver to our customers. We hold a substantial patent portfolio and employ a large number of engineers globally who are dedicated to materials science, product design and process engineering, and application development. Many of these engineers work closely with our customers to design and develop application-specific solutions that not only solve immediate customer needs, but also feed into our broader innovation development efforts. Our R&D group works closely with our product line management team to ensure that our product and technology development roadmaps are closely tied to our growth initiatives.

Operating Excellence Driving Margin Enhancement

The Gates Operating System philosophy is our overarching business system that drives a culture of continuous improvement and consistent application of best practices across all functions of the organization. Within the Gates Operating System, the operations-focused Gates Production System ("GPS") has been deployed throughout our manufacturing facilities to optimize our production efficiency and reduce our environmental footprint. We have made significant improvements in factory productivity which have reduced production costs and freed up manufacturing capacity.

We have also implemented highly effective sourcing programs that leverage the latest e-auction tools and programs to insource selected components. Our innovation and Value Analysis/Value Engineering ("VA/VE") capabilities allow us to optimize select product designs for cost and performance to meet broader market requirements and improve profitability. The Gates Program Management System has also been deployed to improve how we manage customer programs, new product development projects and advanced technology projects.

Strong Margins and Cash Flows from Operations

Our operating model is designed to generate strong profit margins and cash flows from operations. As a result of our management team's operating initiatives and our ongoing focus on continuous improvement, we have demonstrated a track record of margin improvement. Our margins are supported by our premier brand, superior product attributes, high service levels, operational scale and efficiency and our relationships with our customers. We have initiated a footprint and cost optimization program focused on improving the efficiency and flexibility of our manufacturing operations and supporting functions. We also have ongoing initiatives to drive productivity in our plants and expand the scope of central procurement, as well as to improve inventory turns through lean manufacturing techniques and common product designs. Our capital expenditures have been strategically deployed to fund innovation and organic growth opportunities. In 2017 and 2018, we undertook a large investment in manufacturing capacity to expand geographically and position the business to capitalize on future demand, as well as enable footprint optimization initiatives. We expect our continued focus on operational excellence and cost discipline to improve profit margins and working capital performance.

Proven Management Team

We have an experienced leadership team comprised of high-caliber individuals, each with long tenures at premier industrial companies. Our executive leadership team is led by Chief Executive Officer, Ivo Jurek, who previously served as President of Eaton's Electrical business in Asia Pacific, and Chief Financial Officer, Brooks Mallard, who previously served as CFO of Henniges and Jeld-Wen. The leadership team has transformed the organization from a regional to a global product-line based model, while investing in new talent across all functions of the organization and developing a culture of continuous improvement, innovation and growth.

Our Growth Strategies

Our growth strategies are aimed at penetrating the significant markets addressable by our products by leveraging our iconic brand, product portfolio, customer relationships and other competitive strengths. We believe that these initiatives and the investments we have made in the business, in combination with strong secular tailwinds in our diverse end-markets, support our ability to take share, achieve above-market growth and expand margins.

Further Penetrate Industrial Power Transmission Applications

Through our Chain to Belt, Belt to Belt and Precision Motion Control & Conveyance initiatives, we are targeting specific opportunities within our existing industrial end markets and product portfolio to further penetrate industrial power transmission applications, particularly those currently driven by competing technologies, including roller chain, direct drive systems, gearboxes and steel cable. Chain and steel cable currently drive most industrial drive systems. This presents a significant and attractive opportunity for us to grow by leveraging our brand, distribution channel presence and the fundamental value proposition of belt-drive systems. Industrial belt-drive systems often compare favorably to other types of industrial drive systems in terms of their quiet, low maintenance and efficient operation, as well as being relatively light-weight. Materials science-based advances in our product portfolio provide us with opportunities to displace competing drive systems in larger, high-torque applications that belt drives have historically been unable to address. We are also able to utilize our application engineering capabilities to complement our product strength by assisting end users in optimal drive system design.

Extend Product Line in Fluid Power

Gates products typically compete in the premium segment of the market, where customers value quality, portfolio breadth and design capability. Customers in this segment use our products in numerous, demanding applications with a wide range of performance requirements. For example, there can be different product performance requirements for different hydraulic circuits within the same piece of construction equipment. Through materials science-based innovation, VA/VE and process engineering we will continue to broaden our portfolio of fit-for-purpose fluid power products, optimizing their performance for different customer applications. This ongoing investment should substantially increases the size of our addressable market and enable us to capture even more of the premium segment.

Capitalize on Vehicle Electrification

Gates has extensive experience in power transmission drives and thermal management solutions across a wide variety of automotive, light commercial and heavy-duty vehicle platforms. As propulsion technologies shift from internal combustion to hybridization and full electrification, we believe Gates is well-positioned to participate in both first-fit and replacement market applications. We believe that the overall available dollar content per vehicle for Gates product portfolio will increase as propulsion shifts towards electrified platforms due to the significant thermal management requirements of batteries, inverters/chargers and electric motor drive systems. We are actively participating on first-fit manufacturer platforms and developing differentiated thermal management technologies. We will continue to build out our leading aftermarket catalog coverage for electric vehicles, which includes coolant hose technologies we acquired in our 2018 acquisition of Rapro.

Accelerate Growth in Mobility and Recreation Applications

The markets for personal mobility and recreation applications, including bicycles, scooters, motorcycles, power sports equipment (such as ATVs, side-by-sides and snowmobiles), as well as fitness equipment (such as stationary cardio and weight training equipment), are experiencing strong growth. Gates power transmission solutions provide attractive benefits in these applications, including lubrication-free, quiet and safe operation, reduced weight, energy-efficiency and reliability. These applications are also experiencing a shift towards electrification with eBikes, eScooters and eMotorcycles becoming popular options for commuting and recreation. The value propositions for belt drives, including improved efficiency and reduced weight, noise and maintenance, are particularly relevant to these applications. We intend to continue to increase our share of these growing markets by leveraging our strong value proposition and global footprint.

Drive Technical Innovation in Our Markets

We continue to invest in advanced development programs and our core R&D capabilities to ensure that we remain at the forefront of innovation and product performance in our markets. We have established global centers of excellence that specialize in different functional areas of R&D with special emphasis on materials science, advanced modeling techniques, product design, process engineering and commercialization. We utilize long-standing relationships with our blue-chip customers to design products that meet or exceed their anticipated future performance requirements. Our commitment to continue to invest in these relationships and our R&D capabilities strengthen our position to serve our core replacement markets with highly innovative and differentiated products to further increase the strength of our brand.

Continue to Grow and Invest in Emerging Markets

We have a long-standing presence in key emerging markets and a track record of driving growth from the early stages of a market's development. We have successfully entered these markets by focusing on first-fit partnerships to establish our brand while building our channels to serve the replacement base. Emerging markets continue to exhibit higher growth rates than mature markets due to a number of factors, such as increases in industrial production, mechanization, urbanization, infrastructure development and vehicle ownership. To capitalize on these trends, we will continue to increase our catalog coverage, develop regionally appropriate product portfolios, expand our channel coverage and optimize regional manufacturing capacity.

Pursue Strategic Acquisitions

We intend to continue to strategically pursue and execute acquisitions to accelerate our growth strategies. Our markets are highly fragmented, providing numerous inorganic opportunities for us to expand our reach and capabilities. We maintain a disciplined approach to acquisitions and target strategic opportunities where we can realize synergies by leveraging our brand, channel presence, operating culture, global reach and other core competencies. We recently completed three acquisitions that were aligned with this philosophy: Techflow Flexibles in June 2017, Atlas Hydraulics in October 2017 and Rapro in April 2018.

Outlook

With the significant progress that we have made in driving structural changes in our business, we believe that we are in a much stronger position today than when we entered this pandemic-induced recession. Our end markets are recovering and the investments we have made over the last several years are serving us well. Our new plants are providing the intended benefits, and sales of our new products continue to grow, aided by solid secular market trends. We are driving significant operational productivity and thoughtfully managing price-mature economics through our Gates Operating System, which in combination with the savings from our restructuring program we expect to contribute to additional margin expansion in 2021. Our commercial teams are focused on delivering above-market growth by executing on large organic initiatives that leverage our global scale, broad portfolio, revitalized products, and system design expertise into structurally attractive end markets, resulting in a positive view of 2021.

2020 was a uniquely challenging year, however one that we believe validates the resilience and the quality of our business. Despite the remaining macroeconomic uncertainty, the end market environment has steadily improved and our business has strengthened. We are therefore excited about the potential that 2021 holds and look forward to demonstrating further progress on the investments we have made both in our product portfolio and footprint. We believe these investments in combination with improvements to our cost structure provide a runway for above market growth, margin expansion, and strong cash generation.

II. Business Overview

Our History and Recent Developments

On October 1, 1911, Charles Gates, Sr. purchased the Colorado Tire and Leather Company, a manufacturer of steel-studded bands of leather that attached to tires to extend their mileage. In 1917, the Company commercialized the V-belt, which used rubber and woven threading instead of rope belts, which were more commonly used at that time. In 1963, we built the first of many international facilities in Erembodegem, Belgium, followed by Jacarei, Brazil, in 1973. In 1986, we acquired the Uniroyal Power Transmission Company, which included an interest in the Unitta joint venture that lay the groundwork for Gates' growth in the Asia-Pacific region. We have financial and operational control over the joint venture, and as such, consolidate it in our financial statements.

In 1996, Gates was acquired by a publicly held engineering firm based in the United Kingdom ("U.K."), Tomkins plc, which was itself acquired by Onex Partners and the Canada Pension Plan Investment Board, who proceeded to divest certain of Tomkins plc's businesses under a new parent entity, Pinafore Holdings B.V. Gates was acquired by Blackstone in July 2014 and in 2015 established a new executive leadership team with Ivo Jurek as Chief Executive Officer.

We maintain an active acquisition pipeline. In 2018, we acquired Rapro, based in Turkey, and in 2017 we closed two transactions, Techflow Flexibles in the U.K. and Atlas Hydraulics in North America. All three of these acquisitions have been focused on expanding our presence in industrial markets with new products, capabilities, capacity and geographic reach. In addition, we continue to invest organically in new production capacity. During Fiscal 2018, we opened two new facilities located in Poland and in Mexico, and we also expanded our Changzhou facility in China.

Our Solutions

We operate our business on a product-line basis through our two reporting segments - *Power Transmission* and *Fluid Power*. See note 4 of our audited consolidated financial statements included elsewhere in this report for additional information.

We sell our products under the Gates brand in all of the geographies and end markets we serve. Our power transmission segment includes elastomer drive belts and related components used to efficiently transfer motion in a broad range of applications. Power transmission products represented approximately 64% of our total net sales for Fiscal 2020. Our fluid power segment includes hoses, tubing and fittings designed to convey hydraulic fluid at high pressures in both mobile and stationary applications, and other high-pressure and fluid transfer hoses used to convey various fluids. Our fluid power products represented approximately 36% of our net sales for Fiscal 2020.

Our power transmission and fluid power products are often critical to the functioning of the equipment, process or system in which they are components, such that the cost of downtime or potential equipment damage is high relative to the cost of our products. Our products are therefore replaced not only as a result of normal wear and tear, but also preemptively as part of ongoing maintenance to the broader system.

We have a broad portfolio of both power transmission and fluid power products in the end markets we serve. We have a long history of focusing on customer engagement and training, driving product innovation and providing best-in-class order fulfilment services.

Power Transmission. Our Power Transmission solutions enable and control motion. They are used in applications in which belts, chains, cables, geared transmissions or direct drives transfer power from an engine or motor to another part or system. Belt-based power transmission drives typically consist of either a synchronous belt or an asynchronous belt (V-belt, CVT belt or Micro-V® belt) and related components (sprockets, pulleys, water pumps, tensioners or other accessories). Within our Power Transmission segment, we offer solutions across the following key application platforms:

- *Stationary drives:* fixed drive systems such as those used in a factory driving a machine or pump, on a grain elevator driving the lift auger or in a distribution center driving a conveyor belt or robotic picking machine;
- *Mobile drives:* drives on a piece of mobile machinery such as a combine harvester or a road compactor;
- *Engine systems:* synchronous drives and related components for cam shafts and auxiliary drives and asynchronous accessory drives for air conditioning ("A/C") compressors, power steering, alternators and starter/generator systems;
- *Personal mobility:* drives on motorcycles, scooters, bicycles, both traditional and electric, as well as on snowmobiles and other power sports vehicles that are used to transfer power between the power source and the drive wheel(s) or track; and

- *Vertical lift:* elevators, cargo lifts and other applications in which a belt, cable, chain or other lifting mechanism is used to carry load.

Customers choose power transmission solutions based on a number of factors, including application requirements such as load, speed, gear ratio, temperature, operating environment, ease of maintenance, noise, efficiency and reliability, as well as the support they receive from their suppliers, including application-specific engineering. Belt-based drive systems have many advantages over other alternatives, as they are typically clean, low-maintenance, lubrication-free, quiet with low-vibration, lightweight, compact, energy-efficient, durable and reliable. In applications where these advantages are valued, customers typically choose belts over other forms of power transmission solutions.

Our belts are classified by their general design into asynchronous and synchronous belts; in addition, we also manufacture metal drive components and assemble certain product kits for the automotive replacement channel.

Asynchronous Belts. Asynchronous belts are our highest-volume products and are used in a broad range of applications. Asynchronous belts are made of proprietary rubber formulations, textiles and embedded cords for reinforcement. We were a pioneer in the design and manufacturing of V-belts, which draw their name from the shape of their profile. We also manufacture "ribbed" V-belts, which are belts with lengthwise V-shaped grooves, which we market under the Micro-V® name. This design results in a thinner belt for the same drive surface, making it more flexible and offering improved efficiency through lower friction losses.

In industrial end markets, asynchronous belts have a wide variety of applications, including use in pump drives, manufacturing lines, HVAC systems, industrial engines, truck, bus and marine engines, forestry and mining equipment and many other applications. Continuously-variable transmission ("CVT") systems found in scooters, power sports vehicles and other applications use a specialized V-belt known as a CVT belt. In automotive applications, our asynchronous belts perform functions that include transferring power from the crankshaft to accessory drive components such as the alternator, A/C compressor, power steering system, water pump and, in some vehicles, a belt/starter generator system used in start/stop accessory drive systems to improve fuel economy.

During Fiscal 2018, Gates introduced the Micro-V® platform for engine accessory drive systems. The combination of newly developed material compounds and product design reduces belt weight and results in lower bending stiffness. These improvements enable tighter pulley configurations and reduced drive bending losses as compared to existing belt technologies; lower losses result in reduced energy consumption, CO_2 emissions and heat generation.

Synchronous Belts. Synchronous belts, also known as timing belts, are non-slipping mechanical drive belts. They have teeth molded onto the inner surface and run over matching toothed pulleys or sprockets. Synchronous belts experience no slippage and are often used to transfer motion for indexing or timing purposes, as well as for linear positioning and positive drive conveying. They are typically used instead of chains or gears and we believe have a number of advantages over these alternatives, including less noise, no need for lubrication, improved durability and performance and a more compact design. Our synchronous belts are made of a flexible polymer over fabric reinforcement and are often built with Kevlar, aramid and carbon fibers.

Examples of industrial applications include use in HVAC systems, food processing and bottling plants, mining and agricultural equipment, automatic doors and robotics. Our synchronous belts are also utilized in personal mobility equipment, including both traditional and electric motorcycles, bicycles and scooters, applications in which clean, quiet performance is often valued. In automotive applications, our synchronous belts are used to synchronize the rotation of the engine crankshaft with the camshaft due to engine combustion in a valve train system, as well as in electric power steering and parking brake systems which are present in gasoline-powered, hybrid and electric vehicles.

During Fiscal 2019, Gates launched a new high-torque synchronous belt for industrial applications, the PowerGrip® GT®4. This new belt leverages Gates' materials science and process engineering capabilities, utilizing a belt construction that replaces chloroprene with an advanced ethylene elastomer formulation that is more environmentally friendly. It has the highest power-carrying capacity in its segment, a wider operating temperature range and increased chemical resistance, allowing for narrower drives and a broad range of applications to be served with both first-fit and replacement channel customers.

Metal Drive Components. We manufacture and sell the tensioners and idlers used in belt drive systems. These products are designed and engineered to work efficiently with our belts. Tensioners are devices that maintain a constant tension in the belt drive system, thereby ensuring proper function and preventing loss of power or system failure. Tensioners typically employ a spring that places pressure along the belt for an intricate hold, while still allowing enough movement for vibration and to prevent stretching. Idlers, which sometimes also perform as tensioners, are used to take up extra belt length.

Kits. Our kits for the automotive replacement channel include all of the parts needed by an automotive service shop to perform a replacement of one of our products. Kits are created for specific makes and models and typically include belts, tensioners and idlers, and will sometimes also include water pumps, as they are often replaced simultaneously with a timing belt. Our kits are convenient for service technicians as they eliminate the need for more complicated product sourcing. On a comparable quantity basis, kits typically sell at a premium to a loose belt and the individual related components.

Our power transmission products are used in a broad range of applications in end markets including off-highway end markets such as construction and agriculture, on-highway end markets such as transportation, diversified industrial, energy, automotive and consumer products. The majority of our Fiscal 2020 net sales came from replacement channels, which provide high-margin, recurring revenue streams and are driven by attractive market trends. The bulk of our power transmission replacement business resides in developed regions, in which a large, aging installed base of equipment follows a natural maintenance cycle and is served by well-developed distribution channels. For example, a combine harvester in North America can have over 25 high-performance belts that are typically replaced at regular intervals, depending on wear and tear, with end users having access to replacement parts through an established channel. Similarly, in the North American automotive replacement market, maintenance intervals are well defined, and miles driven per vehicle and the average vehicle age have generally been increasing, leading to more wear and tear on vehicles. A smaller portion of our power transmission replacement business is generated in emerging markets, which generally have a smaller base of installed equipment and relatively nascent distribution channels. As they continue to develop, these replacement markets represent a significant long-term opportunity for growth.

In addition to our power transmission replacement business, we also serve a wide variety of blue-chip first-fit customers across all of our end markets. The majority of our automotive first-fit revenues in power transmission tend to come from emerging markets. These markets generally are higher-growth and result in higher-margin business than our developed regions. Our selective first-fit participation in these markets serves to further strengthen our brand and reinforces the strong position from which we serve the growing base of installed equipment, as the nascent replacement channels continue to develop.

Fluid Power. Our Fluid Power solutions are used in applications in which hoses and rigid tubing assemblies either transfer power hydraulically or convey fluids, gases or granular materials from one location to another. Within our Fluid Power segment, we offer solutions across the following key application platforms:

- *Stationary hydraulics:* applications within stationary machinery, such as an injection molding machine or a manufacturing press;
- *Mobile hydraulics:* applications used to power various implements in mobile equipment used in construction, agriculture, mining and other heavy industries;
- *Engine systems:* applications in thermal management, turbocharger, air intake and other systems for internal combustion, hybrid and electric passenger and commercial vehicles, as well as in diesel engine systems for reduction of emissions; and
- *Other industrial:* applications in which hoses are used to convey fluids, gases or granular material across several industries such as food and beverage, other process industries, and oil and gas drilling and refining.

Customers choose fluid power solutions based on a number of factors, including application-specific product performance parameters such as pressure and temperature ratings, corrosion and leak resistance, weight, flexibility, abrasion resistance and cleanliness, as well as compliance with standards and product availability. Attributes associated with the supplier, including brand, global footprint and reputation for reliability and quality, are also considered.

Hydraulics. Our hydraulics product line is comprised of hoses, tubing and fittings, as well as assemblies consisting of these products. Our hydraulic products are key components of hydraulic systems in both stationary and mobile equipment applications. We provide a full selection of hose sizes and construction types for use in a wide variety of working requirements and conditions. Hydraulic hoses are made of synthetic rubber and reinforced with steel wire or a textile-based yarn, and typically operate at very high pressures, often in extreme environmental conditions. Hoses are designed for use in specific mechanical applications and require high levels of quality and durability.

Our hydraulic fittings and tubing are engineered to match the product performance of our hydraulic hoses. The high-pressure nature of hydraulic systems requires these products have high levels of performance similar to those found in our hydraulic hoses. The ultimate performance of a hydraulic assembly, in which our products function as part of a hydraulic circuit, depends not only on how well the components are made, but also on how well they complement each other. In order to ensure compatibility with numerous applications, our hydraulic fittings are manufactured in a wide assortment of sizes, crimping systems and materials, and are protected by a range of patents. Our hydraulic products and assemblies are used in construction, agricultural and forestry equipment, as well as in food and other processing lines and stationary machinery.

During Fiscal 2018, Gates introduced a new premium product family consisting of hydraulic hoses that are lighter weight and more flexible. Made with high-performance reinforcement and a robust, abrasion-resistant cover, the MXT line of hydraulic hose is comprised of universally applicable, high-performance products that meet the needs of a wide range of applications. During Fiscal 2019, we launched the MXG line of hydraulic hose, a flexible, light-weight solution with increased durability and temperature performance, designed to replace conventional spiral hoses typically used in the most demanding applications. Also in Fiscal 2019, we launched a new, smart e-crimper, which is a machine used to attach fittings to hydraulic hoses. In addition to convenient, web-enabled access to training content and product crimp specs, this new crimper can be used with Gates' intuitive mobile eCrimp app, which underwent a comprehensive update in Fiscal 2020.

Engine Hose. Our engine hose products perform a variety of conveyance functions in engine applications in internal combustion, hybrid and electric passenger and commercial vehicles. In internal combustion applications, Gates provides hose solutions for coolant (radiator, heater), air system (turbocharger, intake, vacuum, crankcase ventilation), fuel, oil (transmission oil cooling, power steering) and emissions / Diesel Exhaust Filtration ("DEF") systems. In electric applications, Gates offers hose solutions for the thermal management system regulating the battery, inverter, motor(s) and passenger compartment.

Industrial Hose. Our industrial hoses are capable of transferring a wide range of substances - chemicals, food, beverages, petroleum, fuels, bulk materials, water, steam and air - to meet the requirements of diverse applications, including manufacturing, mining, oil and gas drilling, marine, agriculture, industrial cleaning and construction. Our application engineering teams work with customers to assist them in selecting the appropriate hose solution to safely meet their operational needs. We leverage our materials science expertise to enable hose performance at varying pressures and levels of resistance to chemicals, oil, abrasion, ozone, flame and both hot and cold temperatures. For performance in extreme environments, many of our industrial hoses feature both crush-resistant and flexible designs. Gates industrial hoses are highly engineered to meet or exceed a multitude of industry standards and certifications, and are offered in a range of diameters, lengths and colors to allow customers to differentiate the hoses in applications. We also offer a wide range of couplings to provide complete assembly solutions to our customers.

Our fluid power products are used in numerous applications, including off-highway end markets such as construction and agriculture, on-highway end markets such as transportation, diversified industrial, energy, automotive and consumer products. The largest portion of our Fiscal 2020 fluid power revenue came from replacement markets. Within these replacement markets, the majority of our revenue came from industrial applications. Approximately 18% of our Fiscal 2020 fluid power revenue came from products sold into the automotive end market, almost all of which was served through the higher-margin replacement channel.

Our Diverse Markets

We participate in many sectors of the industrial and consumer markets. Our products play essential roles in a diverse range of applications across a wide variety of end markets ranging from harsh and hazardous off-highway applications such as agriculture and construction, and diversified industrial applications such as manufacturing and logistics, to everyday consumer applications such as printers, power washers, automatic doors and vacuum cleaners. Virtually every form of transportation, ranging from internal combustion and electric trucks, buses, automobiles, to personal mobility vehicles, including motorcycles, bicycles, and snowmobiles, uses our products.

Our net sales have historically been, and remain, highly correlated with industrial activity and utilization, and not with any single end market given the diversification of our business and high exposure to replacement markets. Key indicators include industrial production, industrial sales and manufacturer shipments.

Our products are sold in over 120 countries across our four commercial regions: (1) the Americas; (2) Europe, Middle East & Africa ("EMEA"); (3) Greater China; and (4) East Asia & India. We have a long-standing presence in each of these regions.

Our commercial capabilities are complemented by our global manufacturing footprint, which generally allows us to manufacture products in close proximity to our customers. We have power transmission and fluid power operations in each commercial region and typically manufacture products for both first-fit customers and replacement customers in the same factory, which provides improved factory loading and demand leveling, as well as optimization of capital expenditures.

Our Channels

We sell our power transmission and fluid power products both as replacement components and as specified components on original equipment to customers worldwide. During Fiscal 2020, approximately 64% of our net sales were generated from replacement channels and 36% from first-fit channels globally. Our mix of replacement channel sales to first-fit sales varies by region based on our market strategy and the maturity of the equipment fleet and channel. For example, in emerging markets such as China, our business is characterized by a higher first-fit presence, given the relatively underdeveloped replacement channels. We believe that ultimately our first-fit presence in these emerging markets will allow us to better develop the replacement channels as they mature over time. By contrast, in North America and EMEA, where there are long-established replacement markets, approximately 70% and 72% of our Fiscal 2020 net sales, respectively, were derived from these higher-margin replacement channels. In the vast majority of the applications we serve, we do not need to have been the first-fit provider to serve these applications in the replacement markets.

Replacement. The majority of our sales are generated from customers in replacement channels, who primarily serve a large base of installed equipment that follows a natural maintenance cycle. Our ability to help replacement channel partners maximize revenue is an important part of our value proposition. These customers miss sales opportunities if a required product cannot be obtained quickly, either from a short-lead time order or on-hand inventory.

In addition to our products, we offer digital tools and other content to distributors, installers and end users of equipment containing our products. We also assist with customer training on product installation and early identification of wear-and-tear on components, which helps drive sales for our channel customers while mitigating the risk of equipment failure for end users.

First-Fit. We work closely with our first-fit customers by providing application engineering expertise to assist them with equipment design and selecting the right products to optimize performance. In engine systems, we provide application engineering for cam drive and accessory drive applications, and complete all design and manufacturing of the system components in-house. Close interactions between our R&D organization and customer technical teams provide input into our innovation and product development processes. We selectively participate in first-fit projects, focusing on opportunities where we are able to differentiate with technology and innovative solutions.

Customers

We maintain long-standing relationships with many customers, who range from local distributors with one location to large, global manufacturers of equipment. No single customer accounted for more than 10% of our Fiscal 2020 net sales.

We continually strive to enhance how we engage with our markets and customers, including through our increasing use of technology, data and analytics. Our commercial teams in each region work extensively with our customers to ensure that their feedback is relayed to our production teams to feed our cycle of constant innovation, quality and process improvement, all while maximizing our value proposition to our customers. We engage and partner with many customers early in the product lifecycle to identify and leverage opportunities for collaboration. We also rely on both informal conversations with customer representatives and formal surveys, business reviews and customer scorecards to gather opinions, suggestions and ideas of our customers on our products, people and services. Although executive management generally handles direct interaction with customers as part of the authority delegated to it by the board of directors of the Company (the "Board"), regular operational updates are made to the Board covering topics arising from our customers' feedback such as quality, product innovation, reliability of supply and value.

Managing our operations and our supply chain to enable continuity of supply to our customers has been a vital part of our response during the COVID-19 pandemic. Our products can be found on everything from the equipment harvesting, producing and transporting food to generating energy, handling e-commerce packages and keeping the delivery trucks running, driving the HVAC systems in hospitals and even on some of the medical equipment that front line workers have been using to fight the virus. As such, our decisions throughout the pandemic have been focused on balancing our regulatory obligations in the form of government-enforced shutdowns and restrictions with our commitment to continue to supply our customers, while all the time prioritizing the health and safety of our employees.

Sales and Marketing and Distribution Organization

Our sales and distribution operations are structured to serve our customers efficiently across the globe. We have field representatives who possess local knowledge of product and application requirements, allowing us to meet our customers' product availability requirements with short lead times. Our global sales and service support team helps reinforce customer and distributor relationships by focusing on end markets and customers.

Manufacturing

We have a global, "in region, for region" manufacturing footprint and regional service model that enable us to operate efficiently and effectively in proximity to our customers. We operate 48 manufacturing facilities and service centers as well as several major technical centers giving us a presence in 30 countries throughout the world. Our in-country deployment of manufacturing and technical resources enables us to meet customer needs rapidly and satisfy regional variations in product preference, while our scale allows us to service global customers on a world-wide basis.

Competition

We operate in competitive markets and industries that are also very fragmented. We offer our products and solutions across numerous and varied end markets and geographies through over 120 locations in 30 countries. Consequently, we have many competitors across our various markets and product offerings. These competitors and the degree of competition vary by product line, geographic scope, end market and channel. Although each of our markets and product offerings has many competitors, no single competitor competes with us with respect to all of our products, solutions, channels and end markets. Our global presence and the importance of product availability make it difficult for smaller regional and low-cost country manufacturers to penetrate our markets. We differentiate ourselves on the basis of product performance and quality, breadth of portfolio, customer support and training, service level, fill rates and product availability.

Research, Development and Intellectual Property

Applied R&D is important to our businesses and integral to our leading market positions. We have engineering teams in the U.S., Canada, the U.K., Germany, Spain, Poland, Turkey, Japan, China, Brazil, India, Mexico, Korea and Thailand that focus on the introduction of new and improved products with a particular emphasis on energy efficiency and safety, the application of technology to reduce unit and operating costs and improving services to our customers.

As of January 2, 2021, we held more than 2,400 patents and patent applications and 3,200 trademarks in various jurisdictions and have elected to protect a variety of technologies and processes as trade secrets. While no individual patent or group of patents, taken alone, is considered critical to our business, collectively our patents and trademarks provide meaningful protection for our products and technical innovations.

Materials and Suppliers

We use a wide variety of materials, resulting in a highly diversified mix of inputs, which are sourced from a variety of suppliers around the world. Generally, we seek to obtain materials in the regions where our products are manufactured to minimize transportation and other costs. As of January 2, 2021, we had not experienced any significant shortages of raw materials and normally do not carry inventories of raw materials in excess of those required to meet our production schedules. During Fiscal 2020, our teams worked closely with suppliers to ensure sufficient quantities of materials were available for us to continue to serve our customers. Restrictions and added safety measures introduced in many regions created pressure on freight costs and availability, which, together with increases in certain input prices due to constrained supply, have created challenges for our supply chain and procurement teams, particularly as demand has grown in the second half of 2020 and into early 2021.

We continually seek to manage commodity and raw material costs using various strategies, including working with our customers and suppliers on pricing and costs, exploring material substitution opportunities, combining purchase requirements across regions and changing suppliers when appropriate. In addition, our focus on materials science and product and process innovation allow us to partially offset long-term inflation and demand-driven variable cost increases by reducing scrap, energy consumption, materials, and other inputs.

We actively engage with our suppliers through regular interaction, industry events, workshops and trainings, building strong relationships to develop mutually beneficial and lasting partnerships. The Board recognizes that relationships with suppliers are important to our long-term success and the insights from regular supplier feedback and review, as communicated by executive management to the Board as part of regular operational updates, are factored into their decisions. Key areas on which we engage include production planning, innovation, product development, supply chain flexibility, health and safety, ethics and compliance, and sustainability. We maintain policies governing our interaction with our suppliers to ensure adherence to human rights principles and to foster high ethical standards in our business relationships, including policies and guidelines on anti-corruption, anti-boycott, global antitrust and fair competition, conflict of interest, and human rights. The Board, through its committees, oversees and reviews material legal and regulatory policies. As far as possible, we hold our suppliers to the same high standards of business ethics that we have in place for our own employees.

Environmental

Details of applicable environmental regulations and metrics can be found under "Environment and greenhouse gas emissions" in the Directors' Report.

Employees

Details of our employees can be found under section XI of the Strategic Report.

Code of Ethics

We maintain a Code of Business Conduct and Ethics that applies to all of our directors, officers, and employees, which is posted on our website. Our Code of Business Conduct and Ethics is a "code of ethics," as defined in Item 406(b) of Regulation S-K as promulgated by the Securities and Exchange Commission ("SEC"). Details of how we train our employees and monitor compliance with our code of ethics can be found under section XI of the Strategic Report.

Where You Can Find More Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the internet at the SEC's website at http://www.sec.gov. Our SEC filings are also available on our website, free of charge, at http://investors.gates.com as soon as reasonably practicable after they are filed with or furnished to the SEC.

We maintain an internet site at http://www.gates.com. Our website and the information contained on or connected to that site are not incorporated into this report.

III. Section 172 Statement

Section 172(1) of the Companies Act 2006 ("section 172") requires our directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of our shareholders. As part of the Board's decision-making process, the directors consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Engaging with stakeholders such as employees, customers and suppliers takes a variety of forms, from day-to-day business interactions to specific outreach initiatives. As authority for the day-to-day management of the Company is delegated by the Board to executive management, subject to defined limits and monitoring by the Board, most of this engagement takes places at an operational level. As part of their regular Board meetings, our directors consider the Company's activities and receive information relevant to stakeholder interests based on the outcomes of engagement activities. Key decisions are made after due consideration of this information, which the Board uses to assess the impact on each stakeholder group. Through working collaboratively with management and considering feedback from our stakeholders, the Board believes that Gates is well positioned to make informed decisions that promote the success of the Company.

Engagement with key stakeholders

The success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us, and essential for working together towards shared goals that deliver sustainable long-term success. We engage regularly with our stakeholders at various levels, depending on the particular issue. Our Board has established a governance framework through which operational decision-making authority is delegated to the executive director and the management team. Management pursues our corporate strategies by making decisions with a long-term view and with the highest standards of conduct, in line with Company policies.

This approach necessarily involves a high degree of delegation to management of communication with stakeholders. In addition to the direct engagement activities of members of the Board with stakeholders, the Board is also advised of stakeholder views through reports and presentations made to the Board by executive management covering strategy, performance and decisions taken at the management level. Examples include regular Compensation Committee reviews related to senior employee remuneration, reviews of ethics and whistleblower matters, budget reviews, operational updates, and sponsor-appointed director representation at Board meetings. This reporting provides the Board with assurance that proper consideration is given to stakeholder interests in operational decision-making.

Details of our key stakeholders and how we engage with them are set out below:

Stakeholder group	Key issues	How we engage with our stakeholders
Shareholders		
As of January 2, 2021, our Sponsor held approximately 85% of the voting power of our ordinary shares. However, we also have a mix of individual and institutional shareholders whose views are valued.	• Performance and return on investment • Sustainability	The Company values shareholder engagement and is committed to maintaining open communications with existing and potential shareholders. Although our Sponsor owns the majority of our ordinary shares, the Board considers the interests of all shareholders when making strategic decisions. The Company ensures that the interests of the Board are aligned with those of our shareholders because the directors are investors themselves, and a portion of their compensation is share-based. Under the terms of our shareholder agreement, our Sponsor has appointed two directors to the Board, enabling direct participation in decision-making. Throughout the year, we engage with individual and institutional shareholders on topics including company strategy and performance, corporate governance, compensation practices and sustainability. During Fiscal 2020, in addition to quarterly earnings calls, our senior management team participated in eleven investor conferences and four non-deal roadshows with institutional investors. These engagements typically included our Chief Executive Officer and executive director, Mr. Jurek, as well as our Chief Financial Officer and our Vice President of Investor Relations. The input from these engagements is reported back to the Board and informs our decision-making and we intend to continue this outreach going forward. We welcome investor interaction and feedback and also engage with our shareholders through our active investor relations program. Each year the Board receives a report after the Annual General Meeting ("AGM") giving a breakdown of the votes and investor feedback on its voting decisions to inform it on any issues arising. At the most recent AGM, all resolutions were passed and no issues were raised by investors. Any shareholder or other interested party may also communicate with our directors, individually or as a group, by addressing such communications to the Corporate Secretary of the Company, 1144 Fifteenth Street, Denver, Colorado 80202, who forwards such communications to the appropriate party unless the communications are of a personal nature or not related to the duties and responsibilities of the Board of Directors.
Employees		
Globally, we have over 14,000 full time employees and more than 1,500 temporary employees. Each of these employees is a vital element in our success.	• Health and safety • Development and training • Diversity and inclusion	Information on our engagement with employees can be found in section XI of the Strategic Report. Gates encourages employees to speak up when they have concerns, and provides resources to do so through internal channels or on an anonymous and confidential basis through a hotline and website managed by an outside, independent service provider. Reports from the independent service provider are received by the Company's general counsel, investigated and reported to the Audit Committee, in accordance with the Company's documented policies.
Customers		
We have thousands of customers in many countries. They range from sole proprietors to large multinational conglomerates.	• Quality • Product innovation • Reliability of supply • Value	Information on our engagement with customers can be found in section II of the Strategic Report.
Suppliers		

Stakeholder group	Key issues	How we engage with our stakeholders
As a large international business, with manufacturing and distribution facilities around the globe, we have many complex supply chains.	• Communication and production planning • Building relationships • Innovation	Information on our engagement with suppliers can be found in section II of the Strategic Report.
Communities & environment		
Supporting the communities in which we operate, and respecting our environment are central to Gates' values as a company	• Sustainability • Leading community improvement • Community support	Information on our engagement with our communities and environment can be found in section XI of the Strategic Report and under "Environment" in the Directors' Report and under "Environment" in the Directors' Report. Sustainability is a concept important to our Board and to our shareholders. Each year, we issue a Sustainability Report, available on our website, which provides shareholders and the broader community with details on our sustainability goals and achievements. Our Board oversees and has responsibility for environmental, social and governance issues, and is committed to integrating these principles into the Company's long-term strategic vision. Gates' Board has a formal schedule for consideration of environmental, social and governance matters, including review of related metrics, and is briefed regularly on emerging issues and trends as they arise.

Principal decisions

The principal decisions taken by the Board during 2020 included the Company's COVID-19 response strategy with respect to key stakeholders, the closure of our manufacturing facility in Korea, capital allocation review and budget approval, employee compensation setting, debt repayment considerations, and key employee/director changes. We describe below some of these decisions in more detail, including their impacts on our key stakeholders.

COVID-19 response strategy decisions

Some of our Board's most critical decisions during 2020 related to the Company's response to the COVID-19 pandemic. Employee health and safety was a key focus for these decisions as well as ensuring strong internal and external communication channels. In February 2020, we mobilized a centralized crisis response team that developed and implemented our countermeasure actions across the globe. The Board was actively involved in the Company's response to the pandemic, working closely with the management team to ensure that the Company's response appropriately addressed concerns of all stakeholders, including keeping employees safe, ensuring supply of products to customers (especially those providing essential products and services), working with suppliers to minimize supply chain interruptions, and communicating with government and local regulatory bodies to ensure that we adhered to or exceeded local government mandates and guidance provided by health authorities.

Our quarterly financial filings with the SEC and the earnings calls held with investors and analysts, as well investor conferences we attended, helped to keep our shareholders and potential shareholders up to date with the impacts of COVID-19 on our business and our expectations for the remainder of the year.

The Board continues to receive regular reports on the impact of COVID-19, management's ongoing response to the pandemic, and the timescale and expected path to recovery for our business.

Closure of manufacturing facility in Daegu, Korea

On June 26, 2020, Gates announced the closure of its manufacturing facility in Daegu, Korea. This decision impacted approximately 130 employees. Consideration was given to ensuring the fair treatment of all employees, as well as to ensuring continued service for our customers, which was partly addressed by the decision to shift production to other Gates facilities where sufficient capacity existed to replace the Daegu production. The closure also impacted several of the key suppliers to the Korean facility, and the Board considered the ongoing relationships with these suppliers, particularly where they have other affiliates that continue to supply Gates in other regions.

More information on the Board's consideration of the section 172 factors

The table below provides a summary of where to find further information on how the Board has had regard to each of the section 172 factors:

Factor	Annual Report section	Topic
Consequence of any decision in the long term	I. Strategy and Outlook	Our Growth Strategies
	III. Section 172 Statement	Principal decisions
Interests of employees	XI. Employees	
Fostering business relationships with suppliers, customers and others	I. Strategy and Outlook	Channel Breadth and Relationships
		Drive Technical Innovation in Our Markets
	II. Business Overview	Customers
		Materials and Suppliers
Impact of operations on the community and the environment	XI. Employees	Community involvement
	Directors' Report	Environment
Maintaining a reputation for high standards of business conduct	II. Business Overview	Materials and Suppliers
		Code of Ethics
	XI. Employees	Human rights issues
Acting fairly between members	III. Section 172 Statement	Engagement with key stakeholders

IV. Principal Risks and Uncertainties

Our Board exercises direct oversight of strategic risks to the Company. The Audit Committee reviews guidelines and policies governing the process by which management assesses and manages the Company's exposure to risk, including the Company's major financial risk exposures and the steps management takes to monitor and control such exposures. The Compensation Committee oversees risks relating to the Company's compensation policies and practices. Each committee charged with risk oversight reports to the Board on those matters.

Additionally, with respect to cybersecurity risk oversight, our Board receives updates from our information technology team to assess the primary cybersecurity risks facing the Company and the measures the Company is taking to mitigate such risks. In addition to such updates, our Board and our Audit Committee receive updates from management as to changes to the Company's cybersecurity risk profile or significant newly identified risks.

The risk factors noted in this section and other factors noted throughout this annual report, describe the principal risks and uncertainties that could cause our actual results to differ materially from those contained in any forward-looking statement and should be considered carefully in evaluating our company and our business. For reference to the full list of the Company's risks, see "Risk Factors," beginning on page 14 of the Company's U.S. Annual Report on Form 10-K for the year ended January 2, 2021.

Conditions in the global and regional economy and the major end markets we serve may materially and adversely affect our business should they deteriorate.

Our business and operating results have been, and will continue to be, affected by worldwide and regional economic conditions, including conditions in the end markets we serve. The level of demand for our products depends, in part, on the general economic conditions that exist in our served end markets. A substantial portion of our revenues are derived from customers in cyclical industries that typically are adversely affected by downward economic cycles. For example, in Fiscal 2020, the downturn in the global economy due to the COVID-19 pandemic significantly impacted our business. Further, our historical results have been, and remain, highly correlated to global industrial activity and utilization and decreases in such activity or utilization may continue to impact our business, financial condition and results of operations.

During such downturns, our customers may experience deterioration of their businesses, cash flow shortages or difficulty obtaining financing. As a result, the demand for our products may be significantly reduced and existing or potential customers may delay or cancel plans to purchase our products and may not be able to fulfill their obligations to us in a timely fashion. Further, our vendors may experience similar conditions, which may impact their ability to fulfill their obligations to us.

We cannot predict the timing, strength or duration of any economic recovery, including in the short-cycle end markets, or a downturn globally or within our end markets. If conditions in the global economy or in the regions and major end markets that we serve deteriorate, demand for our products may decline and our results of operations, financial position and cash flows could be materially adversely affected.

We are subject to economic, political and other risks associated with international operations that could adversely affect our business and our strategy to capitalize on our global reach.

One of our key strategies is to capitalize on our global commercial reach, and a substantial portion of our operations are conducted and located outside the U.S. For Fiscal 2020, approximately 62% of our net sales originated from outside of the U.S. We have manufacturing, sales and service facilities spanning five continents and sell to customers in over 120 countries. Moreover, a significant amount of our manufacturing functions and sources of our raw materials and components are from emerging markets such as China, India and Eastern Europe. Accordingly, our business and results of operations, as well as the business and results of operations of our vendors and customers, are subject to risks associated with doing business internationally, including:

- imposition of new or additional tariffs or other trade restrictions or embargoes, as well as import and export licensing and control requirements;
- political, social or economic instability, civil unrest, natural disasters, public health crises, war or terrorism that may disrupt economic activities in affected countries;
- exchange rate fluctuations, currency restructurings and hyperinflation or deflation in the countries in which we operate;
- imposition of currency restrictions and limitations on repatriation of earnings;

- the complexities of operating within multiple tax jurisdictions;
- partial or total expropriation by local, state or national governments;
- uncertainties as to local laws regarding, and enforcement of, contract and intellectual property rights;
- the ability to comply with or effect of complying with complex and changing laws, regulations and policies of foreign governments, including differing and, in some cases, more stringent labor and environmental regulations;
- differing local product preferences and product requirements; and
- difficulties involved in staffing and managing widespread operations, including challenges in administering and enforcing corporate policies, which may be different than the normal business practices of local cultures.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable. Certain regions, including Latin America, Asia, the Middle East and Africa, are generally more economically and politically volatile and as a result, our operations in these regions could be subject to more significant fluctuations in sales and operating income. Because a significant percentage of our operating income in recent years has come from these regions, adverse fluctuations in the operating results in these regions could have a disproportionate impact on our results of operations in future periods.

The U.S. administration has publicly supported certain potential tax and trade proposals, modifications to international trade policy and other changes which have and may continue to affect U.S. trade relations with other countries, particularly China. Our industry has been impacted by the ongoing uncertainty surrounding tariffs and international trade relations generally, and it is difficult for us to predict the impact future trade measures may have on our business and results of operations in the future.

Additionally, concerns persist regarding the debt burden of certain European countries and the ability of these countries to meet future financial obligations, as well as concerns regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances of individual euro-area countries. If a country within the euro area were to default on its debt or withdraw from the euro currency, or if the euro were to be dissolved entirely, the impact on markets around the world, and on our global business, could be immediate and material. Such a development could cause financial and capital markets within and outside Europe to constrict, thereby negatively impacting our ability to finance our business, and also could cause a substantial reduction in consumer confidence and spending that could negatively impact sales.

While we have adopted certain operational and financial measures to reduce the risks associated with doing business internationally, any one of the risks listed above may impact us or require us to modify our business practices beyond what we can anticipate and could have a material adverse effect on our financial condition and results of operations.

We are subject to anti-corruption laws in various jurisdictions, as well as other laws governing our international operations. If we fail to comply with these laws we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could materially adversely affect our business, financial condition and results of operations.

Our operations are subject to one or more anti-corruption laws in various jurisdictions, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.K. Bribery Act of 2010 and other anti-corruption laws. The FCPA and these other laws generally prohibit employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. We operate in a number of jurisdictions that pose a high risk of potential FCPA or other anti-corruption violations, and we participate in joint ventures and relationships with third parties whose actions could potentially subject us to liability under the FCPA or other anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our operations, including regulations administered by the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Department of Treasury's Office of Foreign Assets Control, and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations, and transfer pricing regulations (collectively, "Trade Control Laws").

We are also subject to U.K. corporate criminal offences for failure to prevent the facilitation of tax evasion pursuant to the Criminal Finances Act 2017 ("FTP offences"). The FTP offences impose criminal liability on a company where it has failed to prevent the criminal facilitation of tax evasion by a person associated with the company.

We have instituted policies, procedures and ongoing training of certain employees with regard to business ethics, designed to ensure that we and our employees comply with the FCPA, other anticorruption laws, Trade Control Laws and the Criminal Finances Act 2017. However, there is no assurance that our efforts have been and will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the FCPA, or other legal requirements. If we are not in compliance with the FCPA, other anti-corruption laws, Trade Control Laws or the Criminal Finances Act 2017, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have a material adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the FCPA, other anti-corruption laws or the Criminal Finances Act 2017 by U.S. or foreign authorities could also have a material adverse impact on our reputation, business, financial condition and results of operations.

We may not be able to accurately forecast demand or meet significant increases in demand for our products.

Certain of our businesses operate with short lead times, and we order raw materials and supplies and plan production based on discussions with our customers and internal forecasts of demand. If we are unable to accurately forecast demand for our products, in terms of both volume and specific products, or react appropriately to abrupt changes in demand, we may experience delayed product shipments and customer dissatisfaction. If demand increases significantly from current levels, both we and our suppliers may have difficulty meeting such demand, particularly if such demand increases occur rapidly. Additionally, we may carry excess inventory if demand for our products decreases below projected levels. Failure to accurately forecast demand or meet significant increases in demand could have a material adverse impact on our business, financial condition and operating results.

We may be unable to obtain raw materials at favorable prices in sufficient quantities, or at the time we require them.

We purchase our energy, steel, aluminum, rubber and rubber-based materials, chemicals, polymers and other key manufacturing inputs from outside sources. We do not traditionally have long-term pricing contracts with raw material suppliers. The costs of these raw materials have been volatile historically and are influenced by factors that are outside of our control. In recent years, the prices for energy, metal alloys, polymers and certain other of our raw materials have fluctuated significantly. While we strive to avoid this risk by using price escalation mechanisms with respect to our raw materials in certain of our customer contracts, and we also seek to offset our increased costs with gains achieved through operational efficiencies, if we are unable to pass increases in the costs of our raw materials on to our customers or we experience a lag in our ability to pass increases to our customers, or operational efficiencies are not achieved, our operating margins and results of operations may be materially adversely affected.

Additionally, our businesses compete globally for key production inputs. The availability of qualified suppliers and of key inputs may be disrupted by market disturbances or any number of geopolitical factors, including political unrest and significant weather events. Such disruptions may require additional capital or operating expenditure by us or force reductions in our production volumes. In the event of an industry-wide general shortage of certain raw materials or key inputs, or a shortage or discontinuation of certain raw materials or key inputs from one or more of our suppliers, we may not be able to arrange for alternative sources of certain raw materials or key inputs. Any such shortage may materially adversely affect our competitive position versus companies that are able to better or more cheaply source such raw materials or key inputs.

We may experience adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key channel partners.

Certain of our businesses sell a significant amount of their products to key channel partners, including distributors, which have valuable relationships with end users. Some of these channel partners may also sell our competitors' products, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these channel partners, or adverse developments in their financial condition, performance or purchasing patterns, could adversely affect our business, financial condition and results of operations. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, can also significantly impact our results of operations in any given period, such as the destocking we experienced in both the automotive and industrial replacement channels during Fiscal 2019. In addition, the consolidation of channel partners and customers in certain of our end markets could adversely impact our profitability.

If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, it may have a material adverse effect on our business.

Our facilities, supply chains, distribution systems and information technology systems are subject to the risk of catastrophic loss due to fire, flood, earthquake, hurricane, public health crises such as the COVID-19 pandemic, or other natural or man-made disasters. If any of these facilities, supply chains or systems were to experience a catastrophic loss or ongoing closure or disruption, it could negatively impact our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation, result in legal exposure and large repair or replacement expenses. The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against losses.

We are dependent on the continued operation of our manufacturing facilities and we may need to make investments in new or existing facilities or consolidate facilities to align with our strategies.

While we are not heavily dependent on any single manufacturing facility, major disruptions at a number of our manufacturing facilities, due to labor unrest, adverse weather, natural disasters, terrorist attacks, significant mechanical failure of our facilities, or other catastrophic event, could result in interruption of our business, a potential loss of customers and sales, or significantly increased operating costs.

In addition, we have in the past and may in the future need to make investments in new or existing manufacturing facilities or to consolidate manufacturing facilities to adapt our production capacity to changing market conditions and to align with our growth and efficiency strategies. The costs of such investments or consolidation efforts may be significant and we may not realize the expected benefits on our anticipated timeframe or at all, which may have a material adverse effect on our business, financial condition and results of operations.

Failure to develop, obtain, enforce and protect intellectual property rights could adversely affect our business.

Our success depends on our ability to develop technologies and inventions used in our products and to brand such products to obtain intellectual property rights and to protect and enforce such intellectual property rights. In this regard, we rely on U.S. and foreign patent, trademark, copyright, and trade secret laws, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions.

However, we may not be able to obtain patents or other intellectual property rights in our new technologies and inventions or, if we do, the scope of such rights may not be sufficiently broad to afford us any significant commercial advantage over our competitors. In addition, the technologies and inventions developed by our engineers in the future may not prove to be as valuable as those of competitors, or competitors may develop similar or identical technologies and inventions independently of us and before we do.

Even if we do obtain intellectual property rights, our efforts to enforce our intellectual property rights against infringers may not prove successful and will likely be time consuming and expensive. Competitors and other third parties may also challenge the ownership, validity, and/or enforceability of our patents or other intellectual property rights.

To the extent we do assert our intellectual property rights against third parties, adequate remedies may not be available in the event of an infringement or unauthorized use or disclosure of our trade secrets. If we fail to successfully enforce our intellectual property rights, our competitive position could suffer, which could harm our business, financial condition, results of operations and cash flows.

The loss or financial instability of any significant customer or customers could adversely affect our business.

A substantial part of our business is concentrated with a few customers, and we have certain customers that are significant to our business. During Fiscal 2020, our top ten customers accounted for approximately 24% of our consolidated net sales and accounted for approximately 35% of our trade accounts receivable balance as of January 2, 2021, and our largest customer accounted for approximately 9% and 17% of our Fiscal 2020 consolidated net sales and trade accounts receivable balance as of January 2, 2021, respectively. The loss of one or more of these customers or other major customers, a deterioration in our relationship with any of them, or their failure to pay amounts due to us could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our contracted backlog is comprised of future orders for our products from a broad number of customers. Defaults by any of the customers that have placed significant orders with us could have a significant adverse effect on our net sales, profitability and cash flow. Our customers may in the future default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons deriving from the general economic environment or circumstances affecting those customers in particular. If a customer defaults on its obligations to us, it could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We may be subject to recalls or product liability claims, or may incur costs related to product warranties.

Meeting or exceeding many government-mandated safety standards is costly and requires manufacturers to remedy defects related to product safety through recall campaigns if the products do not comply with safety, health or environmental standards. If we, our customers or government regulators determine that a product is defective or does not comply with such standards prior to the start of production, the launch of a product could be delayed until such defect is remedied. The costs associated with any protracted delay of a product launch or a recall campaign to remedy defects in products that have been sold could be substantial.

We face an inherent risk of product liability claims if product failure results in any claim for injury or loss. Supplier consolidation and the increase in low-cost country sourcing may increase the likelihood of receiving defective materials, thereby increasing the risk of product failure and resulting liability claims. Litigation is inherently unpredictable and these claims, regardless of their outcome, may be costly, divert management attention and adversely affect our reputation. Although we have liability insurance, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost or will be adequate. In addition, even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and us.

From time to time, we receive product warranty claims from our customers, pursuant to which we may be required to bear costs of repair or replacement of certain of our products. Vehicle manufacturers are increasingly requiring their outside suppliers to participate in the warranty of their products and to be responsible for the operation of these component products in new vehicles sold to consumers. Warranty claims may range from individual customer claims to full recalls of all products in the field. It cannot be assured that costs associated with providing product warranties will not be material.

Our substantial leverage could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy, or our industry or our ability to pay our debts, and could divert our cash flow from operations to debt payments.

We are highly leveraged. As of January 2, 2021, the total principal amount of our debt was $2,720.8 million. Subject to the limits contained in the credit agreements that govern our senior secured credit facilities, the indenture that governs our notes and the applicable agreements governing our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our high level of debt could increase. Specifically, our high level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;

- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

We are a holding company, and our consolidated assets are owned by, and our business is conducted through, our subsidiaries. Earnings from these subsidiaries are our primary source of funds for debt payments and operating expenses. If our subsidiaries are restricted from making distributions, our ability to meet our debt service obligations or otherwise fund our operations may be impaired. Moreover, there may be restrictions on payments by subsidiaries to their parent companies under applicable laws, including laws that require companies to maintain minimum amounts of capital and to make payments to shareholders only from profits. As a result, although a subsidiary of ours may have cash, we may not be able to obtain that cash to satisfy our obligation to service our outstanding debt or fund our operations.

Cyber-security vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, solutions, services and data.

Increased global cyber-security vulnerabilities, threats, computer viruses and more sophisticated and targeted cyber-related attacks, as well as cyber-security failures resulting from human error and technological errors, pose a risk to our systems, products and data as well as potentially to our employees', customers', partners', suppliers' and third-party service providers' data. An attack could result in security breaches, theft, lost or corrupted data, misappropriation of sensitive, confidential or personal data or information, loss of trade secrets and commercially valuable information, production downtimes and operational disruptions. We attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and contingency plans, but we remain potentially vulnerable to additional known or unknown threats. There is no assurance the financial or operational impact from such threats will not be material.

V. Business Trends

Business Trends

Our net sales have historically been, and remain, highly correlated with industrial activity and utilization and not with any single end market given the diversification of our business and high exposure to replacement channels. This diversification limits our exposure to trends in any given end market. In addition, a majority of our sales are generated from customers in replacement channels, who serve primarily a large base of installed equipment that follows a natural maintenance cycle that is somewhat less susceptible to various trends that affect our end markets. Such trends include infrastructure investment and construction activity, agricultural production and related commodity prices, commercial and passenger vehicle production, miles driven and fleet age, evolving regulatory requirements related to emissions and fuel economy and oil and gas prices and production. Key indicators of our performance include industrial production, industrial sales and manufacturer shipments.

During Fiscal 2020, sales into replacement channels accounted for approximately 64% of our total net sales. Our replacement sales cover a very broad range of applications and industries and, accordingly, are highly correlated with industrial activity and utilization and not a single end market. Replacement products are principally sold through distribution partners that may carry a very broad line of products or may specialize in products associated with a smaller set of end market applications.

During Fiscal 2020, sales into first-fit channels accounted for approximately 36% of our total net sales. First-fit sales are to a variety of industrial and automotive customers. Our industrial first-fit customers cover a diverse range of industries and applications and many of our largest first-fit customers manufacture construction and agricultural equipment. Among our automotive first-fit customers, a majority of our net sales are to emerging market customers, where we believe our first-fit presence provides us with a strategic advantage in developing those markets and ultimately increasing our higher margin replacement channel sales. First-fit automotive sales in developed markets represented approximately 7% of our total net sales for Fiscal 2020, with first-fit automotive sales in North America contributing less than 3% of total net sales. As a result of the foregoing factors, we do not believe that our historical consolidated net sales have had any meaningful correlation to global automotive production but are positively correlated to industrial production.

Our recently completed manufacturing footprint investments and other productivity improvements in recent years have helped to position us to continue to make progress on our restructuring program, which is primarily intended to optimize our manufacturing and distribution footprint over the mid-term by removing structural fixed costs and, to a lesser degree, streamlining our selling, general and administrative ("SG&A") back-office functions. Additional detail of these projects can be found under "Restructuring expenses" in Section VII of the Strategic Report. We anticipate that most of the costs associated with these actions will be incurred during 2020 and 2021. Some of these costs will, in accordance with U.S. GAAP, be classified in cost of sales, negatively impacting gross margin, but due to their nature and impact of hindering comparison of the performance of our businesses on a period-over-period basis or with other businesses, they will be excluded from Adjusted EBITDA, consistent with the treatment of similar costs in the current and prior years.

Impact of COVID-19 Pandemic

The first quarter of 2020 marked the beginning of an unprecedented environment for the global economy, which has continued into 2021, although to a lessening degree as it impacts our business, as governments, companies and communities implemented strict measures to minimize the spread of COVID-19. We are prioritizing the health and safety of our employees and the communities in which we operate around the world, taking additional protective measures in our plants to safely maintain operational continuity in support of our global customer base.

In early February 2020, as our business in China was being impacted, we mobilized a centralized crisis response team that developed and is tactically engaged in the implementation of our countermeasure actions across our global footprint. We are adhering to local government mandates and guidance provided by health authorities and have proactively implemented quarantine protocols, social distancing policies, working from home arrangements, travel suspensions, frequent and extensive disinfecting of our workspaces, provision of personal protective equipment, and mandatory temperature monitoring at our facilities. We expect to continue implementing these measures and we may take further actions if required or recommended by government authorities or if we determine them to be in the best interests of our employees, customers, and suppliers.

Our operations are supported largely by local supply chains. Where necessary, we have taken steps to qualify additional suppliers to ensure we are able to maintain continuity of supply. Although we have not experienced any significant disruptions to date, certain Gates suppliers have, or may in the future, temporarily close operations, delay order fulfillment or limit production due to the pandemic. Continued disruptions, shipping delays or insolvency of key vendors in our supply chain could make it difficult or more costly for us to obtain the raw materials or other inputs we need for our operations.

Gates employs an in-region, for-region manufacturing strategy, under which local operations primarily support local demand. In those cases where local production supports demand in other regions, contingency plans have been activated as appropriate. In addition to the handful of plants that were temporarily closed by government mandates, we have proactively managed our output to expected demand levels and occasionally suspended production at other plants for short periods of time, predominantly in the first half of 2020. We may continue to experience these production disruptions, which could place constraints on our ability to produce our products and meet customer demand or increase our costs. Of these temporary closures in the first half of 2020, the most significant for us was in Greater China, where we closed all of our production facilities for approximately three weeks, and in India, where our facilities were closed for approximately six weeks. We have since safely returned these plants to more normalized capacity. Our two largest regions of Europe and North America did not begin to see an impact from COVID-19 until late March 2020. With large portions of the economies in these regions having been effectively shut down during April 2020, we experienced significant year-over-year revenue declines most sharply in that month, with significant month-over-month improvements in subsequent months.

As shelter-in-place requirements eased in various jurisdictions, unfortunately accompanied in some cases by a resurgence in cases, there has been continued progress in the fight against COVID-19. We have seen sequential improvements in both the third and fourth quarters of 2020 compared to the second quarter of 2020, and we currently expect the first quarter of 2021 to show further improvement compared to the fourth quarter of 2020. During this crisis, we have maintained our ability to respond to demand improvements, and while we have limited new capital expenditures, we continue to fund key initiatives, which we believe will serve us well as our end markets continue to recover.

We have strength and flexibility in our liquidity position, which includes committed borrowing headroom of $386.7 million under our lines of credit (none of which are currently expected to be drawn in the foreseeable future), in addition to cash balances of $521.4 million as of January 2, 2021. In addition, our business also has a demonstrated ability to generate free cash flow even in challenging environments.

As a result of the unpredictable and evolving impact of the pandemic and measures being taken around the world to combat its spread, the timing and trajectory of the recovery remain unclear at this time, and the adverse impact of the pandemic on Gates' operations may continue to be material.

Despite this highly uncertain environment, our early experience in China, and more recent experience in North America and EMEA, has helped frame our response to this crisis and our focus in 2021 will continue to be on:

- safely supporting our employees, customers and the communities in which we operate;
- actively managing what we can control in terms of our supply chains and operations;
- managing our compressible costs to the prevailing demand conditions by tightly controlling discretionary spending; and
- funding our key growth initiatives to enhance our differentiation in the market and allow us to emerge from this downturn in an even stronger competitive position.

VI. Key Performance Indicators

We assess the financial performance of our businesses using a variety of measures. We believe that certain of these measures are particularly important and they are considered to be "key performance indicators". We refer to these measures throughout this annual report and use them in presentations to investors. In this section, we explain the relevance of each of the key performance indicators and, if they cannot be derived directly from the consolidated financial statements, show how they are calculated. Some of these measures are not explicitly defined under accounting principles generally accepted in the United States of America ("U.S. GAAP") and are therefore termed "non-GAAP" measures. We present a reconciliation of each non-GAAP measure to the most directly comparable measure defined under U.S. GAAP. We do not regard these non-GAAP measures as a substitute for, or superior to, the equivalent measures defined under U.S. GAAP. The non-GAAP measures described below may not be directly comparable with similarly-titled measures used by other companies.

EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP measure that represents net income or loss for the period before the impact of income taxes, net interest and other expenses, depreciation and amortization. EBITDA is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense).

Management uses Adjusted EBITDA as its key profitability measure. This is a non-GAAP measure that represents EBITDA before certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. We use Adjusted EBITDA as our measure of segment profitability to assess the performance of our businesses, and it is used for total Gates as well because we believe it is important to consider our profitability on a basis that is consistent with that of our operating segments, as well as that of our peer companies with a similar leveraged, private equity ownership history. We believe that Adjusted EBITDA should, therefore, be made available to securities analysts, investors and other interested parties to assist in their assessment of the performance of our businesses.

During the periods presented, the items excluded from EBITDA in computing Adjusted EBITDA primarily included:

- non-cash charges in relation to share-based compensation;
- transaction-related expenses incurred in relation to business combinations and major corporate transactions, including acquisition integration activities;
- asset impairments;
- restructuring expenses, including severance-related expenses;
- net gains or losses on disposals and on the exit of businesses; and
- fees paid to our private equity sponsor for monitoring, advisory and consulting services.

Differences exist among our businesses and from period to period in the extent to which their respective employees receive share-based compensation or a charge for such compensation is recognized. We therefore exclude from Adjusted EBITDA the non-cash charges in relation to share-based compensation in order to assess the relative performance of our businesses.

We exclude from Adjusted EBITDA acquisition-related costs that are required to be expensed in accordance with U.S. GAAP. In particular, we exclude the effect on cost of sales of the uplift to the carrying amount of inventory held by entities acquired by Gates. We also exclude costs associated with major corporate transactions because we do not believe that they relate to our performance. Other items are excluded from Adjusted EBITDA because they are individually or collectively significant items that are not considered to be representative of the underlying performance of our businesses. During the periods presented, we excluded restructuring expenses and severance-related expenses that reflect specific, strategic actions taken by management to shutdown, downsize, or otherwise fundamentally reorganize areas of Gates' business; the net gain or loss on disposals of assets other than in the ordinary course of operations and gains and losses incurred in relation to non-Gates businesses disposed of in prior periods; significant impairments of intangibles and of other assets, representing the excess of their carrying amounts over the amounts that are expected to be recovered from them in the future; and fees paid to our private equity sponsor.

EBITDA and Adjusted EBITDA exclude items that can have a significant effect on our profit or loss and should, therefore, be used in conjunction with, not as substitutes for, profit or loss for the period. Management compensates for these limitations by separately monitoring net income from continuing operations for the period.

The following table reconciles net income from continuing operations, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Net income from continuing operations	$ 90.3	$ 694.7	$ 271.7
Income tax (benefit) expense	(19.3)	(495.9)	31.8
Net interest and other expenses	140.1	148.0	193.3
Depreciation and amortization	218.6	222.2	218.5
EBITDA	429.7	569.0	715.3
Transaction-related expenses	5.2	2.6	6.7
Asset impairments	5.2	0.7	0.6
Restructuring expenses	37.3	6.0	6.4
Share-based compensation expense	19.8	15.0	6.0
Sponsor fees (included in other operating (income) expenses)	1.9	6.5	8.0
Impact of fair value adjustment on inventory (included in cost of sales)	—	—	0.3
Inventory impairments and adjustments (included in cost of sales)	1.4	1.2	1.2
Duplicate expenses incurred on facility relocation	—	—	5.2
Severance expenses (included in cost of sales)	1.0	4.0	1.7
Other, primarily severance expenses (included in SG&A)	8.0	3.4	4.4
Other items not directly related to current operations	(2.9)	2.6	—
Adjusted EBITDA	$ 506.6	$ 611.0	$ 755.8

Adjusted EBITDA Margin

Adjusted EBITDA margin is a non-GAAP measure that represents Adjusted EBITDA expressed as a percentage of net sales. We use Adjusted EBITDA margin to measure the success of our businesses in managing our cost base and improving profitability.

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Net sales	$ 2,793.0	$ 3,087.1	$ 3,347.6
Adjusted EBITDA	$ 506.6	$ 611.0	$ 755.8
Adjusted EBITDA margin	18.1 %	19.8 %	22.6 %

Core growth reconciliations

Core revenue growth is a non-GAAP measure that represents net sales for the period excluding the impacts of movements in average currency exchange rates and the first-year impacts of acquisitions and disposals, when applicable. We present core growth because it allows for a meaningful comparison of year-over-year performance without the volatility caused by foreign currency gains or losses or the incomparability that would be caused by impacts of acquisitions or disposals. Management believes that this measure is therefore useful for securities analysts, investors and other interested parties to assist in their assessment of the operating performance of our businesses. The closest GAAP measure is net sales.

	For the year ended January 2, 2021		
(dollars in millions)	Power Transmission	Fluid Power	Total
Net sales for the year ended January 2, 2021	$ 1,800.2	$ 992.8	$ 2,793.0
Impact on net sales of movements in currency rates	18.4	16.1	**34.5**
Core revenue for the year ended January 2, 2021	1,818.6	1,008.9	2,827.5
Net sales for the year ended December 28, 2019	1,945.7	1,141.4	3,087.1
Decrease in net sales on a core basis (core revenue)	$ (127.1)	$ (132.5)	$ **(259.6)**
Core revenue decline	(6.5)%	(11.6)%	**(8.4)%**

	For the year ended December 28, 2019		
(dollars in millions)	Power Transmission	Fluid Power	Total
Net sales for the year ended December 28, 2019	$ 1,945.7	$ 1,141.4	$ 3,087.1
Impact on net sales of movements in currency rates	56.5	20.5	**77.0**
Impact on net sales from recent acquisitions	—	(7.5)	(7.5)
Core revenue for the year ended December 28, 2019	2,002.2	1,154.4	**3,156.6**
Net sales for the year ended December 29, 2018	2,098.8	1,248.8	**3,347.6**
Decrease in net sales on a core basis (core revenue)	$ (96.6)	$ (94.4)	$ (191.0)
Core revenue decline	(4.6)%	(7.6)%	(5.7)%

Net Debt

Management uses net debt, rather than the narrower measure of cash and cash equivalents and restricted cash which forms the basis for the consolidated statement of cash flows, as a measure of our liquidity and in assessing the strength of our balance sheet.

Management analyzes the key cash flow items driving the movement in net debt to better understand and assess Gates' cash performance and utilization in order to maximize the efficiency with which resources are allocated. The analysis of cash movements in net debt also allows management to more clearly identify the level of cash generated from operations that remains available for distribution after servicing our debt and post-employment benefit obligations and after the cash impacts of acquisitions and disposals.

Net debt represents the net total of:

- the principal amount of our debt; and
- the carrying amount of cash and cash equivalents.

Net debt was as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Principal amount of debt	$ 2,720.8	$ 2,985.0
Less: Cash and cash equivalents	(521.4)	(635.3)
Net debt	$ 2,199.4	$ 2,349.7

The principal amount of debt is reconciled to the carrying amount of debt as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Principal amount of debt	2,720.8	2,985.0
Accrued interest	17.3	15.2
Deferred issuance costs	(29.4)	(41.8)
Carrying amount of debt	**$ 2,708.7**	**$ 2,958.4**

Adjusted EBITDA adjustments for ratio calculation purposes

The financial maintenance ratio in our revolving credit agreement and other ratios related to incurrence-based covenants (measured only upon the taking of certain actions, including the incurrence of additional indebtedness) under our revolving credit facility, our term loan facility and the indenture governing our outstanding notes are calculated in part based on financial measures similar to Adjusted EBITDA as presented elsewhere in this report, which financial measures are determined at the Gates Global LLC level and adjust for certain additional items such as severance costs, the pro forma impacts of acquisitions and the pro forma impacts of cost-saving initiatives. These additional adjustments during the last 12 months, as calculated pursuant to such agreements, resulted in a net benefit to Adjusted EBITDA for ratio calculation purposes of $15.1 million.

Gates Industrial Corporation plc is not an obligor under our revolving credit facility, our term loan facility or the indenture governing our outstanding notes. Gates Global LLC, an indirect subsidiary of Gates Industrial Corporation plc, is the borrower under our revolving credit facility and our term loan facility and the issuer of our outstanding notes. The only significant difference between the results of operations and net assets that would be shown in the consolidated financial statements of Gates Global LLC and those for the Company that are included elsewhere in this report is a receivable of $0.6 million and $9.2 million as of January 2, 2021 and December 28, 2019, respectively, due to Gates Global LLC and its subsidiaries from indirect parent entities of Gates Global LLC and additional cash and cash equivalents held by the Company of $4.2 million and $2.0 million as of January 2, 2021 and December 28, 2019, respectively.

VII. Business Performance

Results for the year ended January 2, 2021 compared to the results for the year ended December 28, 2019

Summary Gates Performance

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Net sales	$ 2,793.0	$ 3,087.1
Cost of sales	1,758.3	1,944.6
Gross profit	1,034.7	1,142.5
Selling, general and administrative expenses	776.9	777.3
Transaction-related expenses	5.2	2.6
Asset impairments	5.2	0.7
Restructuring expenses	37.3	6.0
Other operating (income) expenses	(1.0)	9.1
Operating income from continuing operations	211.1	346.8
Interest expense	154.3	157.8
Other income	(14.2)	(9.8)
Income from continuing operations before taxes	**71.0**	**198.8**
Income tax benefit	(19.3)	(495.9)
Net income from continuing operations	**$ 90.3**	**$ 694.7**
Adjusted EBITDA[(1)]	$ 506.6	$ 611.0
Adjusted EBITDA margin	18.1 %	19.8 %

(1) See "VI. Key Performance Indicators" for a reconciliation of Adjusted EBITDA to net income from continuing operations, the closest comparable GAAP measure, for each of the periods presented.

Net sales

Net sales during Fiscal 2020 were $2,793.0 million, compared to $3,087.1 million during the prior year, a decrease of 9.5%, or $294.1 million. Our net sales for Fiscal 2020 were adversely impacted by movements in average currency exchange rates of $34.5 million compared to the prior year period, due principally to the strengthening of the U.S. dollar against a number of currencies, in particular the Brazilian Real and Mexican Peso. Excluding this impact, core sales decreased by $259.6 million, or 8.4%, during Fiscal 2020 compared to the prior year, driven primarily by lower volumes, offset partially by a benefit of $16.1 million from favorable pricing.

Core sales in our Power Transmission and Fluid Power businesses declined by 6.5% and 11.6%, respectively, during Fiscal 2020. This decline in core sales was driven by the impacts from the COVID-19 pandemic which adversely affected sales to customers across all of our channels, particularly the industrial replacement channel, which declined by $91.1 million compared to the prior year. Globally, sales to our industrial customers declined by $153.3 million on a core basis, compared to a $106.3 million decline in core sales to our automotive customers, compared to the prior year. Most of the industrial decline came from North America, which decreased by $111.0 million during Fiscal 2020, compared to the prior year, driven by lower volumes in the construction, energy and heavy duty vehicle end markets. Industrial sales in EMEA decreased by 10.6% compared to the prior year, buoyed by strong sales in the second half, but reflecting the weakness in the construction end market, and a decline of 4.3% in the general industrial end market. Industrial sales in Greater China grew by $19.8 million in Fiscal 2020 compared to the prior year, driven almost exclusively by sales to our industrial first-fit customers, primarily in the general industrial and heavy duty vehicle end markets.

Global sales to the automotive end markets declined by 7.6% during Fiscal 2020 compared to the prior year, driven by declines in North America, Greater China and East Asia & India. In all of our regions, the decline was focused in the first half of the year and we have seen steady recovery throughout the second half of 2020 with sales broadly flat in the third quarter and growing by 8.7% in the fourth quarter, compared to the prior year periods.

Cost of sales

Cost of sales for Fiscal 2020 was $1,758.3 million, compared to $1,944.6 million for the prior year, a decrease of 9.6%, or $186.3 million. The decrease was driven primarily by lower volumes, a function of lower demand resulting from the COVID-19 pandemic. Favorable movements in average currency exchange rates contributed a further $20.6 million to the decrease in cost of sales during Fiscal 2020 compared to the prior year.

Gross profit

Gross profit for Fiscal 2020 was $1,034.7 million, down 9.4% from $1,142.5 million for the prior year. This change was driven primarily by lower volumes, offset partially by a benefit from favorable pricing of $16.1 million.

Our gross profit margin for Fiscal 2020 was unchanged from the prior year at 37.0%.

Selling, general and administrative expenses

SG&A expenses for Fiscal 2020 were $776.9 million compared to $777.3 million for the prior year. This decrease of $0.4 million was driven primarily by higher labor costs of $24.0 million (including higher severance), offset by savings on most other cost categories, primarily travel, entertainment and marketing, and variable costs related to decreased volumes.

Transaction-related expenses

Transaction-related expenses of $5.2 million were incurred during Fiscal 2020, related primarily to payments made on resolution of certain contingencies that affected the purchase price paid by Blackstone upon acquiring Gates in July 2014. Transaction-related expenses of $2.6 million were incurred during the prior year period, related primarily to exploratory merger and acquisition activity, as well as to corporate filings and transactions to provide the Company with flexibility for future raising of capital and debt, share buybacks and dividend payments. These expenses were offset partially by the release of an accrual from a prior year period acquisition.

Restructuring expenses

As described further under "Business Trends" above, we have accelerated and expanded upon our previously announced restructuring program, which is primarily intended to optimize our manufacturing and distribution footprint over the mid-term by removing structural fixed costs, and, to a lesser degree, streamlining our SG&A back-office functions.

Restructuring expenses, including asset impairments, of $43.9 million were recognized during Fiscal 2020, related primarily to the closure of a manufacturing facility in Korea, a European reorganization involving office and distribution center closures or downsizings and implementation of a regional shared service center, and the closure of two North American manufacturing facilities. The closure of the Korean facility resulted in severance and other labor and benefit costs of $13.2 million, an impairment of inventory of $1.4 million (recognized in cost of sales) and an impairment of fixed assets of $4.8 million (recognized in asset impairments). Restructuring costs incurred in relation to our European reorganization were $12.6 million, of which $11.4 million related to estimated severance.

Restructuring expenses, including asset impairments, of $7.9 million were recognized during the prior year, related primarily to severance costs, predominantly due to reductions in force across all regions and impairments of inventory and fixed assets related to facility closures in countries including France, the U.S., Turkey and Australia. During Fiscal 2019 we also incurred $1.6 million of professional fees relating primarily to the closure of one of our facilities in France, the reorganization of our European corporate center, and a strategic restructuring of part of our Asian business.

Interest expense

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Debt:		
Dollar Term Loan	$ 77.2	$ 80.7
Euro Term Loan	24.2	22.4
Dollar Senior Notes	35.9	35.4
Other loans	0.1	0.1
	137.4	**138.6**
Amortization of deferred issuance costs	13.5	16.6
Other interest expense	3.4	2.6
	$ 154.3	$ 157.8

Details of our long-term debt are presented in note 17 to the consolidated financial statements included elsewhere in this report.

Interest on debt for Fiscal 2020 decreased when compared to the prior year due primarily to the lower interest rates applicable to the floating rate Dollar Term Loan. This decrease was substantially offset by derivative hedging activity on our cross currency and interest rate derivatives of $16.1 million during Fiscal 2020 compared to the prior year.

The amortization of deferred issuance costs in Fiscal 2020 includes accelerated amortization of $3.7 million due to the prepayment of $300.0 million against our Dollar Term Loan facility on December 31, 2020, whereas Fiscal 2019 includes accelerated amortization of $6.1 million due to the repayment of our outstanding 6.00% Senior Notes due 2022 as part of the refinancing transactions described further in note 17 to the consolidated financial statements included elsewhere in this report.

Other income

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Interest income on bank deposits	$ (4.3)	$ (5.7)
Foreign currency gain on net debt and hedging instruments	(5.3)	(0.8)
Net adjustments related to post-retirement benefits	(4.5)	(3.1)
Other	(0.1)	(0.2)
	$ (14.2)	$ (9.8)

Other income for Fiscal 2020 was $14.2 million, compared to $9.8 million in the prior year. Lower interest on bank deposits due to lower interest rates was more than offset by higher gains from movements in foreign currency exchange rates on net debt and hedging instruments during Fiscal 2020 compared to the prior year.

In addition, we recognized net settlement and curtailment gains in relation to our post-retirement benefit plans of $2.1 million during Fiscal 2020, compared to $0.7 million in the prior year.

Income tax benefit

For Fiscal 2020, we had an income tax benefit of $19.3 million on pre-tax income of $71.0 million, which resulted in an effective tax rate of (27.2%) compared to an income tax benefit of $495.9 million on pre-tax income of $198.8 million, which resulted in an effective tax rate of (249.4)% for Fiscal 2019.

The increase in the effective tax rate for Fiscal 2020 compared to the prior year was due primarily to the recognition in the prior year of a $579.0 million tax benefit related to the release of valuation allowances, related mainly to Luxembourg net operating losses, offset partially by a tax expense of $59.7 million from related unrecognized tax benefits, both resulting from our European business reorganization. In addition to the business reorganization, our effective tax rate for Fiscal 2020 benefited from certain tax items including $32.3 million for audit settlements, changes in valuation allowances and tax law changes. Fiscal 2019 also included $12.0 million of net tax benefits, consisting of a benefit in tax on international operations of $19.9 million, offset partially by an increase of $7.9 million in unrecognized tax benefits.

Deferred Income Tax Assets and Liabilities

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We evaluate the recoverability of our deferred tax assets, weighing all positive and negative evidence, and are required to establish or maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which the evidence can be objectively verified. If negative evidence exists, positive evidence is necessary to support a conclusion that a valuation allowance is not needed.

Our framework for assessing the recoverability of deferred tax assets requires us to weigh all available evidence, including:

- taxable income in prior carry back years if carry back is permitted under the relevant tax law;
- future reversal of existing temporary differences;
- tax-planning strategies that are prudent and feasible; and
- future taxable income exclusive of reversing temporary differences and carryforwards.

After weighing all of the evidence, giving more weight to the evidence that was objectively verifiable, we determined in Fiscal 2020 that it was more likely than not that deferred tax assets in the U.K., Luxembourg, and Belgium totaling $29.5 million were realizable. Similarly, we determined in Fiscal 2019 that it was more likely than not that deferred income tax assets in Luxembourg, the U.K., and the U.S. totaling $586.2 million were realizable.

In Fiscal 2020, the deferred tax assets above relate primarily to disallowed interest carryforwards of $26 million in these jurisdictions which have no expiration. As a result of changes in estimates of future taxable profits, in the third quarter of Fiscal 2020, due primarily to the impact of anticipated changes to the composition of our intercompany financing arrangements, our judgment changed regarding valuation allowances on these deferred tax assets. The change in estimates and resulting change in judgment relate to the evaluation of proposed international tax law changes advanced during the period.

Included within the $586.2 million of valuation allowances released in Fiscal 2019 are deferred income tax assets totaling $579.0 million related to €2.1 billion of indefinite lived net operating losses in Luxembourg for which our evaluation of the positive and negative evidence changed during the first quarter of Fiscal 2019 due to the implementation of our European corporate center. Our European corporate center was implemented in Fiscal 2019 to centralize and strengthen regional operations in Europe, which thereafter became centrally managed from Luxembourg.

As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to the future realization of deferred tax assets. We will maintain our positions with regard to future realization of deferred tax assets, including those with respect to which we continue maintaining valuation allowances, until there is sufficient new evidence to support a change in expectations. Such a change in expectations could arise due to many factors, including those impacting our forecasts of future earnings, as well as changes in the international tax laws under which we operate and tax planning. It is not reasonably possible to forecast any such changes at the present time, but it is possible that, should they arise, our view of their effect on the future realization of deferred tax assets may impact materially our financial statements.

Significant Events

On March 27, 2020, the CARES Act was enacted and signed into law in the U.S. in response to the COVID-19 pandemic. One of the provisions of this law is an increase to the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income for the 2019 and 2020 tax years. This modification significantly increases the current deductible interest expense of the Company for both years, which will result in a cash benefit while increasing our effective tax rate through requirements to allocate and apportion interest expense for certain other tax purposes, including in determining our global intangible low-taxed income inclusion, deduction for foreign derived intangible income, and the utilization of foreign tax credits.

Adjusted EBITDA

Adjusted EBITDA for Fiscal 2020 was $506.6 million, compared to $611.0 million in the prior year, a decrease of 17.1% or $104.4 million. The Adjusted EBITDA margin was 18.1% for Fiscal 2020, a 170 basis point decrease from the prior year. The decrease in Adjusted EBITDA was driven primarily by the impact from reduced volumes and resulting lower fixed cost absorption.

For a reconciliation of net income to Adjusted EBITDA for each of the periods presented and the calculation of the Adjusted EBITDA margin, see "VI. Key Performance Indicators."

Analysis by Operating Segment

Power Transmission (64.5% of Gates' net sales for the year ended January 2, 2021)

(dollars in millions)	For the year ended January 2, 2021	For the year ended December 28, 2019	Period over period change
Net sales	$ 1,800.2	$ 1,945.7	(7.5%)
Adjusted EBITDA	$ 353.0	$ 412.6	(14.4%)
Adjusted EBITDA margin	19.6%	21.2%	

Net sales in Power Transmission for Fiscal 2020 were $1,800.2 million, compared to $1,945.7 million in the prior year, a decrease of 7.5%, or $145.5 million. Excluding the adverse impact of movements in average currency exchange rates of $18.4 million, core sales decreased by 6.5%, or $127.1 million, compared to the prior year, driven primarily by lower volumes.

Power Transmission's core sales decline was driven primarily by a combination of weak demand and widespread shutdowns resulting from measures taken in response to the COVID-19 pandemic. These factors impacted sales to our automotive customers in particular, with automotive first-fit and automotive replacement sales decreasing by 14.1% and 4.7%, respectively, during Fiscal 2020 compared to the prior year. Most of this decline came from the automotive replacement channel in North America and the automotive first-fit channels in Greater China and East Asia & India. Partially offsetting these declines was growth of 4.4% in sales to our industrial first-fit customers, primarily in Greater China and EMEA, driven by the general industrial and heavy duty vehicle end markets. We also saw modest growth of 5.3% in the construction end market for Fiscal 2020 compared to the prior year, particularly in North America. Sequentially, all regions grew during the fourth quarter compared to the third quarter, with North America growing by 9.3% and EMEA by 5.5%.

Power Transmission Adjusted EBITDA for Fiscal 2020 was $353.0 million, compared to $412.6 million in the prior year, a decrease of 14.4% or $59.6 million. The Adjusted EBITDA margin for Fiscal 2020 was 19.6%, a 160 basis point decline from the prior year. The decreases compared to the prior year were driven primarily by lower volumes and resulting lower fixed cost absorption.

Fluid Power (35.5% of Gates' net sales for the year ended January 2, 2021)

(dollars in millions)	For the year ended January 2, 2021	For the year ended December 28, 2019	Period over period change
Net sales	$ 992.8	$ 1,141.4	(13.0%)
Adjusted EBITDA	$ 153.6	$ 198.4	(22.6%)
Adjusted EBITDA margin	15.5%	17.4%	

Net sales in Fluid Power for Fiscal 2020 were $992.8 million, compared to $1,141.4 million in the prior year, a decrease of 13.0%, or $148.6 million. Excluding the adverse impact of movements in average currency exchange rates of $16.1 million, core sales decreased by 11.6%, or $132.5 million, compared to the prior year, driven primarily by lower volumes.

Fluid Power's core sales decline in Fiscal 2020 was driven almost exclusively by lower sales to our industrial customers, across all regions, except for Greater China. The combination of weak demand and widespread shutdowns resulting from measures taken in response to the COVID-19 pandemic impacted almost all of our end markets, but particularly construction, which declined during Fiscal 2020 by 17.4% compared to the prior year. Sales to the automotive end market returned to growth in Fiscal 2020 compared to the prior year, growing by 2.2%, driven primarily by EMEA. Sequentially, most regions grew by double-digits during the fourth quarter, compared to the third quarter, with North America growing by 18.4% and EMEA by 15.5%.

Fluid Power Adjusted EBITDA for Fiscal 2020 was $153.6 million, compared to $198.4 million in the prior year period, a decrease of 22.6%, or $44.8 million. The Adjusted EBITDA margin for Fiscal 2020 was 15.5%, a 190 basis point decline from the prior year. The decreases compared to the prior year were driven primarily by lower volumes and resulting lower fixed cost absorption.

VIII. Liquidity and Capital Resources

Treasury Responsibilities and Philosophy

Our primary liquidity and capital resource needs are for working capital, debt service requirements, capital expenditures, facility expansions and acquisitions. We expect to finance our future cash requirements with cash on hand, cash flows from operations and, where necessary, borrowings under our revolving credit facilities. We have historically relied on our cash flow from operations and various debt and equity financings for liquidity.

From time to time, we enter into currency derivative contracts to manage currency transaction exposures. Similarly from time to time, we may enter into interest rate derivatives to maintain the desired mix of floating and fixed rate debt.

As market conditions warrant, we and our majority equity holders, Blackstone and its affiliates, may from time to time, seek to repurchase securities that we have issued or loans that we have borrowed in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any such purchases may be funded by existing cash or by incurring new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may relate to a substantial amount of a particular tranche of debt, with a corresponding reduction, where relevant, in the trading liquidity of that debt. In addition, any such purchases made at prices below the "adjusted issue price" (as defined for U.S. federal income tax purposes) may result in taxable cancellation of indebtedness income to us, which may be material, and result in related adverse tax consequences to us.

It is our policy to retain sufficient liquidity throughout the capital expenditure cycle to maintain our financial flexibility. While we have seen a decline in our business during 2020, and the duration and extent of the impacts of the COVID-19 pandemic on our business are difficult to predict, we do not currently anticipate any material long-term deterioration in our overall liquidity position in the foreseeable future. Further, we do not have any meaningful debt maturities until 2024 and we do not currently expect to need to draw down under our committed lines of credit in the foreseeable future. We therefore believe that as of January 2, 2021, we have adequate liquidity and capital resources for the next twelve months.

Cash Flow

Year ended January 2, 2021 compared to the year ended December 28, 2019

Cash provided by operations was $309.0 million during Fiscal 2020 compared to cash provided by operations of $348.9 million during the prior year. This decrease was driven primarily by lower operating performance due to the difficult demand environment during the current year, offset partially by lower cash interest and tax payments. Interest paid was lower at $135.7 million during Fiscal 2020, compared to $150.8 million in the prior year, due primarily to timing of interest payments. Net income taxes paid were also lower, with $60.4 million paid during Fiscal 2020 compared to $108.8 million in the prior year, largely a function of refunds received and lower tax payments based on the decrease in taxable profits.

Net cash used in investing activities during Fiscal 2020 was $77.5 million, compared to $78.0 million in the prior year. Capital expenditures decreased by $15.7 million from $83.1 million in prior year to $67.4 million in Fiscal 2020, which was mostly offset by lower cash received under corporate-owned life insurance policies of $10.5 million and lower net cash flows from other investing activities of $4.5 million (primarily lower proceeds from the sale of property, plant and equipment).

Net cash used in financing activities was $353.8 million during Fiscal 2020, compared to $59.3 million in the prior year. This higher cash outflow was driven primarily by the prepayment of $300.0 million against our Dollar Term Loan facility in December 2020.

Indebtedness

Our long-term debt, consisting principally of two term loans and U.S. dollar denominated unsecured notes, was as follows:

(dollars in millions)	Carrying amount		Principal amount	
	As of January 2, 2021	As of December 28, 2019	As of January 2, 2021	As of December 28, 2019
Debt [illegible]				
—Secured				
Term Loans (U.S. dollar and Euro denominated)	$ 2,131.2	$ 2,395.0	$ 2,152.6	$ 2,416.8
—Unsecured				
Senior Notes (U.S. dollar)	577.3	563.2	568.0	568.0
Other debt	0.2	0.2	0.2	0.2
[illegible]	$ 2,708.7	$ 2,958.4	$ 2,720.8	$ 2,985.0

Details of our long-term debt are presented in note 17 to the consolidated financial statements included elsewhere in this annual report.

Debt issuances and redemptions

On December 31, 2020, we made a principal debt prepayment of $300.0 million against our Dollar Term Loan facility.

On November 22, 2019, we issued and sold $568.0 million of unsecured Dollar Senior Notes, described further below. The proceeds from this debt issuance were used on December 5, 2019 to redeem all $568.0 million of our outstanding 6.00% Dollar Senior Notes, plus interest accrued up to and including the redemption date of $13.2 million. The majority of the costs totaling approximately $8.6 million related to the refinancing transactions have been deferred and will be amortized to interest expense over the remaining term of the related borrowings using the effective interest method.

Dollar and Euro Term Loans

Our secured credit facilities include a Dollar Term Loan credit facility and a Euro Term Loan credit facility that were drawn on July 3, 2014. These facilities mature on March 31, 2024. These term loan facilities bear interest at a floating rate. As of January 2, 2021, borrowings under the Dollar Term Loan facility, which currently bears interest at LIBOR, subject to a floor of 1.00%, plus a margin of 2.75%, bore interest at a rate of 3.75% per annum. The Dollar Term Loan interest rate is re-set on the last business day of each month. As of January 2, 2021, the Euro Term Loan bore interest at EURIBOR, which is currently below 0%, subject to a floor of 0%, plus a margin of 3.00%. The Euro Term Loan interest rate is re-set on the last business day of each quarter.

During February 2021, we extended the maturity date of our Dollar Term Loan to March, 31, 2027. As part of this extension, we also reduced the floor applicable to this term loan from 1.00% to 0.75% and introduced a potential future decrease of 0.25% in the margin, contingent on the total net leverage ratio, as defined under the credit agreement, falling below 3.75 times.

Both term loans are subject to quarterly amortization payments of 0.25%, based on the original principal amount less certain prepayments with the balance payable on maturity. During Fiscal 2020, we made amortization payments against the Dollar Term Loan and the Euro Term Loan of $21.7 million and $9.4 million, respectively. During Fiscal 2019, we made amortization payments against the Dollar Term Loan and the Euro Term Loan of $17.3 million and $7.4 million, respectively.

During the periods presented, foreign exchange (losses) gains were recognized in respect of the Euro Term Loans as summarized in the table below. As a portion of the facility was designated as a net investment hedge of certain of our Euro investments, a corresponding portion of the foreign exchange (losses) gains were recognized in other comprehensive income ("OCI").

	For the year ended	
(dollars in millions)	January 2, 2021	December 28, 2019
(Loss) gain recognized in statement of operations	$ (51.4)	$ 17.3
Loss recognized in OCI	(15.5)	(0.2)
Total (loss) gain	$ (66.9)	$ 17.1

The above net foreign exchange (losses) gains recognized in the Other (income) expenses line of the consolidated statement of operations have been substantially offset by net foreign exchange movements on Euro-denominated intercompany loans as part of our overall hedging strategy.

Our term loans, which mature after 2021, use LIBOR as a benchmark for establishing the rate of interest. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform and is not expected to be maintained after 2021. The transition to alternatives to LIBOR could be modestly disruptive to credit markets, and while we don't believe that the impact would be material to us, we do not yet have insight into what those impacts might be.

Unsecured Senior Notes

As of December 28, 2019, we had $568.0 million of 6.25% Dollar Senior Notes outstanding that were issued in November 2019. These notes are scheduled to mature on January 15, 2026 and bear interest at an annual fixed rate of 6.25% with semi-annual interest payments.

On and after January 15, 2022, we may redeem the 6.25% Dollar Senior Notes, at our option, in whole at any time or in part from time to time, at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest to the redemption date:

	Redemption Price
During the year commencing:	
—2022	103.125 %
—2023	101.563 %
—2024 and thereafter	100.000 %

Additionally, net cash proceeds from an equity offering can be utilized at any time prior to January 15, 2022, to redeem up to 40% of the notes at a redemption price equal to 106.250% of the principal amount thereof, plus accrued and unpaid interest through to the redemption date.

Upon the occurrence of a change of control or a certain qualifying asset sale, the holders of the notes will have the right to require us to make an offer to repurchase each holder's notes at a price equal to 101% (in the case of a change of control) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest.

Revolving Credit Facility

We also have a secured revolving credit facility, maturing on January 29, 2023, that provides for multi-currency revolving loans up to an aggregate principal amount of $185.0 million, with a letter of credit sub-facility of $20.0 million.

As of both January 2, 2021 and December 28, 2019, there were no letters of credit outstanding.

Asset-Backed Revolver

We have a revolving credit facility backed by certain of our assets in North America. The facility allows for loans of up to a maximum of $325.0 million ($230.2 million as of January 2, 2021, compared to $294.6 million as of December 28, 2019, based on the values of the secured assets on those dates) with a letter of credit sub-facility of $150.0 million within this maximum. The facility matures on January 29, 2023.

As of both January 2, 2021 and December 28, 2019, there were no drawings for cash under the asset-backed revolver, but there were letters of credit outstanding of $28.5 million and $50.1 million, respectively.

Non-guarantor subsidiaries

The majority of the Company's U.S. subsidiaries are guarantors of the senior secured credit facilities.

For the twelve months ended January 2, 2021, before intercompany eliminations, our non-guarantor subsidiaries represented approximately 70% of our net sales and 63% of our EBITDA as defined in the financial covenants attaching to the senior secured credit facilities. As of January 2, 2021, before intercompany eliminations, our non-guarantor subsidiaries represented approximately 57% of our total assets and approximately 24% of our total liabilities.

Net Debt

Net debt is a non-GAAP measure representing the principal amount of our debt less the carrying amount of cash and cash equivalents. During Fiscal 2020, our net debt decreased by $150.3 million from $2,349.7 million as of December 28, 2019 to $2,199.4 million as of January 2, 2021. Excluding changes in foreign currency exchange rates, the decrease in net debt during Fiscal 2020 was driven primarily by the increase in cash, a function of cash provided by operating activities of $309.0 million, offset partially by capital expenditures of $67.4 million, dividends paid to non-controlling shareholders of $19.0 million and net cash paid under corporate-owned life insurance policies of $9.4 million.

Partially offsetting this decrease in net debt were movements in foreign currency exchange rates, which had an unfavorable net impact of $57.1 million on net debt during Fiscal 2020, with the majority of the movement relating to the impact of the strengthening of the Euro against the U.S. dollar on our Euro-denominated debt.

Borrowing Headroom

As of January 2, 2021, our asset-backed revolving credit facility had a borrowing base of $230.2 million, being the maximum amount we can draw down based on the current value of the secured assets. The facility was undrawn for cash, but there were letters of credit outstanding against the facility amounting to $28.5 million. We also have a secured revolving credit facility that provides for multi-currency revolving loans up to an aggregate principal amount of $185.0 million.

In total, our committed borrowing headroom was $386.7 million, in addition to cash balances of $521.4 million.

Cash Balances

As of January 2, 2021, our total cash and cash equivalents were $521.4 million, compared to $635.3 million as of December 28, 2019.

Restricted cash was $2.7 million as of January 2, 2021, compared to $1.3 million as of December 28, 2019, including $1.0 million as of January 2, 2021 and $1.0 million as of December 28, 2019, which was held in escrow for insurance purposes. Cash held in our non-wholly owned Asian subsidiaries was $152.7 million and $141.5 million as of January 2, 2021 and December 28, 2019, respectively.

Other Assets and Liabilities

Goodwill

As of January 2, 2021, the carrying amount of goodwill was $2,120.2 million, compared to $2,060.5 million as of December 28, 2019. The majority of this goodwill arose on the acquisition of Gates by Blackstone in 2014. During the year ended January 2, 2021, movements in currency exchange rates resulted in an increase in goodwill of $59.7 million.

The goodwill at January 2, 2021 is attributable principally to expected future opportunities to improve sales and margins by further developing Gates' product range and service capabilities, extending the Group's global presence by further penetrating markets in emerging economies, and by pursuing performance improvement initiatives.

Other intangible assets

As of January 2, 2021, the carrying amount of other intangible assets was $1,788.6 million, compared to $1,876.0 million as of December 28, 2019. Details of these intangible assets, which are comprised primarily of customer relationship intangibles and a brand and trade name intangible, are set out in note 13 to the consolidated financial statements included elsewhere in this annual report. During the year ended January 2, 2021, we recognized a decrease of $87.4 million in intangible assets other than goodwill, due primarily to amortization of $129.3 million, offset partially by additions of $9.2 million and movements in average foreign currency exchange rates of $30.8 million.

Property, plant and equipment

As of January 2, 2021, the carrying amount of property, plant and equipment was $705.0 million, compared to $727.9 million as of December 28, 2019. During the year ended January 2, 2021, we recognized additions of $60.2 million, including finance leases. Offsetting this increase was depreciation of $89.3 million and disposals of property, plant and equipment of $1.5 million.

Capital Structure

Details of the issued share capital, together with details of the movements in Gates Industrial Corporation plc's issued share capital during the year are shown in note 7 to the accompanying parent company financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation, including any securities laws applicable to holders of the Company's shares. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Under its Articles of Association, the company has authority to issue 3,000,000,000 ordinary shares.

Distributable Reserves

Under the laws of England and Wales, future dividend payments or share repurchases may only be made out of "distributable reserves" on the Company's statutory balance sheet. During August 2019, the High Court of Justice in London sanctioned a reduction in the Company's statutory capital for the purpose of creating distributable reserves by approving the cancellation of the deferred shares in issue and the cancellation of the entire amount standing to the credit of the Company's share premium account, creating $5.5 billion of distributable reserves. These transactions, which have no impact on the consolidated U.S. GAAP financial statements, facilitate the possible future payment of dividends to shareholders of the Company or possible future share repurchases.

IX. Critical Accounting Estimates and Judgments

Details of our significant accounting policies are set out in note 2 to our audited consolidated financial statements included elsewhere in this annual report.

When applying our accounting policies, we must make assumptions, judgments and estimates concerning the future that affect reported amounts of assets, liabilities, revenue and expenses. We makes these assumptions, estimates and judgments based on factors such as historical experience, the observance of trends in the industries in which we operate and information available from our customers and other outside sources. Due to the inherent uncertainty involved in making assumptions, estimates and judgments, the actual outcomes could be different. The policies discussed below are considered by management to be more critical than other policies because their application involves a significant amount of estimation uncertainty that increases the risk of a material adjustment to the carrying amounts of our assets and liabilities.

Net Sales

We derive our net sales primarily from the sale of a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

In the substantial majority of our agreements with customers, we consider accepted customer purchase orders, which in some cases are governed by master sales agreements, to represent the contracts with our customers. Revenue from the sale of goods under these contracts is measured at the invoiced amount, net of estimated returns, early settlement discounts and rebates. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues. Where a customer has the right to return goods, future returns are estimated based on historical returns profiles. Settlement discounts that may apply to unpaid invoices are estimated based on the settlement histories of the relevant customers.

Our transaction prices often include variable consideration, usually in the form of discounts and rebates that may apply to issued invoices. The reduction in the transaction price for variable consideration requires that we make estimates of the expected total qualifying sales to the relevant customers. These estimates, including an analysis for potential constraint on variable consideration, take into account factors such as the nature of the rebate program, historical information and expectations of customer and consumer behavior. Overall, the transaction price is reduced to reflect our estimate of the amount of consideration that is not probable of significant reversal.

We allocate the transaction price to each distinct performance obligation based on their relative standalone selling price. The product price as specified on the accepted purchase order or similar binding contract is considered to be the standalone selling price. In substantially all of our contracts with customers, our performance obligations are satisfied at a point in time, rather than over a period of time, when control of the product is transferred to the customer. This occurs typically at shipment. In determining whether control has transferred and the customer is consequently able to control the use of the product for their own benefit, we consider if there is a present right to payment, legal title and physical possession has been transferred, whether the risks and rewards of ownership have transferred to the customer, and if acceptance of the asset by the customer is more than perfunctory.

Impairment of Goodwill and Other Indefinite-Lived Assets

Goodwill and other indefinite-lived intangible assets are subject to an annual impairment test but are also tested for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

Goodwill

Goodwill arising in a business combination is allocated to the reporting unit that is expected to benefit from the synergies of the acquisition. Where goodwill is attributable to more than one reporting unit, the goodwill is determined by allocating the purchase consideration in proportion to their respective business enterprise values and comparing the allocated purchase consideration with the fair value of the identifiable assets and liabilities of the reporting unit.

Goodwill is not amortized but is tested for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment.

To identify a potential impairment of goodwill, the fair value of the reporting unit to which the goodwill is allocated is compared to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. If the fair value is lower than the carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the amount of goodwill allocated to that reporting unit.

Management based the fair value calculations on a weighted blend of the income and market approaches. The income approach was based on cash flow forecasts derived from the most recent financial plans approved by the board of directors, in which the principal assumptions were those regarding sales growth rates, selling prices and changes in direct costs. Forecasts for the following two years were based on region-specific growth assumptions determined by management, taking into account strategic initiatives.

Cash flows for each of the reporting units for the years beyond this period were projected to grow at compound annual growth rates reflecting annual decreases over the next seven years from the 2023 growth rates to the terminal growth rate. For Gates as a whole, this growth rate was 4.0%. The terminal growth rate for both reporting units was set at 2.5%, a rate that does not exceed the expected long-term growth rates in the respective principal end markets.

Management applied discount rates to the resulting cash flow projections that reflect current market assessments of the time value of money and the risks specific to each reporting unit. In each case, the discount rate was determined using a capital asset pricing model. The discount rates used in the impairment tests of goodwill during Fiscal 2020 were 9.0% for both reporting units.

For both reporting units, the fair values exceeded the carrying values and no goodwill impairments were therefore recognized during Fiscal 2020. A decline in the fair value of greater than 38% and 29% on our Power Transmission and Fluid Power reporting units, respectively, all else being equal, would result in an impairment of the goodwill allocated to those reporting units.

We base our fair value estimates on assumptions we believe to be reasonable at the time but that are unpredictable and inherently uncertain. In addition, we make certain judgments and assumptions in allocating goodwill between reporting units and in allocating shared assets and liabilities to determine the carrying values for each of our reporting units tested. Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years.

Indefinite-Lived Assets Other than Goodwill

To identify a potential impairment of indefinite-lived assets other than goodwill, the fair value of the asset is compared to its carrying amount. If the fair value of the indefinite-lived asset exceeds its carrying amount, it is not considered impaired. Fair value is calculated based on the anticipated net cash inflows and outflows related to the indefinite-lived asset.

During the periods covered by this annual report, we held an indefinite-lived brand and trade name intangible asset. We test the intangible for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment.

The fair value for our indefinite-lived brand and trade name intangible asset was determined using a relief from royalty valuation methodology in which the key assumptions included sales growth rates and an estimated royalty rate. Sales forecasts were determined on the same basis as those used for the annual impairment testing of goodwill (as described above).

Management applied discount rates to the calculated royalty savings that reflect current market assessments of the time value of money and the risks specific to each region in which those royalty savings arose. In each case, the discount rate was determined using a capital asset pricing model adjusted for a premium to reflect the higher risk specific to the nature of the intangible asset. The discount rate used in Fiscal 2020 impairment test was 10.0%. As a result of the impairment testing, no impairment was recognized during Fiscal 2020. All else being equal, a decline in the fair value of greater than 37% in the fair value of the brand and trade name intangible asset would result in an impairment.

We base our fair value estimates on assumptions we believe to be reasonable at the time but that are unpredictable and inherently uncertain. Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years.

Taxation

We are subject to income tax in most of the jurisdictions in which we operate. Management is required to exercise significant judgment in determining our provision for income taxes. Management's judgment is required in relation to unrecognized income tax benefits whereby additional current tax may become payable in the future following the audit by tax authorities of previously-filed tax returns. It is possible that the final outcome of these unrecognized income tax benefits may differ from management's estimates.

Management assesses unrecognized income tax benefits based upon an evaluation of the facts, circumstances and information available at the balance sheet date. Provision is made for unrecognized tax benefits to the extent that the amounts previously taken or expected to be taken in tax returns exceeds the tax benefits that are recognized in the consolidated financial statements in respect of the tax positions. A tax benefit is recognized in the consolidated financial statements only if management considers that it is more likely than not that the tax position will be sustained on examination by the relevant tax authority solely on the technical merits of the position and is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement assuming that the tax authority has full knowledge of all relevant information. Provisions for unrecognized income tax benefits are reviewed regularly and are adjusted to reflect events such as the expiration of limitation periods for assessing tax, guidance given by the tax authorities and court decisions.

Deferred income tax assets and liabilities are recognized based on the expected future tax consequences of the difference between the financial statement carrying amount and the respective tax basis. Deferred income taxes are measured on the enacted rates expected to apply to taxable income at the time the difference is anticipated to reverse. Deferred income tax assets are reduced through the establishment of a valuation allowance if it is more likely than not that the deferred income tax asset will not be realized taking into account the timing and amount of the reversal of taxable temporary differences, expected future taxable income and tax planning strategies.

Deferred income tax is provided on certain taxable temporary differences arising on investments in foreign subsidiaries, except where we intend, and are able, to reinvest such amounts on a permanent basis or to remit such amounts in a tax-free manner.

We have recorded valuation allowances against certain of our deferred income tax assets and we intend to continue maintaining such valuation allowances until there is sufficient evidence to support the reduction of all or some portion of these allowances. During Fiscal 2020, we determined that it was more likely than not that certain deferred income tax assets in the U.K., Luxembourg and Belgium totaling $29.5 million were realizable. During Fiscal 2019, we determined that it was more likely than not that certain deferred income tax assets in Luxembourg, the U.K., and the U.S. totaling $586.2 million were realizable.

Accounting Pronouncements Not Yet Adopted

Recently-issued accounting pronouncements that may be relevant to our operations but have not yet been adopted are outlined in note 3 to our audited consolidated financial statements included elsewhere in this annual report.

X. Financial Risk Management Objectives and Policies

Our market risk includes the potential loss arising from adverse changes in foreign currency exchange rates, interest rates, commodity prices, and the credit risk of our customers and third-party depository institutions that hold our cash and short-term deposits. From time to time, we use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact. Our objective in managing these risks is to reduce fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rate movements.

On a regular basis, we monitor third-party depository institutions that hold our cash and short-term investments and we diversify these assets among counterparties to minimize exposure to any one of these entities. We also monitor the creditworthiness of our customers and suppliers to mitigate any adverse impact.

Foreign Currency Exchange Risk

We have global operations and thus make investments and enter into transactions denominated in various foreign currencies. Our operating results are impacted by buying, selling and financing in currencies other than the functional currency of our operating companies. We monitor exposure to transactions denominated in currencies other than the functional currency of each country in which we operate, and enter into forward contracts to mitigate that exposure as needed. We also naturally hedge foreign currency through our production in the countries in which we sell our products.

In addition, we are exposed to currency risk associated with translating our non-U.S. dollar financial statements into U.S. dollars, which is our reporting currency. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. Translational foreign exchange risks arise predominantly on the potential increase in our significant euro debt when translated to U.S. dollars, as well as on the potential decreases in the value of our earnings, cash balances and other net assets denominated in euro and other currencies when translated to U.S. dollars.

The currency profiles of our cash and debt are centrally managed as are decisions about the location of cash. The currency profile of cash and debt, after taking into account the effect of the currency swaps and forwards used to manage those profiles, were as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Cash and cash equivalents by currency:		
—U.S. dollar	$ 199.5	$ 336.9
—Chinese Yuan Renminbi	94.8	81.1
—Indian Rupee	49.6	43.2
—Euro	37.8	28.0
—Japanese Yen	30.6	29.9
—Other	109.1	116.2
	$ 521.4	$ 635.3
Principal amount of debt by currency:		
—U.S. dollar	$ 1,634.2	$ 1,982.7
—Euro	1,086.6	1,002.3
	$ 2,720.8	$ 2,985.0

As described in note 15 to the audited consolidated financial statements included elsewhere in this annual report, during Fiscal 2020 and Fiscal 2019 we had designated a portion of our Euro Term Loans, as well as a €254.5 million cross currency swap, as hedges of a portion of our net investment in euro-denominated foreign operations. Changes in the value of these instruments resulting from fluctuations in the euro to U.S. dollar exchange rate are accordingly recorded as foreign currency translation adjustments within other comprehensive income.

Interest Rate Risk

Our prevailing market risk on interest rates is the potential fluctuation in interest costs and in the fair value of long-term debt resulting from movements in interest rates.

We use interest rate derivatives as part of our interest rate risk management strategy to add stability to interest expense and to manage our exposure to interest rate movements. The interest rate caps are designated as cash flow hedges and involve the receipt of variable rate payments from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium. The following table summarizes the key terms of the active interest rate derivatives held by the Company:

		Interest rate				
		Payable		Receivable		
	Notional principal amount ($ millions)	Variable	Fixed	Variable	Fixed	Variable rate index
As of January 2, 2021						
Maturity date:						
—June 2025	$ 870.0	— %	2.5 %	— %	1.0 %	1 month LIBOR
—June 2023	€ 425.0	— %	0.3 %	— %	— %	3 month EURIBOR
As of December 28, 2019						
Maturity date:						
—June 2020	$ 1,200.0	— %	0.5 %	— %	— %	3 month LIBOR
—June 2023	€ 425.0	— %	0.3 %	— %	— %	3 month EURIBOR

The interest rate profile of the Company's financial assets and liabilities, after taking into account the effect of the interest rate hedging activities, was as follows:

	As of January 2, 2021				As of December 28, 2019			
	Interest-bearing				Interest-bearing			
(dollars in millions)	Floating rate	Fixed rate	Non-interest bearing	Total	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets:								
Available-for-sale investments	$ —	$ —	$ 2.1	$ 2.1	$ —	$ —	$ 1.1	$ 1.1
Cash and cash equivalents	214.1	—	307.3	521.4	380.4	—	254.9	635.3
Restricted cash	—	—	2.7	2.7	—	—	1.3	1.3
	214.1	—	312.1	526.2	380.4	—	257.3	637.7
Financial liabilities:								
Debt	(762.9)	(1,957.7)	(0.2)	(2,720.8)	(741.7)	(2,243.1)	(0.2)	(2,985.0)
Obligations under finance leases	—	(3.0)	—	(3.0)	—	(1.7)	—	(1.7)
	(762.9)	(1,960.7)	(0.2)	(2,723.8)	(741.7)	(2,244.8)	(0.2)	(2,986.7)
	$ (548.8)	$ (1,960.7)	$ 311.9	$ (2,197.6)	$ (361.3)	$ (2,244.8)	$ 257.1	$ (2,349.0)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Our debt facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. We aim to reduce liquidity risk by diversifying our funding sources, maintaining adequate headroom under our debt facilities and by staggering the maturities of our debt.

We have established long-term credit ratings of B2 Stable with Moody's and B+ Stable with Standard & Poor's. Credit ratings are subject to regular review by the credit rating agencies and may change in response to economic and commercial developments.

Commodity risk

We source a wide variety of materials and components from a network of global suppliers. While such materials are typically available from numerous suppliers, commodity raw materials such as aluminum, steel and polymers are subject to price fluctuations, which could have a negative impact on our results. We primarily manage these risks through normal operating activities. We strive to pass along such commodity price increases to customers to avoid profit margin erosion and utilize lean initiatives to further mitigate the impact of commodity raw material price fluctuations as we achieve improved efficiencies. We historically have not entered into any derivative commodity instruments to manage the exposure to changing price risk for supplies, but we will continue to evaluate their viability.

Credit risk

Our principal financial assets are cash and cash equivalents, derivatives, trade and other receivables and investments.

We regularly monitor third-party depository institutions that hold our cash and short-term investments, primarily for safety of principal and secondarily for maximizing yield on those funds. We diversify our cash and short-term investments among counterparties to minimize exposure to any one of these entities.

The credit risk on derivative financial instruments is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies.

To mitigate the credit risk attributable to our trade receivables we perform credit verifications and monitor closely the creditworthiness of new and existing customers. The amounts presented in the balance sheet for trade receivables are net of allowances for expected credit losses. We develop expected loss estimates based either on the aging profile of outstanding receivables or by applying an experience factor (either a percentage of sales or a percentage of open receivables). These methodologies are based primarily on historical trends and experience, but credit controllers also regularly assess individual customer accounts to identify any potential increases or decreases in the level of expected credit loss needed to be applied to each customer based on current circumstances and future expectations.

Two customers of our North America businesses accounted for 16.5% and 11.9%, respectively, of our total trade accounts receivable balance as of January 2, 2021, compared to 18.9% and 11.3%, respectively, as of December 28, 2019. These concentrations are due to the extended payment terms common in the industry in which these businesses operate.

We have no other significant concentrations of credit risk as our exposure is spread over a large number of customers and counterparties.

XI. Employees

As of January 2, 2021, we employed approximately 14,300 full time employees worldwide. Approximately 6,500 of our employees are located in North America, 3,600 in EMEA, 3,600 in Greater China and East Asia & India, and 600 in South America. Approximately 67% of our work force consists of production employees, while approximately 24% of our global workforce was female and 76% male. Of approximately 1,400 managerial employees, 21% were female.

Some of our employees are members of labor unions, and over many years we have been able to maintain successful relationships with the unions and employment organizations. To date, employee relations have been flexible and constructive as we continue to pursue lean manufacturing improvements in our plants. Gates employs agency contractors, temporary employees and contract employees as a small percentage of our workforce. The number of associates in these categories typically varies with demand on our factories and distribution centers. Gates employs a small number of part-time associates across the globe.

We place considerable value on the involvement of our employees and have 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 and announcements and regular employee engagement surveys. Employees or employee representatives are consulted on a wide range of matters affecting their current and future interests. For example, during Fiscal 2020, regular global leadership calls were held to keep management informed of safety protocols, business travel and operation policies, facility closures, and economic trends, as well as to provide a forum for questions and comments from leaders and their teams back to management. This information and the responses to questions raised were then disseminated by leaders to their teams.

Health and safety

We care about our employees and we believe that our commercial success is linked to a safe and healthy workforce. We are therefore committed to responsible business practices through the establishment, implementation and maintenance of the Gates Global Health, Safety and Environment ("HSE") Standards Manual. We strive for zero injuries and an incident-free workplace and have achieved significant progress towards this goal through targeted risk reduction activities, improved case management, increased accountability to corrective action identification and closure, and more effective safety observation programs.

Demonstrating our commitment to safety, beginning in February 2020, we mobilized a centralized crisis response team that urgently developed and implemented our countermeasure actions across the globe for the novel coronavirus ("COVID-19") pandemic. In addition to adhering to or exceeding local government mandates and guidance provided by health authorities, we proactively implemented quarantine protocols, social distancing policies, working from home arrangements, travel suspensions, frequent and extensive disinfecting of our workspaces, provision of personal protective equipment, mandatory temperature monitoring and periodic COVID-19 testing at our facilities.

Total rewards

Our compensation philosophy is to offer a compensation program that enables us to attract, motivate, reward and retain high-caliber employees who are capable of creating and sustaining value for our shareholders over the long-term and to design compensation and benefit programs that provide a fair and competitive compensation opportunity in order to appropriately reward employees for their contributions to our success. Globally, we offer the opportunity to earn short-term and long-term incentive awards to eligible employees, including a manufacturing incentive program to many of our production employees.

Employee development and training

Gates is committed to developing and unlocking the potential of our people and we make significant investments in training and professional development. Our learning and development framework supports the development of leadership and professional skills in three ways: on-the-job, learning from others, and participating in formal training programs. Some of the specific global and regional development experiences we offer include a global mentoring program that promotes a diverse and inclusive culture and knowledge transfer opportunities between our mentors and mentees; a structured succession planning process that identifies key talent and develops our employees to continue working toward their career goals and early career programs designed to develop talent in different areas of the business; for example, engineering, commercial and human resources. For our production employees, we provide skills-based training and certification opportunities.

Community involvement

Gates recognizes that success as a business enterprise is affected by the vitality of the communities in which our people work and live, and of the nonprofit organizations that serve the needs and interests of these communities. The Gates Industrial Corporation Foundation (an independent charitable organization funded by the Company) plays an important role in our philanthropy program and actively supports civic, community, arts, cultural, health and welfare initiatives, as well as education programs and scholarships. In the U.S., we have a dollar-for-dollar matching program for qualifying charitable contributions made by our employees. Matching donations are made by the Gates Industrial Corporation Foundation, which also donates to selected charities on behalf of the Company. Outside of the U.S., Gates provides support to many local charities in a variety of countries in which we operate. We believe that education is an important part of the development of our employees and of the communities we serve. Therefore, the Company provides education assistance for qualifying employees and their children, setting the foundation for their future success and helping to develop our future workforce.

Across the world in 2020, our employees rose to the challenges posed by the COVID-19 pandemic, helping in their communities in many ways from 3D-printing face shields for healthcare workers to coordinating with other companies to support hand sanitizer production, as well as donating funds from the Gates Industrial Corporation Foundation to local charities on the front lines of fighting the virus.

Human rights issues and ethical conduct

The Company is committed to high ethical standards and conducting its business in compliance with the principles laid out in the U.K. Modern Slavery Act and applicable human rights, labor and employment, discrimination, health and safety, and immigration laws of the countries in which we operate. The Company does not condone or use child labor, forced labor or human trafficking in any of its operations and endeavors to engage with other companies that embrace similar values and respect for human rights.

The Company maintains various policies which adhere to human rights principles and foster high ethical standards in its business, including policies and guidelines on anti-corruption, anti-boycott, global antitrust and fair competition, conflict of interest, and human rights. Our employees receive training on these policies and have access to them at each of our facilities. Through the communication, promotion and administration of these policies, the Company expects all employees to uphold the highest levels of honesty, integrity and ethical standards, to act in full compliance with all applicable laws in the performance of their roles and the conduct of our business and operations and to avoid actual or apparent conflicts of interest between their personal and professional affairs. This includes striving to maintain a professional, safe and discrimination-free work environment and hiring, evaluating and promoting employees on the basis of their ability, achievements, experience and performance. Ethnic, sexual, racial, religious or any other type of harassment is unacceptable at any of our locations.

The Company is committed to equal opportunity in recruiting, hiring, developing, promoting and compensating employees without regard to age, race, color, gender, sexual orientation, gender identity or expression, transgender status, religion, national origin, ancestry, citizenship, disability, protected veteran status, marital status, genetic information, pregnancy, childbirth or related medical conditions, or any other basis protected by federal, state or local law.

The Company prohibits employees from making or offering to make gifts, payments or other inducements to certain recipients if the gifts, payments or inducements are made to corruptly influence the decision or action of any government employee, official, candidate or political party, or to gain an inappropriate advantage in business.

The Company prohibits any director, officer, employee and any third party working on behalf of the company from engaging in the facilitation or acts leading to tax evasion.

To encourage reporting of violations of company policies, including unethical behavior and discrimination, the Company maintains a whistleblower hotline through which employees may call or write anonymously to report concerns. Neither the Company, the Audit Committee nor any other director or agent of the Company will discharge, demote, suspend, threaten, harass or in any other manner discriminate or retaliate, directly or indirectly, against any person who, in good faith, makes a report. The compliance office thoroughly investigates each allegation and inappropriate conduct or behavior is subject to disciplinary action, up to and including termination. Results of each investigation and action taken are reported to the audit committee of our board of directors on a quarterly basis.

Diversity, equity and inclusion

The Gates management team is committed to creating and sustaining a diverse workplace that understands and values individual differences across demographics, experiences and perspectives. We want to ensure that collaborative and respectful business practices in a performance-based, supportive environment enable every employee to realize his/her/their career ambitions. To that end, we have formed a Diversity, Equity & Inclusion ("DE&I") Steering Committee, consisting of executive leadership, which works closely with our DE&I Leadership Council, consisting of representatives of relevant diversity groups across Gates' businesses, to develop a DE&I strategy consistent with our corporate values while promoting a culture of inclusion, collaboration, tolerance and equal opportunity.

In 2020, to further develop our policies, programs and processes, we began a partnership with Catalyst, a global non-profit organization, to assess both quantitative and qualitative data and to help us ensure success in our initiatives around DE&I. We believe a diverse environment widens our talent pool as we strive to be an employer of choice for people from all backgrounds.

Employee gender diversity

The following table sets forth the number of male and female directors, senior managers and other employees of the Company as of January 2, 2021 and December 28, 2019.

	As of January 2, 2021		As of December 28, 2019	
(in ones)	Male	Female	Male	Female
Directors	5	3	5	2
Senior Managers	51	9	50	11
Employees of the Company	10,798	3,459	11,030	3,619
	10,854	3,471	11,085	3,632

XII. Environmental Matters

Refer to "Environment" in the Directors' Report.

The Strategic Report was approved by our board of directors and was signed on its behalf on May 3, 2021 by:

Ivo Jurek
Director and Chief Executive Officer

Company registered number: 10980824

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended January 2, 2021. Please see note 2 to the accompanying consolidated financial statements and note 2 to the parent company financial statements, respectively, for further details relating to the basis of preparation of those financial statements.

As permitted by section 414C(11) of the Companies Act 2006, the directors have elected to set out in the Strategic Report information that is required by Schedule 7 to the Accounting Regulations to be contained in the directors' report. The information in respect of which they have done so is identified within this report.

Board of directors

The following table presents certain information as of May 3, 2021 with respect to our board of directors (the "Board") who held office during the period and up to the date of signing of the financial statements:

Name	Appointed
Ivo Jurek	September 25, 2017
Julia C. Kahr	September 25, 2017
David L. Calhoun (resigned on January 9, 2020)	November 20, 2017
Neil P. Simpkins	November 20, 2017
John Plant (resigned on July 23, 2019)	December 15, 2017
Terry Klebe	December 15, 2017
Karyn Ovelmen (resigned on March 1, 2019)	December 15, 2017
James W. Ireland	November 7, 2018
Stephanie Mains	February 28, 2019
Wilson S. Neely	April 1, 2020
Peifang Zhang	July 1, 2020
Alicia Tillman	April 27, 2021

Dividends

The Company did not pay dividends during the period from incorporation to January 2, 2021.

The Board currently has no plans to pay dividends on the Company's ordinary shares. Future dividends, if any, and the timing of declaration of any such dividends, will be at the sole discretion of the Board and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that our Board may deem relevant, as well as our ability to pay dividends in compliance with the Companies Act 2006.

Political donations

No political donations were made by the Company during 2020 or 2019.

Use of financial instruments

Information on the Company's risk management process and the policies for mitigating certain types of risk are set out in section X of the Strategic Report. Information about the use of financial instruments by the Company is set out in note 15 to the accompanying consolidated financial statements.

Significant events since year end

During February 2021, the Company extended the maturity date of its Dollar Term Loan, from March 31, 2024 to March 31, 2027 and the parties also agreed to a reduction in the floor applicable to the loan from 1.00% to 0.75%. In addition, the credit agreement was amended to allow for a 0.25% decrease in the margin on the loan from 2.75% to 2.50%, in the event that the total net leverage ratio (as defined in the credit agreement) is less than or equal to 3.75 times. In connection with this transaction, the Company paid accrued interest up to the date of the amendment of $3.7 million, in addition to fees of approximately $8.6 million, of which $6.9 million qualified for deferral and will be amortized to interest expense over the new remaining term of the loan using the effective interest method.

The Company is not aware of any other events or transactions that occurred subsequent to the balance sheet date but prior to May 3, 2021 that would require recognition or disclosure in its consolidated financial statements.

Future developments

Section I of the Strategic Report sets out the Company's strategy and outlook. The directors do not anticipate any significant changes in the foreseeable future.

Research and development

Details of the activities of the Company in the field of research and development are set out in section II of the Strategic Report.

Branches

Gates Industrial Corporation plc is incorporated in the U.K., with its corporate functions located in Denver, Colorado in the U.S., and has no branches.

Acquisition of company shares

The Company does not currently have a share repurchase program, and did not acquire any shares under any share repurchase program during the period from incorporation to January 2, 2021.

Information relating to the compensation plans under which equity securities of the Company are authorized for issuance is set out under the Directors' Remuneration Report and is incorporated herein by reference.

Disabled Persons

The Company gives consideration to applications for vacancies from disabled persons when particular job requirements are within their capabilities. The Company also endeavors to provide equal opportunity in the training, promotion and career development of disabled persons.

Employee engagement

Information relating to employee engagement is incorporated herein by reference to section XI of the Strategic Report.

Business relationships

Information relating to our business relationships is incorporated herein by reference to the Section 172 Statement in the Strategic Report.

Qualifying indemnity provisions

Each director is covered by appropriate directors' liability insurance, and the Company has indemnification arrangements with its executive officers and directors which, among other things, indemnify the individual against certain liabilities that may arise by reason of his or her status or service as a director or officer and advance expenses incurred as a result of certain proceedings. These agreements are intended to provide indemnification rights to the fullest extent permitted under applicable law and under our governing documents.

Environment

Gates is committed to conducting our business with respect for the environment and the communities in which we operate, as summarized below. Additional details can be found in our annual Sustainability Report, which is posted on our website.

Eco-driven innovation

With materials science advancements, design expertise and advanced processing technologies, Gates is continually engineering products that meet and exceed the growing needs and diverse challenges of our customers. Gates' eco-innovation aims to reduce the negative environmental impacts of our products and end-user applications, while delivering improved performance and extended product life. This results in products that:

- Reduce energy consumption (many of our products reduce energy losses during use, lowering the overall carbon footprint).
- Optimize material efficiency (by reducing material consumption and weight, we actively contribute to our customers' desire to meet tightening environmental and fuel economy regulations; reduced material consumption also equates to reduced waste-to-landfill at end-of-life).
- Utilize renewable materials (where possible, Gates' engineers utilize renewable materials during design and manufacturing).
- Reduce or eliminate harmful materials and chemicals of concern (by reducing or eliminating such materials and chemicals from our product lineup, we help minimize negative impacts to human health and the environment wherever possible, facilitating recycling and the circular economy).
- Maximize logistics and distribution efficiency (lighter products that require less material allow for increased packing and shipping density).

Our global materials database tracks the use of chemicals across all operations. It allows us to identify the use of specific materials and chemicals of concern and make substitutions wherever feasible.

Energy conservation

Reducing energy consumption is a key aspect of our environmental sustainability program. We work to improve the energy efficiency of our operations through initiatives to curb energy consumption and reduce costs.

Gates continues to establish partnerships with energy providers and local governments that make use of renewable energy sources. More than 15% of our manufacturing sites are certified to ISO 50001 for energy management, with additional facilities currently in the process of pursuing certification.

Many other site-based projects - such as the installation of energy-efficient equipment - allow our capital investments to better facilitate reaching our site-based targets. Additional initiatives include an efficiency motor replacement program, LED and natural lighting projects, use of biomass boilers and solar panels, and shutdown programs to conserve electricity when operations or machinery are not in use.

Water conservation

Gates operates in some water-stressed regions around the world; thus, we adhere to strict water conservation regulations and work to anticipate the needs of the communities and ecosystems in which we operate. Gates' facilities monitor water withdrawal to better use water in an efficient manner and to help conserve this valuable resource. In drought-prone or arid regions in which we operate, we incorporate water conservation measures into everyday processes as well.

Our team continues to find innovative ways to reduce water withdrawal and improve water recycling in a collaborative effort to reduce Gates' water consumption year-over-year. These innovations include recycling water at certain of Gates' facilities, water consumption monitoring programs, and using closed-loop water heating and cooling systems in the majority of our facilities. Through these and other initiatives, we have successfully seen an 11% reduction of water consumption from 2018 to 2020.

Waste and recycling

Gates continues to identify opportunities and develop solutions to address the waste produced at our sites across the world, and we work to divert waste from landfills where possible. All of our manufacturing and distribution facilities are driven to reduce scrap and uphold Gates' high-quality standards to help reduce our waste footprint. Currently, approximately 71% of our waste is directed to recycling and incineration facilities - an improvement of 11% over 2019 - with an ongoing goal to increase our waste diversion from landfills year-over-year.

Environmental regulations under which we operate

Our operations, products and properties are subject to extensive U.S. and foreign federal, state, local, and provincial laws and regulations relating to environmental, health and safety protection, including laws and regulations governing air emissions, wastewater discharges, waste management and disposal, substances in products, and workplace health and safety, as well as the investigation and clean-up of contaminated sites. Under certain environmental laws, the obligation to investigate and remediate contamination at a facility may be imposed on current and former owners, lessees or operators, or on persons who may have sent waste to that facility for disposal. We are currently performing environmental investigations and/or remediation at a number of former and current facilities in the United States and Canada and are incurring costs in relation to a few offsite waste disposal sites.

Streamlined energy and carbon reporting

Our Scope 1 and Scope 2 greenhouse gas emissions and energy consumption estimates for 2020 and 2019, based on the parameters below, are as follows:

	For the year ended January 2, 2021		For the year ended December 28, 2019	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Metric tons of CO_2 equivalent				
Scope 1 - direct emissions from onsite fuel combustion	6,834	79,379	7,223	85,226
Scope 2 - indirect emissions from the generation of purchased energy	2,547	168,014	2,855	178,687
Total Scope 1 and Scope 2 emissions	**9,381**	**247,393**	**10,078**	**263,913**
Millions of kWh				
Energy consumption used to calculate emissions	47.2	783.6	50.3	844.1
Metric tons of CO_2 equivalent per million dollars of net sales				
Scope 1 - direct emissions from onsite fuel combustion	43.7	28.5	41.4	27.8
Scope 2 - indirect emissions from the generation of purchased energy	16.3	60.4	16.4	58.2

Restatement of greenhouse gas emissions – In an effort to better align with the Green House Gas Protocol, emissions factors were updated using regional data in place of country averages.

Reporting period - The reporting period used for this information is December 29, 2018 to December 28, 2019, and December 28, 2019 to January 2, 2021. Greenhouse gas emissions for the year ended January 2, 2021 were significantly reduced as a result of production decreases due primarily to COVID-19.

Boundary summary - All manufacturing facilities Gates owns or operationally controls were included, except as noted in the exclusions below.

Data sources and independent assurance - Invoices and measurements were collected for relevant emission sources by site. Where actual data was not available, estimates were used. For example, in cases where data is not available for a full 12-month period, available data is used to extrapolate and estimate the values for missing data. Total Scope 1 and Total Scope 2 emissions data have been independently assured by Ruby Canyon Environmental, Inc., who have carried out limited assurance in accordance with the International Standard ISO 14064-3:2006 "Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions."

Emission factors - Scope 1 emission factors used are primarily from the UK Department for Environment, Food & Rural Affairs ("DEFRA"). DEFRA emission factors based on gross calorific values have been applied to the calculations. Residual emission factors for biomass combustion are sourced from the U.S. EPA's Greenhouse Gas Emissions Factors Hub and include emissions from methane (CH_4) and nitrous oxide (N_2O). Carbon dioxide emissions from biomass combustion are not included in this inventory, as they are considered biogenic emissions and not material. Scope 2 emissions factors are primarily from the International Energy Agency, adjusted where more recent country or region-specific governmental factors are published. Emissions are converted to carbon dioxide-equivalents (CO_2e) using Global Warming Potentials from the United Nations Intergovernmental Panel on Climate Change Fourth Assessment (IPCC AR5) Report.

Materiality threshold - Materiality for Gates is set at 5% with all facilities estimated to contribute >1% of total emissions included.

Exclusions -

- Most commercial and sales offices, whose impacts are anticipated to be below the materiality threshold;
- Process gases, Class I and Class II refrigerants, which have historically been immaterial; and
- Scope 3 indirect emissions.

Disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, each Director in office at the date the Directors' report is approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

Deloitte LLP have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

On behalf of the board of directors,

Ivo Jurek
Director and Chief Executive Officer
May 3, 2021

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United Kingdom

Gates Industrial Corporation plc

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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and applicable law and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 101 "*Reduced Disclosure Framework.*"

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 the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable U.K. 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.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements within accounting principles generally accepted in the United States of America are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

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

Gates Industrial Corporation plc

(the "Company" or "Gates")

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT OF THE CHAIR OF THE COMPENSATION COMMITTEE

Dear Shareholders:

I am pleased to present the Company's remuneration report for the financial year ended January 2, 2021. Shareholders are invited to approve this Director's Remuneration Report at the annual general meeting of shareholders, to be held on June 17, 2021 (the "**AGM**").

In January 2018, the Company successfully completed an initial public offering (the "**IPO**") on the New York Stock Exchange ("**NYSE**"). As a NYSE listed company, the Company prepared its proxy statement for the AGM in accordance with the rules and regulations of the Securities and Exchange Commission (the "**SEC**"). In this proxy statement on Schedule 14A, which was filed with the SEC on April 27, 2021, you will find the Company's compensation discussion and analysis ("**CD&A**") setting forth its overall philosophy regarding compensation of its executive officers, which should be read in conjunction with this Directors' Remuneration Report. In addition to the rules and regulations of the SEC, as a U.K. public limited company, the Company is also subject to the Companies Act and the regulations promulgated thereunder. Accordingly, the Company has produced this Directors' Remuneration Report to be approved by its shareholders at the AGM through a non-binding, advisory vote. This remuneration report consists of three sections: (i) this statement, (ii) the annual report on remuneration, and (iii) the directors' remuneration policy, which is incorporated by reference and is unchanged from that approved by shareholders on May 23, 2019.

The Company's business and affairs are managed under the direction of its Board of Directors (the "**Board**"), which currently consists of nine directors, including Mr. Jurek (its Chief Executive Officer and sole "**Executive Director**"). The Company's non-employee directors, including its Chair, are referred to as "**Non-Executive Directors**." The Company is party to a shareholders agreement with certain affiliates of The Blackstone Group Inc. (its "**Sponsor**"). This agreement grants the Sponsor the right to designate nominees to the Company's Board subject to the maintenance of certain ownership requirements in the Company. During financial year 2020, the Sponsor had three director appointees (Ms. Kahr, Mr. Simpkins and, prior to his resignation effective January 9, 2020, Mr. Calhoun) on the Board, who are/were Non-Executive Directors and to whom are referred to as the "**Sponsor-affiliated Directors.**"

At the Company's first annual general meeting held on May 23, 2019, its shareholders approved the Directors' Remuneration Policy, which applies to the material elements of the compensation package for its executive officers, including its Executive Director, and its Non-Executive Directors. The Sponsor-affiliated Directors receive no compensation for serving on the Board. The Directors' Remuneration Policy will be in effect until a new policy is submitted for approval at the annual general meeting to be held in 2022, unless an earlier amendment by shareholders is required. To simplify this Directors' Remuneration Report, the Company has elected not to repeat its Directors' Remuneration Policy in this Report, which is available in Appendix A to the Company's 2019 proxy statement on Schedule 14A filed with the SEC on April 10, 2019 and available at www.sec.gov and on its website at http://investors.gates.com.

The Company is a leading manufacturer of application-specific fluid power and power transmission solutions. Gates is driven to push the boundaries of materials science to engineer products that continually exceed expectations. To achieve its objectives, the Company must be the destination of choice for the best talent. The Company's philosophy is to offer a remuneration program that will enable it to attract, motivate, reward and retain high-caliber executives who are capable of creating and sustaining value for its customers and shareholders and achieving the Company's business goals over the long term. In addition, the Company's remuneration program is designed to provide a fair and competitive compensation opportunity that appropriately rewards executives for their contributions to its success. The Company also believes that a significant portion of each executive's compensation should be "at risk" and tied to overall Company and individual performance.

The Board has a compensation committee that oversees risks relating to the Company's compensation policies and practices (the "**Compensation Committee**"). The Compensation Committee provides assistance to the Board for oversight of the compensation packages of directors and executive officers, including the Company's Executive Director. The Compensation Committee is currently comprised of Ms. Julia Kahr (Chair), Mr. Terry Klebe and Mr. Neil Simpkins. The Compensation Committee annually reviews the performance and compensation for the directors and executive officers and, with input and guidance from an independent compensation consultant, approves or recommends to the full Board any changes to their compensation packages in light of such review.

The material elements of compensation for the Company's Non-Executive directors who are not Sponsor-affiliated Directors are an annual cash retainer and an annual grant of time-based vesting restricted stock units. The material elements of compensation for the Company's executive officers are base salary, an annual bonus opportunity and a long-term incentive opportunity, skewed towards variable "at risk" compensation. The Company's Executive Director does not participate in deliberations regarding his own compensation. The executive compensation program is designed to recognize an executive's scope of responsibilities, leadership ability and effectiveness in achieving key performance goals and objectives. As an executive's level of responsibility within Gates increases, so does the percentage of total compensation that is linked to performance in the form of variable compensation. The Company also provides its executives with various retirement and benefit programs and modest, business-related benefits.

Below is the Company's annual report on remuneration for the financial year ended January 2, 2021 (**"financial year 2020"**), which sets out the compensation for its directors, including its Executive Director, and details the link between Company performance and compensation for the period. You will see this aligns with the Company's previously approved Directors' Remuneration Policy and supports its pay-for-performance philosophy. During financial year 2020, the Board of Directors made three noteworthy compensation award decisions.

First, despite the tremendous amount of hard work that took place to continue the Company's business operations, satisfy its customer demands and provide safe work environments for its employees, the Company's financial results, consistent with the global economy, were significantly impacted by the Covid-19 pandemic. The Gates Financial Performance Factors of Adjusted EBITDA, Free Cash Flow and Revenue were all below threshold for the Annual Plan. As a result, in February 2021, the Compensation Committee determined that the Company had a 0% level of attainment of the Gates Financial Performance Factor at a company-wide level. Accordingly, the Compensation Committee determined there would be no funding of the Annual Plan for its Executive Director and all other employees who were eligible to participate in the Annual Plan.

Second, on rare occasions, the Compensation Committee may provide discretionary cash awards to the Company's employees. In February 2021, the Compensation Committee, in consultation with its independent compensation consultant, approved special, one-time discretionary cash awards (the **"2020 Special Awards"**) to be paid to approximately 1,600 eligible employees, including the Company's Executive Director, as recognition for the contributions, impact and leadership provided to the Company in managing its business through the Covid-19 pandemic during Fiscal 2020. The Company reacted quickly to the pandemic by first prioritizing the health and safety of its employees and the communities in which the Company operates around the world, and then by developing tactical operational and commercial plans to both manage the impact of the pandemic and protect the Company's competitive position in preparation for market recovery. In approving the 2020 Special Awards, the Compensation Committee considered the leadership initiatives and accomplishments described in the annual report on remuneration below, as well as the Company's financial performance, including as compared to its premium diversified industrials peers, in the second half of financial year 2020, as the market recovery began. These considerations are also described further below. The Compensation Committee believes the actions taken by the Company, led by its Executive Director, to mitigate the impacts of the pandemic ensured the sustainability of its business, products and services, and positioned Gates to increase long-term shareholder value.

Third, in February 2020, the Compensation Committee recommended, and the Board approved, a change to the Executive Director's long-term incentive equity mix for awards granted pursuant to the Company's 2018 Omnibus Incentive Plan. Beginning in 2020, the Executive Director's equity grants are and will be comprised of 50% PRSUs (increased from 34%), 25% RSUs (decreased from 33%), and 25% Options (decreased from 33%). The Compensation Committee recommended this change, which increases the performance related percentage of the total award, to further align with the Company's pay-for-performance philosophy and governance best practices, believing it is in the best interests of the Company.

Thank you for your continued interest in Gates.

Julia C. Kahr
Chair of the Compensation Committee

May 3, 2021

THE DIRECTORS' REMUNERATION REPORT

For the financial year ended January 2, 2021 ("financial year 2020")

In accordance with the U.K. Large and Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "**Regulations**"), this Directors' Remuneration Report includes disclosure of certain amounts paid to directors for "qualifying services." This disclosure is presented for (i) financial year 2020, and (ii) for the financial year ended December 28, 2019 ("**financial year 2019**").

The following directors served during financial year 2020:

Executive Director
- Mr. Ivo Jurek

Non-Executive Directors
- Mr. James Ireland
- Mr. Terry Klebe
- Ms. Stephanie Mains
- Mr. Wilson Neely (appointed effective April 1, 2020)
- Ms. Molly Zhang (appointed effective July 1, 2020)

Non-Executive Directors; Sponsor-affiliated Directors
- Mr. David Calhoun (resigned effective January 9, 2020)
- Ms. Julia Kahr
- Mr. Neil Simpkins

The Board appointed Ms. Alicia Tillman to serve as a Non-Executive Director effective April 27, 2021 until the AGM, at which time the shareholders will vote on her election for a one-year term expiring at our 2022 annual general meeting of shareholders.

Remuneration for each director

Single Figure Total Remuneration Table for Executive Directors (Audited)

This table reflects compensation earned by the Company's Executive Director during financial year 2020 and financial year 2019, which includes base salary, annual cash bonus, long-term equity incentives and certain employee benefits.

Name	Year	Salary ($)[1]	All Other Benefits ($)[2]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	Total Fixed ($)	Stock Awards ($)[3]	Option Awards ($)[4]	Annual Bonus ($)[5]	Total Variable ($)	Total ($)
Executive Director										
Ivo Jurek.........	2020	$1,025,633	$84,867	$ —	$1,110,500	$378,907	$ —	$1,545,000	$1,923,907	$3,034,407
	2019	$989,635	$164,509	$ —	$1,154,144	$ —	$ —	$ —	$ —	$1,154,144

(1) The amounts reported in the "Salary" column consist of base salary earned during each financial year.

(2) The amounts reported in the "All Other Benefits" column reflect the sum of: (1) the amounts contributed by Gates to the Gates MatchMaker 401(k) Plan and the Supplemental Retirement Plan*; and (2) the cost of all other executive benefits, as shown in the table below these footnotes.

(3) During the year, 30,072 time-based restricted stock units awarded in 2019 vested. The market value of the shares awarded at vesting was $378,907. Additionally, 84,040 time-based stock options awarded in 2019 vested. The share price at the date of vesting was below the exercise price payable by the director.

(4) Certain options held by the Executive Director, as set out in the "*Outstanding Equity Awards at January 2, 2021*" section below, vested during financial year 2020 but were awarded in his capacity as a director of a former parent of the group, Omaha Topco Limited, and are therefore not included in this table. The amount reported in 2020 for stock awards represents the portion of restricted stock units granted in 2019 that vested in 2020.

(5) The amount reported in the "Annual Bonus" column reflects Mr. Jurek's 2020 Special Award.

The Gates Supplemental Retirement Plan is a funded, nonqualified plan administered by the Company that provides its executives, including its Executive and Non-Executive Directors, with the ability to contribute portions of their compensation towards retirement on a tax-deferred basis. The Company makes a retirement contribution of 6% of eligible compensation on behalf of eligible employee participants, including its Executive Director, for eligible compensation that exceeds Section 401(a)(17) of Internal Revenue Code of 1986, as amended from time to time. The Company does not make contributions to this Plan for Non-Executive Directors participants.

Executive Director	Year	Company Contributions to Gates MatchMaker 401(k)[(a)]	Company Contributions to Gates Executive Supplemental Retirement Plan[(b)]	Other Benefits[(c)]	Total
I. Jurek	2020	$17,100	$46,738	$21,029	$84,867
	2019	$16,800	$125,927	$21,782	$164,509

(a) **Company Contributions to Gates MatchMaker 401(k) Plan.** Gates makes matching contributions of 100% on up to 3% of eligible earnings deferred by all eligible participants, including the Executive Director, in accordance with the Gates MatchMaker 401(k) Plan. Gates also makes a non-elective contribution to all eligible participants, including the Executive Director, in an amount equal to 3% of eligible earnings, subject to Code limitations.

(b) **Company Contributions to the Supplemental Retirement Plan.** Gates makes a Retirement Contribution of 6% of eligible compensation on behalf of all eligible participants, including the Executive Director, under the Supplemental Retirement Plan for eligible compensation that exceeds Section 401(a)(17) of the Code.

(c) **Other Benefits.** Represents the aggregate incremental costs of certain additional limited benefits made available to executives, including the Executive Director, which are a parking subsidy, tax preparation services and an executive physical. The amount reported also includes the full value of the premiums paid by Gates with respect to the enhanced life, AD&D and long-term disability insurance benefits provided to the Executive Director.

2020 Grants of Plan-Based Awards

Executive Director

2020 Long-Term Incentive. In February 2020, the Board approved an annual long-term incentive award (the "***2020 LTI***") under the 2018 Omnibus Incentive Plan to incentivize long-term business performance as well as to promote retention. The 2020 LTI for the Executive Director is comprised of 50% performance-based vesting restricted stock units ("***PRSUs***"), 25% time-based vesting restricted stock units ("***RSUs***") and 25% time-based vesting non-qualified stock options ("***Options***"). The RSUs and Options will vest in substantially equal annual installments on the first three anniversaries of the grant date, subject to the Executive Director's continued employment through the vesting date.

The PRSUs provide that 50% of the award will vest if the Company achieves a certain level of average annual Adjusted Return on Invested Capital ("**Adjusted ROIC**") and the remaining 50% will vest if the Company achieves certain Relative Total Shareholder Return ("**Relative TSR**") goals. Performance for the Adjusted ROIC and Relative TSR goals are each measured over a three year performance period based on the pre-established scale. The Compensation Committee selected Adjusted ROIC as a metric to drive focus on making sound investments and efficient use of working capital. The Compensation Committee selected Relative TSR as a metric to align a significant portion of pay delivery directly with shareholder value creation.

Performance Measure	Description
Adjusted ROIC (50%)	50% of PRSU value is calculated as (Adjusted EBITDA-depreciation and amortization) x (1 - 25% tax rate)) divided by (total assets — non-restricted cash — accounts payable — goodwill and other intangible assets that arose from the acquisition of Gates by Blackstone in 2014). The financial measures used to determine Adjusted ROIC are calculated in accordance with U.S. GAAP as presented in the Company's financial statements, except (i) Adjusted EBITDA is defined in substantially the same manner as described in "*VI. Key Performance Indicators*" within the Strategic Report, (ii) the depreciation and amortization deduction excludes the amortization of intangible assets arising from the acquisition of Gates by Blackstone in 2014 and (iii) total assets excludes both income tax receivable and deferred income tax assets.
Relative TSR (50%)	50% of PRSU value is based on the Company's three-year relative TSR ranking against companies in the S&P 400 Capital Goods Industry Index. TSR is measured by stock price change and dividends over the performance period as a percentage of the beginning stock price. The beginning and ending stock prices are based on the 20-day trailing averages.

The total number of PRSUs that vest at the end of the three year performance period will range from 0% to a maximum of 200% as determined by measuring actual performance over the performance period for Adjusted ROIC and Relative TSR against the performance goals based on a pre-established scale. Payout for achievement between the performance levels will be determined based on a straight-line interpolation of the applicable payout range rounded to the nearest whole percentage. Payouts are subject to the Executive Director's continued employment through the end of the applicable performance period and are paid out after the certification of the performance results by the Compensation Committee. The Compensation Committee chose Adjusted ROIC and Relative TSR performance goals that are, in the Compensation Committee's view, challenging but achievable.

2020 Annual Plan. The Company provides a short-term annual incentive opportunity under the Gates Global Bonus Policy (the "**Annual Plan**") to reward certain employees, including the Executive Director, for achieving specific performance goals that would advance the Company's profitability and drive key business results, and to recognize individuals based on their contributions to those results.

The following table illustrates the calculation of the annual cash incentive award that could have been earned by the Executive Director under the Annual Plan for 2020, had the Company attained 100% of the target performance requirement.

Name	Base Salary ($)	Target Bonus (% of Base Salary)	Target Bonus Opportunity ($)
I. Jurek	$1,030,000	150%	$1,545,000

Potential 2020 payout targets under the Annual Plan were based on a combination of the achievement of the Company's financial performance goals in Fiscal 2020 (the "**Gates Financial Performance Factor**"), which fund the Annual Plan, and the Executive Director's performance during the fiscal year against his individual performance goals (the "**Individual Performance Factor**").

Gates Financial Performance Factor. The Gates Financial Performance Factor sets the funding levels for the Annual Plan. The Board, after an evaluation of possible financial performance measures, determined to continue using Adjusted EBITDA, Free Cash Flow and Revenue as the financial performance measures for 2020, with the only change being to the calculation of Free Cash Flow to include actual working capital rather than average working capital, to provide simplification and transparency. The Board determined that these financial performance measures would be critical indicators of the Company's performance for 2020 and, when combined, would contribute to sustainable growth. The Annual Plan financial performance measures and weightings for 2020 are described below.

Performance Measure	Definitions
Adjusted EBITDA (50%)	Adjusted EBITDA under the Annual Plan is defined in substantially the same manner as described in "*VI. Key Performance Indicators*" within the Strategic Report.
Free Cash Flow (30%)	Calculated as Adjusted EBITDA (as defined for purposes of the Annual Plan as described immediately above), less capital expenditures, plus or minus the change in trade working capital versus prior year.
Revenue (20%)	Revenue under the Annual Plan is defined as consolidated revenue as reflected in the Company's financial statements, excluding the impacts of acquisitions made during the fiscal year.

The Compensation Committee reserved the ability to adjust the actual financial performance results to exclude the effects of extraordinary, unusual or infrequently occurring events. The weighted achievement factor for each of the financial performance measures is determined by multiplying the weight attributed to each performance measure by the applicable achievement factor for each measure. For each of the performance measures, the achievement factor is determined by calculating the payout percentage against the target goal based on a pre-established scale. Funding attainment with respect to these performance measures can range from:

- 0% funding for performance below the threshold requirement;
- 50% of target incentive for achieving 95% of the target performance requirement (threshold);
- 100% of target incentive for achieving 100% of the target performance requirement (target); and
- 150% of target incentive for achieving 105% of the target performance requirement (maximum).

Payouts for performance between points are interpolated on a straight-line mathematical basis and rounded to the nearest whole number. The Compensation Committee may adjust the aggregate amount available to fund the Annual Plan but does not expect to do so absent unanticipated or exceptional circumstances.

In 2020, the Company's financial results, consistent with the global economy, were significantly impacted by the Covid-19 pandemic, despite the tremendous amount of hard work that took place to continue its business operations, satisfy customer demand, avoid significant layoffs or salary and benefit reductions, and provide safe work environments for its employees. The Gates Financial Performance Factors were all below threshold for the Annual Plan. Accordingly, the Compensation Committee determined in February 2021 there would be no funding of the Annual Plan for the Company's Named Executive Officers and all other employees who are eligible to participate.

The following table outlines the calculation of the potential funding of the Annual Plan based on the Gates Financial Performance Factors, the pre-established scale, and the actual funding for 2020.

Measure	Weighting	Threshold (50% Funding for 95% of Target)	Target (100% Funding)	Maximum (150% Funding for 105% of Target)	2020 Attainment $	2020 Attainment %	Funding
		(Dollars in Millions)					
Adjusted EBITDA	50%	$ 604.2	$ 636.0	$ 667.8	$ 506.6	80	$—
Free Cash Flow	30%	$ 503.5	$ 530.0	$ 556.5	$ 446.9	84	$—
Revenue*	20%	$ 3,029.4	$ 3,120.3	$ 3,200.0	$ 2,793.0	90	$—

* Revenue threshold and maximum are narrower than 95% and 105% to align with the associated EBITDA levels.

Individual Performance Factor. Under the Annual Plan, the Compensation Committee establishes an annual Individual Performance Factor for the Executive Director, based on both financial and non-financial objectives appropriate for that year. The attainment percentage of the Individual Performance Factor is based on the achievement of his goals and performance against his competencies, among other things, during the applicable year. There is no stated maximum on the Individual Performance Factor.

If the Annual Plan had funded for 2020, actual amounts paid under the Annual Plan would have been calculated by multiplying the Executive Director's base salary in effect on December 31, 2020 by (i) his Annual Plan target bonus opportunity (which is reflected as a percentage of base salary), (ii) the final Gates Financial Performance Factor and (iii) the Individual Performance Factor. However, since the Compensation Committee did not fund the Annual Plan in 2020, the Individual Performance Factor did not impact his payout amount.

2020 One-Time Special Awards. On rare occasions, the Compensation Committee may provide discretionary cash awards to the Company's executive officers, including the Executive Director. In February 2021, the Compensation Committee performed a comprehensive qualitative review of management's operational performance during 2020 to mitigate the impact of Covid-19 on the Company's business and its global employees, and to position Gates for success post-pandemic. The Compensation Committee believes the actions taken by the Company, led by its executive officers including the Executive Director, to mitigate the impacts of the pandemic ensured the sustainability of its business, products and services, and positioned the Company to increase long-term shareholder value. The Compensation Committee reviewed the following 2020 leadership initiatives and significant operational accomplishments as part of their overall 2020 performance assessment:

1. ***Keeping employees and communities safe***

   - In January 2020, as its business in China was being impacted, the Company mobilized a highly engaged, cross-functional emergency response team that developed and remains tactically engaged in the implementation of the Covid-19 pandemic countermeasure actions across the Company's global footprint.
   - The Company proactively and effectively implemented quarantine protocols, social distancing policies, work-from-home arrangements, travel suspensions, transportation assistance, frequent and extensive disinfecting of workspaces, the provision of personal protective equipment, mandatory temperature monitoring and Covid-19 testing at certain facilities.

2. ***Meeting or exceeding all applicable government regulations***

   - The Covid-19 pandemic emergency response team stayed abreast, and sometimes ahead, of the rapidly changing regulatory environments across the Company's more than 110 offices, factories and distribution centers around the world.

3. ***Continuing to serve customers, many of whom operate in essential industries***

   - Many of Gates' customers operate in essential industries as defined by the US Cybersecurity and Infrastructure Security Agency (CISA) and similar government organizations around the world. The Company's products are used across an extensive array of industries such as agriculture, food production, construction, transportation and logistics, healthcare, industrial automation and many more. Its customers explicitly requested that the Company continue to operate to support their businesses and were appreciative that it was able to do so, which the Company believes contributed both to its solid financial performance in 2020 and to the establishment of new customer relationships from which the Company expects to benefit going forward.
   - The Company overcame ongoing challenges of government shutdowns in the locations where it operates, as well as staffing shortages due to illness, quarantines and travel restrictions, with the majority of facilities remaining open and operating throughout 2020.
   - The commercial function adopted and expanded on virtual sales techniques and technical sales tools to serve customers and minimize disruptions.
   - The Company took only limited temporary cost reduction actions to protect its ability to supply critical components to its global customer base.

4. *Ongoing investment and innovation*

- The Company continued to execute on critical initiatives planned prior to the pandemic, including restructurings, process standardization and new product innovation.
- The Company continued to accelerate innovation, finding new opportunities to meet customer demand in a rapidly changing landscape.

5. *Focusing on Human Capital*

- The Company maintained compensation levels for employees across the company, including providing an annual salary increase to eligible employees, and provided enhanced health and welfare benefits where appropriate.
- In the fourth quarter of 2020, the Company paid a "Manufacturing Appreciation Award" equating to approximately one week's pay to approximately 5,000 qualifying employees in its manufacturing and distribution facilities in recognition of their commitment through the global pandemic.
- The leadership team kept employees engaged and involved with fulsome and increased corporate communication.
- Employees under quarantine continued to receive compensation, either through salary, sick pay or other mechanisms depending on global location, to encourage a safe response to actual and potential exposures.

In addition to the accomplishments above, the Compensation Committee considered the Company's financial performance, including as compared to its premium diversified industrials peers, in the second half of Fiscal 2020 as the market recovery began. The Compensation Committee also considered the specific impacts of the pandemic on the financial results, reviewing a detailed quarter-by-quarter impact analysis that took into account significant sales volume declines due to shelter-in-place requirements, customer shutdowns, supply constraints and decreased demand, as well as costs and inefficiencies related to the pandemic. While the pandemic-induced economic environment in the first half of the year was challenging, the flexible posture the Company maintained enabled a strong recovery and efficient transition back to organic growth, with higher margins and strong momentum in the second half of 2020.

Based on its 2020 quantitative and qualitative performance assessment, the Compensation Committee believed strongly that the Company exhibited superior financial and operational performance in the face of significant global headwinds due to Covid-19, and the Executive Director and certain other eligible employees should be rewarded for this performance in 2020. In February 2021, the Compensation Committee, in consultation with the Consultant, approved special one-time cash awards (the "***2020 Special Awards***") to be paid to approximately 1,600 eligible employees, including the Company's Executive Director, as recognition for contributions, impact and leadership provided to the Company in managing its business through the Covid-19 pandemic during Fiscal 2020. The Company reacted quickly to the pandemic by first prioritizing the health and safety of its employees and the communities in which it operates around the world, and then by developing tactical operational and commercial plans to both manage the impact of the pandemic and protect the Company's competitive position for the market recovery.

The aggregate amount of funding the Compensation Committee approved for the 2020 Special Awards was equivalent to the amount that would have funded the Annual Plan, had the Company attained 100% of the target performance requirement under the Annual Plan. The 2020 Special Award approved for the Company's Executive Director was $1,545,000, which represents 100% of his target opportunity under the Annual Plan.

2020 Grants of Plan-Based Awards Table (Audited)

The following table summarizes all grants of plan-based awards to the Company's Executive Director in financial year 2020 and financial year 2019.

			Estimated Future Payouts under non-equity incentive plan awards ($)			Estimated Future Payouts under Equity Incentive Plan Awards (#)			All other stock awards: number of shares of stock units (#)	All other option awards: number of securities underlying options (#)	Exercise or base price of option awards ($/sh)	Grant date face value of stock and option awards ($)[6]	Grant date fair value of stock and option awards ($)
Name	**Award Type**	**Grant Date**	**Threshold**	**Target**	**Max**	**Threshold**	**Target**	**Max**					
I. Jurek...	Annual Plan[1]	—	$154,500	$1,545,000	—								
	PRSU[2]	2/21/2020				1,839	183,928	367,856				$4,634,986	$2,668,795
	RSU[3]	2/21/2020							91,964			$1,158,746	$1,158,746
	Options[4]	2/21/2020								241,406	$ 12.60	$3,041,716	$1,158,749
	Annual Plan[1]	—	$150,000	$1,500,000	—								
	PRSU[2]	2/22/2019				929	92,952	185,904				$3,059,980	$1,865,082
	RSU[3]	2/22/2019							90,218			$1,484,988	$1,484,988
	Options[4]	2/22/2019								252,122	$ 16.46	$4,149,928	$1,482,477
	Options[5]	2/22/2019								796,460	$ 19.00	$13,109,732	$4,499,999

(1) Represents the cash-based award opportunity range under the Annual Plan for 2019 and 2020. For purposes of this table and threshold level disclosure, the Company assumed that the lowest weighted of the three performance measures achieved the threshold level of attainment (in other words, 10% of the target award was earned) and the Individual Performance Factor was set at 100%. The calculation uses the Executive Director's base salary as of December 31, 2019 and 2020. The actual cash-based award earned by the Executive Director under the Annual Plan for 2019 and 2020 was $0.

(2) Represents the threshold, target and maximum payout shares of the PRSUs granted under the 2018 Omnibus Incentive Plan in 2019 and 2020. Threshold payout of shares is calculated assuming an attainment of 0.1% above threshold for the Adjusted ROIC measure. The number of shares ultimately issued, which could be greater or less than target, will be based on achieving specific performance conditions. The grant date fair value of the PRSUs for the February 22, 2019 and February 21, 2020 awards were calculated in accordance with ASC Topic 718 based on target, the probable outcome of the performance conditions.

(3) Represents RSUs granted in 2019 and 2020 under the 2018 Omnibus Incentive Plan. The grant date fair value of the RSUs for the February 22, 2019 and February 21, 2020 awards was the closing price on the date of grant.

(4) Represents Options granted in 2019 and 2020 under the 2018 Omnibus Incentive Plan. The grant date fair value of the Options for the February 22, 2019 and February 21, 2020 awards was calculated in accordance with ASC Topic 718 using a Black-Scholes valuation model.

(5) Represents premium time-based stock options granted in 2019 under the 2018 Omnibus Incentive Plan. The grant date fair value of the Premium Options for the February 22, 2019 award was calculated in accordance with ASC Topic 718 using a Monte Carlo valuation model.

(6) Face value is calculated based on the closing share price on the date of the grant and, in the case of the PRSUs, on the maximum future share payout.

Outstanding Equity Awards at January 2, 2021 (Audited)

The following table provides information regarding outstanding equity awards held by the Company's Executive Director as of January 2, 2021.

			Option Awards *					Stock Awards			
Name	Grant Date		Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity Incentive Plan Awards: Number of securities underlying unexercised unearned options (#)[2]	Option Exercise Price ($)	Option Expiration Date	Number of shares or units of stock that have not vested (#)[3]	Market value of shares or units of stock that have not vested ($)[4]	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)[7]	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)[8]
I. Jurek...	*Awards without performance measures*										
	5/18/2015	Tier I[1]	1,017,239	—	—	$ 6.56	5/18/2025				
	5/2/2017	Tier I[1]	81,297	54,199	—	$ 7.87	5/2/2027				
	2/22/2019	Options[5]	84,040	168,082	—	$ 16.46	2/22/2029				
	2/22/2019	Options[6]	—	796,460	—	$ 19.00	2/22/2029				
	2/22/2019	RSU						60,146	$ 767,463		
	2/21/2020	Options	—	241,406	—	$ 12.60	2/21/2030				
	2/21/2020	RSU						91,964	$ 1,173,461		
	Awards with performance measures										
	5/18/2015	Tier II	—	—	1,017,239	$ 6.56	5/18/2025				
	5/18/2015	Tier III	—	—	1,017,239	$ 6.56	5/18/2025				
	5/18/2015	Tier IV	—	—	1,017,239	$ 9.84	5/18/2025				
	5/2/2017	Tier II	—	—	135,496	$ 7.87	5/2/2027				
	5/2/2017	Tier III	—	—	135,496	$ 7.87	5/2/2027				
	5/2/2017	Tier IV	—	—	135,496	$ 11.80	5/2/2027				
	2/22/2019	PRSU								24,167	$ 308,371
	2/21/2020	PRSU								47,821	$ 610,196

* The Company has a number of awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan, which was assumed by the Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with the initial public offering in January 2018. No new awards have been granted under this plan since 2017. The options are split equally into four tiers, each with specific vesting conditions. Tier I options vest evenly over 5 years from the grant date, subject to the participant continuing to provide service to Gates on the vesting date. Tier II, III and IV options vest on achievement of specified investment returns by Blackstone at the time of a defined liquidity event, which is also subject to the participant's continued provision of service to Gates on the vesting date. The performance conditions associated with Tiers II, III and IV must be achieved on or prior to July 3, 2022 in order for vesting to occur. All the options expire ten years after the date of grant.

(1) Represents Tier I time-vesting stock options, awarded to the Executive Director in his capacity as a director of a former parent of the group, Omaha Topco Limited.

(2) Represents Tier II, III and IV exit-vesting stock options, awarded to the Executive Director in his capacity as a director of a former parent of the group, Omaha Topco Limited.

(3) RSUs vest in substantially equal annual installments on each of the first, second and third anniversaries of the grant date.

(4) Reflects the aggregate market value of the unvested RSUs, based on a price of $12.76 per ordinary share, which was the share price of the Company's ordinary shares on December 31, 2020, the last trading day of the fiscal year.

(5) Represents time-based stock options granted in 2019 and 2020 under the 2018 Omnibus Incentive Plan. These options vest in substantially equal annual installments on the first three anniversaries of the grant date.

(6) Represents premium-priced time-based stock options granted in 2019 under the 2018 Omnibus Incentive Plan. These premium-priced options vest on the third, fourth and fifth anniversary of the grant date.

(7) The PRSUs vest upon completion of the three-year performance period, with 50% subject to attainment of certain levels of a defined Adjusted ROIC measure and 50% subject to attainment of a certain defined Relative TSR. The amounts shown in this column represent threshold payout shares of the outstanding PRSUs assuming both an attainment of 0.1% above threshold for the Adjusted ROIC measure and a threshold 50% payout under the TSR measure. The number of shares ultimately issued, which could be zero or greater than the number presented above, will be based on achieving specific performance conditions. Please refer to "Elements of Compensation—Long-Term Incentive" above.

(8) Represents the aggregate market value of the threshold payout shares of the unvested PRSUs, based on a price of $12.76 per ordinary share, which was the share price of the Company's ordinary shares on December 31, 2020, the last trading day of the fiscal year.

2020 Option Exercises and Stock Vested for the Executive Director (Audited)

The table below sets forth certain information concerning each exercise of options and stock vesting events for the Company's Executive Director during financial year 2020.

Name	Option Awards: # of Shares Acquired on Exercise (#)	Option Awards: Value Realized on Exercise ($)	Stock Awards: # of Shares or Units Acquired on Vesting (#)	Stock Awards: Value Realized on Vesting ($)(1)
I. Jurek	—	$ —	30,072	$ 378,907

(1) Based on the closing share price of the Company's ordinary shares on the trading day prior to the vesting date.

Single Figure Total Remuneration Table for Non-Executive Directors (Audited)

The following table provides the compensation earned in financial years 2019 and 2020 by the Company's Non-Executive Directors who served during financial year 2020.

Name	Year	(Fixed) Fees Earned or Paid in Cash ($)(1)	(Variable) Stock Awards ($)(2)	Total ($)
J. Ireland	2020	$ 100,000	$ 76,545	$ 176,545
	2019	$ 125,000	$ 77,606	$ 202,606
T. Klebe(3)	2020	$ 125,000	$ —	$ 125,000
	2019	$ 150,000	$ 2,557	$ 152,557
S. Mains	2020	$ 100,000	$ 64,967	$ 164,967
	2019	$ 104,167	$ —	$ 104,167
W. Neely(4)	2020	$ 74,176	$ —	$ 74,176
	2019	$ —	$ —	$ —
M. Zhang(4)	2020	$ 49,176	$ —	$ 49,176
	2019	$ —	$ —	$ —
D. Calhoun	2020	$ —	$ —	$ —
	2019	$ —	$ —	$ —
J. Kahr	2020	$ —	$ —	$ —
	2019	$ —	$ —	$ —
N. Simpkins	2020	$ —	$ —	$ —
	2019	$ —	$ —	$ —

(1) Represents director fees earned during the period. Directors who served on the Board for a portion of the financial year received a pro-rated amount of the annual cash retainer, which was $125,000 in 2019 and $100,000 in 2020.

(2) Represents the value of the stock awards that vested during the period, which is based on the closing share price of the Company's ordinary shares on the trading day prior to the vesting date. Certain options held by the Mr. Klebe, as set out in the "*Outstanding Equity Awards for certain Non-Executive Directors at January 2, 2021*" section below, vested during financial year 2020, but were awarded in his capacity as a director of a former parent of the group, Omaha Topco Limited, and are therefore not included in this table.

(3) Represents the annual cash retainer of $100,000 plus an additional $25,000 for Mr. Klebe's service as chair of the Audit Committee. Mr. Klebe elected to defer $100,000 of the fees earned in cash pursuant to the Supplemental Retirement Plan. Mr. Klebe also elected to defer all 6,075 shares that vested, pursuant to the Supplemental Retirement Plan.

(4) Mr. Neely and Ms. Zhang were appointed to the Board effective March 20, 2020 and July 1, 2020, respectively, and the amounts reported represented their pro-rated director fees for 2020.

Outstanding Equity Awards for certain Non-Executive Directors at January 2, 2021 (Audited)

The following table provides information regarding outstanding equity awards held by the Non-Executive Directors as of January 2, 2021. Mr. Calhoun, Ms. Kahr and Mr. Simpkins did not hold any outstanding equity awards as of January 2, 2021.

		Option Awards *						
Name	**Grant Date**	**Number of securities underlying unexercised options (#) exercisable[(1)]**	**Number of securities underlying unexercised options (#) unexercisable[(2)]**	**Equity Incentive Plan Awards: Number of securities underlying unexercised unearned options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of shares or units of stock that have not vested (#)[(3)]**	**Market value of shares or units of stock that have not vested ($)[(4)]**
T. Klebe........	5/12/2016	61,034	15,259		$ 6.56	5/12/2026		
	2/21/2020						9,920	$ 126,579
J. Ireland.......	2/21/2020						9,920	$ 126,579
S. Mains........	2/21/2020						9,920	$ 126,579
W. Neely.......	4/1/2020						17,857	$ 227,855
M. Zhang......	7/1/2020						12,664	$ 161,593

* The Company has a number of awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan, which was assumed by the Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with the initial public offering in January 2018. No new awards have been granted under this plan since 2017. The options are split equally into four tiers, each with specific vesting conditions. Tier I options vest evenly over 5 years from the grant date, subject to the participant continuing to provide service to Gates on the vesting date. Tier II, III and IV options vest on achievement of specified investment returns by Blackstone at the time of a defined liquidity event, which is also subject to the participant's continued provision of service to Gates on the vesting date. The performance conditions associated with Tiers II, III and IV must be achieved on or prior to July 3, 2022 in order for vesting to occur. All the options expire ten years after the date of grant.

(1) Represents vested time-based stock options, awarded to the Non-Executive Directors in their capacity as directors of a former parent of the group, Omaha Topco Limited.

(2) Represents unvested time-based stock options, awarded to the Non-Executive Directors in their capacity as directors of a former parent of the group, Omaha Topco Limited.

(3) Represents unvested time-based RSUs that vest on the first anniversary of the grant date. Mr. Klebe elected to defer 5,474 and 6,075 of the shares that vested in relation to his grants in 2018 and 2019, respectively, pursuant to the Supplemental Retirement Plan.

(4) Reflects the aggregate market value of the unvested RSUs, based on a price of $12.76 per ordinary share, which was the share price of the Company's ordinary shares on December 31, 2020, the last trading day of the fiscal year.

2020 Option Exercises and Stock Vested for certain Non-Executive Directors (Audited)

The table below sets forth certain information concerning each exercise of options and stock vesting events for the Non-Executive Directors during financial year 2020.

	Option Awards		Stock Awards	
Name	**# of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**# of Shares or Units Acquired on Vesting (#)**	**Value Realized on Vesting ($)[(1)]**
J. Ireland..	—	$ —	6,075	$ 76,545
T. Klebe[(2)]...	—	$ —	—	$ —
S. Mains..	—	$ —	6,211	$ 64,967

(1) Based on the closing share price of the Company's ordinary shares on the trading day prior to the vesting date.

(2) Mr. Klebe elected to defer all 6,075 shares that vested, pursuant to the Supplemental Retirement Plan.

Director Pension Scheme

No director who served during the year ended January 2, 2021 has any prospective entitlement to a defined benefit pension or a cash balance benefit arrangement (as defined in s.152, Finance Act 2004).

Scheme interests awarded during financial year 2020 (Audited)

Please refer to the following sub-headings in the "*Notes to future policy table*" section of the Directors' Remuneration Policy for a description of the scheme interests granted to the Executive Director: (i) "*Annual Plan*"; (ii) "*Discretionary Bonuses*"; and (iii) "*Long-Term Incentive*". In addition, please refer to the following sub-headings of this Directors' Remuneration Report: (i) *2020 Grants of Plan-Based Awards*; and (ii) *2020 Grants of Plan-Based Awards Table.*

For financial year 2020, the annual compensation package for the Non-Executive Directors (excluding the Sponsor-affiliated Directors) consists partly of $125,000 in value of restricted stock units (payable annually and rounded down to the nearest whole share). Restricted stock units vest in full on the first anniversary of the grant date. Please refer to the section entitled "*2020 Option Exercised and Stock Vested for certain Non-Executive Directors*" for further information.

Payments to Past Directors and Payments for Loss of Office (Audited)

There were no payments made to past Directors and no payments to Directors for loss of office during financial year 2020.

Director Shareholdings and Share Ownership Guidelines (Audited)

The Company has adopted an executive stock ownership program for its Executive Director. As of January 2, 2021, the Executive Director was expected to own ordinary shares in the Company with a market value equal to at least six times his base salary. This target has been met. If the Executive Director falls below the threshold, he will be required to retain 50% of stock acquired through the exercise or vesting of equity awards made by the Company.

The Company has adopted share ownership guidelines for its Non-Executive, non-Sponsor affiliated Directors in order to better align its eligible directors' financial interests with those of its shareholders. Each of the Non-Executive, non-Sponsor affiliated Directors is expected to own shares with a market value equal to four times his or her annual cash retainer. As of January 2, 2021, Mr. Klebe held shares in excess of this target. Given their recent appointments to the Board, Mr. Ireland, Ms. Mains, Mr. Neely and Ms. Zhang have not yet met this goal. Any such director who does not meet the threshold is required to retain 50% of shares acquired through the exercise or vesting of equity awards made by the Company.

The table below sets out the number of shares held by the Executive Director and each Non-Executive Director as of January 2, 2021.

Name of Director	Number of shares held in Company as of January 2, 2021
Executive Director	
I. Jurek	200,458
Non-Executive Directors	
J. Ireland	12,521
T. Klebe[(1)]	68,937
S. Mains	6,205
W. Neely	—
M. Zhang	—
Non-Executive Directors; Sponsor-affiliated Directors	
J. Kahr	—
N. Simpkins	—

(1) Includes 57,388 ordinary shares owned by Mr. Klebe and 11,549 restricted stock units that are vested but deferred pursuant to the Supplemental Retirement Plan.

Please also refer to the "*Outstanding Equity Awards at January 2, 2021*" and "*Outstanding Equity Awards for Certain Non-Executive Directors at January 2, 2021*" sections above for information regarding outstanding equity awards held by the Executive Director and Non-Executive Directors as of January 2, 2021.

Performance graph and table

Executive Director Remuneration

	2020	2019
Total remuneration	$ 3,034,106	$ 1,154,144
Annual bonus as a percentage of maximum(1)	67%	—%
Equity awards vested as a percentage of maximum(2)	100%	—%

(1) The Company did not fund the Annual Plan for financial year 2020 and accordingly, the Executive Director did not receive a bonus under this plan. However, the Company did provide 2020 Special Awards to certain eligible employees, including the Executive Director. The Executive Director's 2020 Special Award equated to 100% attainment of the target performance under the Annual Plan. The Annual Plan does not have a maximum level of attainment; thus, for purposes of this calculation, we assumed a "stretch" level of performance of a 150% payout.

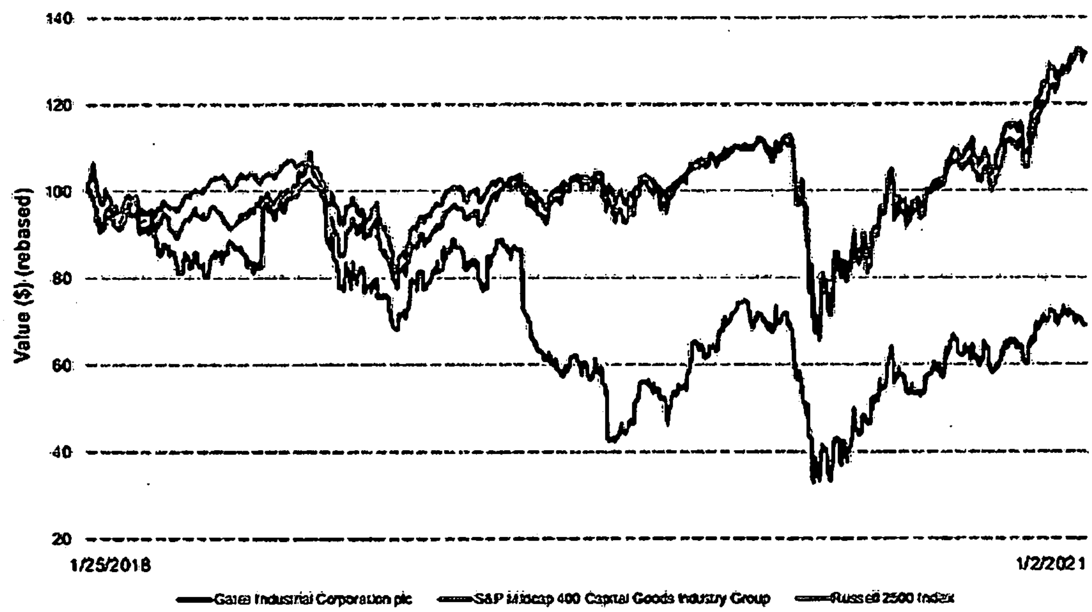
(2) The only equity awards that could have been received in the year were options and restricted stock units granted in 2019 that had a time-based vesting condition. The first tranche of those awards vested when the time-based vesting condition was satisfied.

Performance Graph

The below graph shows the value, by January 2, 2021, of $100 invested in Gates Industrial Corporation plc on January 25, 2018, at the IPO price of $19, compared with the value of $100 invested in each of the S&P Midcap 400 Capital Goods Industry Group index and the Russell 2500 index on a daily basis. The S&P Midcap 400 Capital Goods Industry Group index was selected as it is used by the Company as part of the long-term incentive program (one of the performance measures for PRSUs). The performance graph is based on historical results and is not intended to suggest future performance.

Total shareholder return

Source: Capital IQ



Percentage Change in Compensation of Executive Director Compared with Employees

The following table shows the percentage change in salary, all other benefits and annual bonus awards for the Directors and, as stated in the note to the table, the corporate employees (excluding the Executive Director) located in the Denver corporate office and the Denver area customer solutions center from financial year 2019 to financial year 2020.

	Salary/Fees %	All Other Benefits %	Annual Bonus %
Employees(1)	3%	(10)%	1,220%
Executive Directors(2)			
I. Jurek	4%	(48)%	100%
Non-Executive Directors(3)			
J. Ireland	(20)%	—%	—%
T. Klebe	(17)%	—%	—%
S. Mains	(20)%	—%	—%
W. Neely(4)	—%	—%	—%
M. Zhang(4)	—%	—%	—%

(1) Due to the complexity of the Company's global operations with employees in multiple countries with different currencies, costs of living and work cultures, the Company selected its corporate employees based in its Denver corporate office and its Denver area customer solutions center as the comparator group for the above table. This group of employees is considered an appropriate comparator, as they are compensated in accordance with U.S. customs and standards and participate in similar annual award and benefit programs as the Executive Director who is also based in Denver, Colorado. The percentage changes for salary, all other benefits and annual bonus for our corporate employees were determined by dividing the total annual salary in effect at the end of the year, all other benefits and annual bonus compensated during the year by the total number of corporate employees at the end of each financial year. All other benefits included, but were not limited to: gym reimbursements, tax services reimbursements, and parking reimbursements.

(2) Percentage changes for the Executive Director were calculated based on the 2020 Single Figure Total Remuneration Table.

(3) Percentage changes for Non-Executive Directors have been calculated based on the fees paid in cash reflected in the 2020 Single Figure Total Renumeration Table, except for Ms. Mains whose 2019 cash retainer assumes a full year for a like comparison for the purposes of this table. In October 2019, the Board approved an annual compensation package of $225,000 for non-executive directors in 2020, which is unchanged from 2019 except the percentage allocation between the cash retainer and the equity grant of time-based restricted stock units vesting in one year increased to be more weighted to restricted stock units. The number of restricted stock units is not adjusted once awarded, and hence, upon vesting, the value of the restricted stock units may be higher or lower than at the time of the award.

(4) Mr. Neely and Ms. Zhang were appointed to the Board effective on April 1, 2020 and July 1, 2020, respectively.

Executive Director (CEO) Pay Ratio

The following table sets forth the ratio of the Executive Director's total compensation to the median, 25th and 75th percentile of total compensation of his full-time equivalent UK-based employees for financial year 2020. The Executive Director (CEO) single figure used in the calculation of the ratios reflects the 2020 single total figure of remuneration (as disclosed in the *Single Figure Total Remuneration Table for the Executive Director* table above). The Company was exempt from reporting pay ratio information in respect of all periods prior to financial year 2020.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentage pay ratio
2020	C	142 to 1	110 to 1	110 to 1

The calculation methodology used reflects Option C as defined under the relevant regulations. To determine the employees at the three quartiles, the Company reviewed and analyzed salary data for its permanent employees as of January 2, 2021. Given the variance in pay elements by employee, the Company opted for Method C and selected the annual base salary to identify the best equivalents for the UK employees, as base salary represents the single largest component of pay for the majority of employees across the business. The Company then excluded employees whose start dates were after financial year 2020 begun, as they were not paid for the full year. Once the employees were identified, the Company included benefits and all other relevant compensation elements and converted to U.S. dollars using the financial year 2020 average exchange rate in order to provide a like comparison to that of the Executive Director. Each employee's pay and benefits were calculated using each employee's aggregated remuneration, consistent with the Executive Director's aggregated remuneration. The Company did not make any adjustments or omit any components of pay.

The 2020 total compensation for the 25th, 50th and 75th percentile of U.K. employees are as follows:

Percentile		Compensation
25th percentile	$	21,415
Median	$	27,499
75th percentile	$	27,527

Our UK workforce is made up of approximately 600 employees, as compared to approximately 6,500 employees in North America and approximately 14,300 employees globally. Our Executive Director works in North America and his compensation is benchmarked against companies in an industry peer group that are listed on the New York Stock Exchange or NASDAQ, as described under *Role of the Peer Group* below. With this perspective, the Company believes the median pay ratio for financial year 2020 is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

Relative Importance of Spend on Pay

The table below sets out the remuneration the Company paid to its employees and distributions made to its shareholders in the financial year 2020 and financial year 2019.

		2020 financial year ($ millions)		2019 financial year ($ millions)
Employee remuneration	$	739.5	$	728.6
Dividends	$	—	$	—
Share buyback	$	—	$	—

Statement of Implementation of Remuneration Policy in 2021

For financial year 2020, the Compensation Committee intends to provide remuneration in accordance with the Company's previously approved Directors' Remuneration Policy, which took effect on May 31, 2019.

Executive Director

2021 Long-Term Incentive. In February 2021, the Compensation Committee recommended and the Board approved a new award (the "**2021 LTI**") for financial year 2021 under the 2018 Omnibus Incentive Plan for the Company's Executive Director. The 2021 LTI is comprised of 50% PRSUs, 25% RSUs and 25% Options. The RSUs and Options will vest in equal annual installments on the first three anniversaries of the grant date, subject to the Executive Director's continued employment through the vesting date. The PRSUs will vest upon completion of the three-year performance period and will be paid out after certification of results by the Compensation Committee. For 2020 PRSUs, the Board determined that the PRSUs shall provide that 50% of the award will vest if the Company achieves a certain level of Adjusted ROIC and the remaining 50% of the PRSUs will vest if the Company achieves certain Relative TSR goals, in each case, measured over a three year performance period. The total number of PRSUs that vest at the end of the performance period will range from 0% to 200% of the target as determined by measuring actual performance over the performance period for Adjusted ROIC and Relative TSR against the performance goals based on a pre-established scale. The target total grant date fair value for the Executive Director's award was $5,444,572 under the 2021 LTI. The award was made based upon internal pay fairness factors, the Executive Director's compensation mix and his total direct compensation. The number of target PRSUs was calculated on the date of grant, February 26, 2021, based on that day's closing price of Gates ordinary shares on the New York Stock Exchange.

The performance period applicable to the PRSUs began on January 3, 2021 and will end on December 30, 2023. The performance results will be measured against the specified cumulative Adjusted ROIC and Relative TSR through the period. The target levels for performance-based compensation have been omitted from the directors' remuneration report as such targets are considered commercially sensitive. The target levels will be disclosed in the directors' remuneration report after the completion of the applicable performance period.

2021 Annual Incentive. In February 2021, the Compensation Committee determined that for the annual bonus scheme for financial year 2021, Adjusted EBITDA (50%), Free Cash Flow (30%) and Revenue (20%) should be used as the financial performance measures ("**Performance Factors**"). The Compensation Committee determined that these Performance Factors are critical indicators of the Company's performance for 2021 and, when combined, contribute to sustainable growth. The Compensation Committee set the minimum achievement threshold at 95% of the Performance Factors to achieve a 50% payout of the annual bonus and the target at 105% to achieve a 150% payout of the annual bonus. If achievement with respect to any Performance Factor falls between the threshold and target, or between the target and maximum, earned award amounts for that particular Performance Factor will be interpolated on a straight-line mathematical basis (and rounded to the nearest whole number). The Executive Director's target bonus in 2021 is $1,583,625.

2021 Salary. In February 2021, the Compensation Committee increased the Executive Director's base salary by 2.5%, to $1,055,750.

For additional information on the Company's Long-Term Incentive, Annual Incentive and Base Salary, please see *Elements of Compensation* in the proxy statement. Other than as stated above, no other changes are anticipated in 2021 with respect to the compensation of the Executive Director.

Non-Executive Directors

2021 Remuneration. The compensation program for the other Non-Executive Directors will remain the same in 2021 as it was in 2020. On February 26, 2021, the Board approved an annual total compensation package of $225,000, which will be allocated with approximately 45% as a cash retainer and 55% as an equity grant of time-based vesting restricted stock units vesting in one year. The number of time-based vesting restricted stock units was calculated on that date, based on the closing price of Gates ordinary shares on the New York Stock Exchange.

Consideration by the Directors of Matters Relating to Directors' Compensation

The Compensation Committee provides assistance to the Board for oversight of the compensation program for the Executive Director. The Board has historically taken into account multiple factors, such as considering the responsibilities, performance, contributions and experience of the Executive Director and his compensation in relation to other employees and other roles. The Compensation Committee annually reviews the Executive Director's performance, base salary, annual incentive target opportunity and outstanding long-term incentive awards and approves, or recommends to the Board for approval, any changes to the Executive Director's compensation package in light of such review. The Executive Director does not participate in deliberations regarding his own compensation.

Pay recommendations for the Company's high level executive officers, including the Executive Director, are made by the Compensation Committee in February after the Company reports its fourth quarter and year-end financial results for the preceding fiscal year (the "**February meeting**"). This timing allows the Compensation Committee to have a complete financial performance picture prior to making compensation decisions.

Compensation decisions with respect to prior year performance, as well as annual equity awards and target performance levels under the incentive plans for the current year, are typically made at this February meeting. Annual equity awards to the Company's executive officers, including the Executive Director, are recommended by the Compensation Committee at this meeting and reviewed by the Board and, if approved by the Board, are dated on the date of such Board approval. An exception to this process is granted to executives who are promoted or hired from outside the Company during the year. These executives may receive compensation changes or equity grants effective or dated, as applicable, as of the date of their promotion, hiring date, or other Board approval date.

Compensation Consultant. The Compensation Committee retains an independent compensation consultant (the "**Consultant**") to support the oversight and management of the Company's executive compensation program. The Consultant has not provided the Company with services other than as described herein. The Compensation Committee retains sole authority to hire or terminate the Consultant, approve its compensation, determine the nature and scope of services, and evaluate performance. The Company selected Aon plc as the Consultant prior to its initial public offering in 2018 and reviews the Consultant's independence and engagement annually. A representative of the Consultant attends Compensation Committee meetings, as requested, and communicates with the Compensation Committee Chair between meetings. The Compensation Committee makes all final decisions. The Consultant's specific roles include, but are not limited to:

- advising the Compensation Committee on executive compensation trends and regulatory developments;
- providing a total compensation study for executives against the companies in the peer group and recommendations for executive pay;
- providing advice to the Compensation Committee on governance best practices, as well as any other areas of concern or risk;
- serving as a resource to the Compensation Committee Chair for meeting agendas and supporting materials in advance of each meeting;
- reviewing and commenting on proxy disclosure items, including the CD&A;
- performing an annual compensation risk assessment;
- advising the Compensation Committee on management's pay recommendations; and
- from time to time, reviewing and providing compensation recommendations for non-employee directors to the Nominating and Governance Committee.

The Company paid approximately $148,000 in aggregate to the Consultant and its affiliates for its work during financial year 2020. In addition, the Company paid approximately $10,000 to the Consultant and its affiliates for other services. The Company did not pay any other fees to the Consultant or its affiliates.

The Compensation Committee has assessed the independence of the Consultant as required by the New York Stock Exchange rules. The Compensation Committee reviewed its relationship with the Consultant and considered all relevant factors, including those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Securities Exchange Act of 1934, as amended from time to time. Based on this review, the Compensation Committee concluded that the Consultant is independent and there are no conflicts of interest raised by the work performed by the Consultant.

Role of the Peer Group. The Compensation Committee, with the help of the Consultant, conducts an annual review and evaluation of executive and director compensation in comparison to an industry peer group. In establishing the industry peer group, the Compensation Committee targets approximately 15-20 companies based on the following selection criteria:

- publicly-traded companies within similar Global Industry Classification Standard ("GICS") code classifications;
- peer companies used by the potential peer companies (peers of peers) within the similar GICS codes;
- peer companies used by proxy advisory firm Institutional Shareholder Services Inc. ("ISS") in 2019;
- companies with annual revenues of approximately 0.4x to 3x Gates' annual revenues; and
- companies with enterprise values of approximately 0.2x to 5x Gates' total enterprise value.

The peer group the Compensation Committee selected to assist with Fiscal 2020 compensation decisions is unchanged from financial year 2019 and consisted of the following companies in the GICS Industrials Sector and Capital Goods Industry Group:

- AMTEK, Inc.
- Colfax Corporation
- Crane Co.
- Donaldson Company, Inc.
- Flowserve Corporation
- Gardner Denver Holdings, Inc. (now Ingersoll Rand Inc., following a merger during 2020)
- Graco Inc.
- IDEX Corporation
- Lincoln Electric Holdings, Inc.
- Nordson Corporation
- Pentair plc
- Regal Beloit Corporation
- Rexnord Corporation
- SPX Corporation
- The Timken Company
- Xylem Inc.

The Compensation Committee uses competitive compensation data from the annual total compensation study of peer companies to inform its decisions about overall compensation opportunities and specific compensation elements. Additionally, the Compensation Committee uses multiple reference points when establishing targeted compensation levels. The Compensation Committee uses the competitive 50th percentile for targeted total compensation as a guide, but does not benchmark specific compensation elements or total compensation to any specific percentile relative to the peer companies or the broader U.S. market. Instead, the Compensation Committee applies judgment and discretion in establishing targeted pay levels, taking into account not only competitive market data, but also factors such as Company, business and individual performance, scope of responsibility, critical needs and skill sets, leadership potential and succession planning.

For the fiscal year ended January 1, 2022 ("**Fiscal 2021**"), the Compensation Committee, in consultation with the Consultant, maintained the current selection criteria used in Fiscal 2020 for selecting the peer group. Based on that criteria, one new company, Dover Corporation, was added to the peer group for Fiscal 2021 compensation decisions.

Consideration of Shareholder Views

At the 2020 AGM, the shareholders approved the Company's annual remuneration report (as required under the Companies Act) and the compensation of its Named Executive Officers, which includes the Executive Director (on an advisory basis, pursuant to applicable SEC regulations). The voting results were as follows:

Resolution: To approve, on an advisory basis, named executive officer compensation:

Votes For	% of Total	Votes Against	% of Total	Votes	% of Total
286,016,539	99.82%	382,213	0.13%	136,350	0.05%

Resolution: To approve, on an advisory basis, the Company's directors' remuneration report (excluding the Company's directors' remuneration policy) in accordance with the requirements of the Companies Act.

Votes For	% of Total	Votes Against	% of Total	Votes Abstain	% of Total
286,034,694	99.83%	359,283	0.13%	141,125	0.05%

In light of the voting results on these resolutions and based on the Company's compensation philosophy and objectives, the Compensation Committee is maintaining its overall compensation program for the Executive Director and the Non-Executive Directors, with certain modifications as described in the Company's CD&A in the proxy statement.

The Directors' Remuneration Report was approved by the Board and authorized for issue on May 3, 2021. It was signed on its behalf by:

Ivo Jurek
Director and Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATES INDUSTRIAL CORPORATION PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Gates Industrial Corporation plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 January 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in conformity with accounting principles generally accepted in the United States of America;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of operations;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated statement of cash flows;
- the consolidated and parent company statements of shareholders' equity; and
- the related notes 1 to 24 in the consolidated financial statements and the related notes 1 to 9 in the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law in the United Kingdom and applicable accounting principles generally accepted in the United States of America. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. 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 Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, 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.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was:

	• *Goodwill and Intangible Assets Impairment* Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was $15.0 million which was determined on the basis of Adjusted EBITDA, adjusted to include share-based compensation and fees charged by affiliates of the Blackstone Group Inc.
Scoping	The scope of our audit focused on the US component, which was subject to a full scope audit, together with other non-significant components which were subject to audits of specified account balances and which were selected in order to provide a scope that was a sufficient basis for our audit opinion; together, these components accounted for 72.7% of Group revenue and 82.3% of Adjusted EBITDA, adjusted to include share-based compensation and fees charged by affiliates of the Blackstone Group Inc..
Significant changes in our approach	The key audit matter we report on is newly identified for the current year, as a result of the increased uncertainty in the current economic environment as a result of the COVID-19 pandemic. In the prior year we identified key audit matters relating to the implementation of the European corporate centre, based in Luxembourg, and the impact of this in relation to the reversal of an historic valuation allowance on deferred tax assets, together with the recognition of an uncertain tax position. Because the event that gave rise to the valuation allowance reversal and the uncertain tax position took place and was concluded on in 2019, we assessed as part of our risk assessment that it was not a key audit matter in the current year.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Group's debt instruments and finance facility agreements to gain an understanding of their key terms, including the nature of the debt and facilities, their repayment terms and where applicable covenants;
- testing the clerical accuracy of the model used by management to prepare the forecasts and testing that the terms of the debt instruments and facilities have been modelled in line with the debt and facility agreements;
- assessing the historical accuracy of forecasts prepared by management as it relates to cash flows;
- assessing the forecast trading performance and cash flows over the going concern period and the assumptions therein;
- testing the calculations of the amount of headroom in the forecasts (cash and covenants); and
- performing sensitivity analysis to determine the impact on cash flow and covenant modelling of different scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Goodwill and Intangible Assets Impairment - Refer to Notes 2, 12 and 13 to the financial statements

Key audit matter description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determined the fair value of its reporting units using a weighted blend of the income and the market approaches. Similarly, the Company's evaluation of its brand and trade name intangible asset involves the comparison of the fair value of the brand and trade name intangible asset to its carrying value. The Company determined the fair value of the brand and trade name intangible asset using a relief from royalty valuation methodology. The determination of the fair value for both the goodwill and brand and trade name intangible asset impairment analyses required management to make significant estimates and assumptions related to forecasts of sales growth rates. The goodwill balance was $2,120.2 million as of 2 January 2021, of which $685.8 million and $1,434.4 million was allocated to the Fluid Power and Power Transmission reporting units, respectively. The fair values of the Fluid Power and Power Transmission reporting units exceeded their carrying values as of the measurement date and, therefore, no goodwill impairments were recognized. The brand and trade name intangible asset balance was $469.4 million as of 2 January 2021. The fair value of the brand and trade name intangible asset exceeded its carrying value as of the measurement date and, therefore, no impairment was recognized.

Given the significant estimates and assumptions management makes to estimate the fair value of goodwill and the brand and trade name intangible asset for its impairment analyses and the uncertainty in the current economic environment as a result of the COVID-19 pandemic, performing audit procedures to evaluate the reasonableness of management's forecasts of sales growth rates through 2023 ("sales growth rates") required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the scope of our audit responded to the key audit matter

Our audit procedures related to the forecasts of sales growth rates used by management to estimate the fair value of goodwill and the brand and trade name intangible asset included the following, among others:

- We tested the effectiveness of controls over management's goodwill and brand and trade name intangible asset impairment evaluations, including those over the determination of the fair value of goodwill and the brand and trade name intangible asset, including controls related to management's forecasts of sales growth rates.

	• We evaluated management's ability to accurately forecast sales growth rates by comparing actual results to management's historical forecasts to determine if the difference between historical forecast and actual results would have a material impact on the goodwill and brand and trade name intangible asset impairment analyses. • With the assistance of our fair value specialists, we evaluated the reasonableness of management's forecasts of sales growth rates by comparing the forecasts to (1) those of companies in its peer group, and (2) historical and projected financial information of peer companies from external market sources. • We evaluated the reasonableness of management's forecasts of sales growth rates by comparing forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) forecast information included in Company press releases as well as in analyst reports of the Company.
Key observations	Based on the audit procedures performed, we are satisfied that the fair values of the goodwill and brand name and intangible asset balances are in excess of their respective carrying amounts. We believe the disclosures made in relation to critical accounting estimates and judgements in respect of goodwill and intangibles are appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent company financial statements**
Materiality	$15.0 million (2019: $20.0 million)	$13.5 million (2019: $18.0 million)
Basis for determining materiality	We determined materiality considering Adjusted EBITDA, of which it represents 3.1%. Adjusted EBITDA is calculated as operating income from continuing operations before certain items, as set out on page 101. Adjusted EBITDA is reconciled to Net Income from Continuing Operations Before Taxes in note 4D to the consolidated financial statements on page 102. In setting our materiality with reference to Adjusted EBITDA, we also included in that measure the impact of share-based compensation and fees charged by affiliates of	In establishing parent company materiality, we used net assets as the key input as the Company acts as an investment holding company rather than a profit-oriented trading company. However, we have capped parent company materiality at 90% of Group materiality.

	Group financial statements	Parent company financial statements
	the Blackstone Group Inc. who are related parties, as we consider these to be a recurring part of the Group's total costs. In the prior year, we determined materiality using a combination of Adjusted EBITDA and Income from Continuing Operations Before Taxes, of which it represented 3.3% and 10.1% respectively.	
Rationale for the benchmark applied	Profit related measures are the most relevant to the users of the financial statements. We considered Adjusted EBITDA, since this is broadly *representative of the underlying performance of* the business. We only considered Adjusted EBITDA in the current year, as a result of the impact of the COVID-19 pandemic on the level of Income from Continuing Operations Before Taxes.	A net assets benchmark was considered appropriate in determining materiality given that the parent company's primary function is to hold *the investments in the Company's subsidiaries.*

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2019: 70%) of group materiality	70% (2019: 70%) of parent company materiality
Basis and rationale for determining performance materiality	The professional judgements made in determining performance materiality included consideration of the following factors: a. we evaluated the Company's control environment; b. our past audit experience of the Company, in which we identified a very low number and value of corrected and uncorrected misstatements in the prior period audit; c. there have not been significant changes in the nature of the Group's operations which affect our ability to forecast misstatements; and d. there has not been significant turnover in key accounting personnel or changes in IT systems that are relevant to the preparation of the financial statements.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.75 million (2019: $1.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group has operations across the globe, but principally operates in North America, Western and Central Europe, China and South East Asia, with its corporate headquarters based in Denver, Colorado in the United States.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls on an entity level basis and assessing the components against the risk of material misstatement at the Group level. We have also considered the quantum of the financial statement balances and total contribution to the Group. In performing our assessment we have considered the geographical spread of the Group and any risks presented within each region.

Based on that assessment we focused our scope on the US component, which was subject to a full scope audit, together with certain other components which were subject to audits of specified account balances; together, these accounted for 72.7% of Group revenue and 82.3% of adjusted EBITDA including share-based compensation and fees charged by affiliates of the Blackstone Group Inc. who are related parties. Our audit work and specified procedures at these entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged between $3.7 million and $8.4 million (2019: $4.8 million to $11.2 million).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or audit of specified balances.

7.2. Working with other auditors

Due to travel restrictions, in light of COVID-19, we have been unable to visit component auditors during the course of the 2020 audit. In order to obtain an appropriate level of direction and supervision, we have taken the following actions:

- We held internal fraud and planning calls with component teams and specialists. The purpose of these communications were to deliberate and pinpoint risks, discuss developments within the Group that were relevant to components and changes in auditing standards relevant to the 2020 audit that affect component teams.

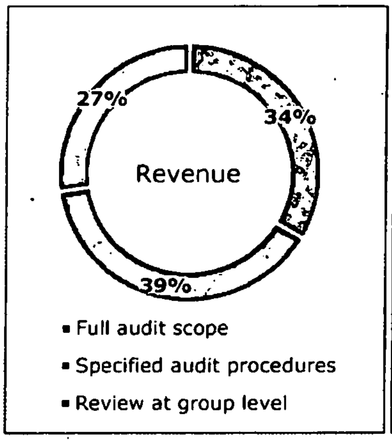
- We updated our knowledge of business and developments across the different components, a number of which, had been visited during the prior audit period.

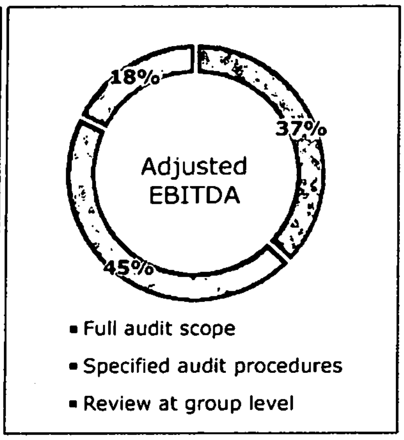
- We sent clear instructions to component teams, to set out the planned audit approach for the Group. This included follow up confirmation of receipt and follow up planning calls to discuss the content thereof.

- Throughout the substantive phase of our audit, we held regular calls with component teams, to provide continued direction and supervision.

- We performed and reviewed component work papers remotely for the significant component and other non-significant material components.

- During the conclusion phase, we reviewed component team reporting deliverables, held discussions regarding key items highlighted by the component auditors or through our reviews and assessed the impact of their reporting on our conclusions.





8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of our audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. 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.

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

11. Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Goodwill and Intangible Assets Impairment. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. The two laws and regulations we included in this context were the US Foreign Corrupt Practices Act and the UK Bribery Act.

11.2. Audit response to risks identified

As a result of performing the above, we identified Goodwill and Intangible Assets Impairment as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of the directors and in-house legal counsel concerning actual and potential litigation and claims;
- reviewing the periodic reports issued by in-house legal counsel to the Audit Committee concerning actual litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. 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.

Hadleigh Shekle FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Date: 3 May 2021

Gates Industrial Corporation plc
Consolidated Statements of Operations

(dollars in millions, except per share amounts)	Notes	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Net sales	4	$ 2,793.0	$ 3,087.1	$ 3,347.6
Cost of sales		1,758.3	1,944.6	2,017.0
Gross profit		**1,034.7**	**1,142.5**	**1,330.6**
Selling, general and administrative expenses		776.9	777.3	805.8
Transaction-related expenses		5.2	2.6	6.7
Asset impairments		5.2	0.7	0.6
Restructuring expenses	7	37.3	6.0	6.4
Other operating (income) expenses		(1.0)	9.1	14.3
Operating income from continuing operations		**211.1**	**346.8**	**496.8**
Interest expense		154.3	157.8	175.9
Other (income) expenses		(14.2)	(9.8)	17.4
Income from continuing operations before taxes		**71.0**	**198.8**	**303.5**
Income tax (benefit) expense	8	(19.3)	(495.9)	31.8
Net income from continuing operations		**90.3**	**694.7**	**271.7**
Loss on disposal of discontinued operations, net of tax, respectively of $0, $0 and $0		0.3	0.6	0.6
Net income		**90.0**	**694.1**	**271.1**
Less: non-controlling interests		10.6	4.0	25.8
Net income attributable to shareholders		**$ 79.4**	**$ 690.1**	**$ 245.3**
Earnings per share				
Basic				
Earnings per share from continuing operations		$ 0.27	$ 2.38	$ 0.86
Earnings per share from discontinued operations		—	—	—
Earnings per share	9	**$ 0.27**	**$ 2.38**	**$ 0.86**
Diluted				
Earnings per share from continuing operations		$ 0.27	$ 2.37	$ 0.84
Earnings per share from discontinued operations		—	—	—
Earnings per share	9	**$ 0.27**	**$ 2.37**	**$ 0.84**

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc

Consolidated Statements of Comprehensive Income

		For the year ended		
(dollars in millions)	Notes	January 2, 2021	December 28, 2019	December 29, 2018
Net income		$ 90.0	$ 694.1	$ 271.1
Other comprehensive income (loss)				
Foreign currency translation				
— Net translation gain (loss) on foreign operations, net of tax expense, respectively, of $0, $(0.8), and $(1.2)		113.1	29.4	(134.9)
— (Loss) gain on net investment hedges, net of tax expense respectively, of $(0.1), $0, and $0		(41.9)	5.5	9.8
Total foreign currency translation movements		**71.2**	**34.9**	**(125.1)**
Cash flow hedges (interest rate derivatives)				
— Loss arising in the period, net of tax benefit, respectively, of $5.6, $4.5, and $0	*15*	(23.5)	(27.2)	(4.5)
— Reclassification to net income, net of tax (expense) benefit, respectively, of $(2.5), $(0.2), and $4.7	*15*	10.2	2.3	10.1
Total cash flow hedges movements		**(13.3)**	**(24.9)**	**5.6**
Post-retirement benefits				
— Current year actuarial movements, net of tax (expense) benefit, respectively, of $(5.8), $2.8, and $2.2	*19*	24.8	(16.7)	(5.3)
— Reclassification of prior year actuarial movements to net income, net of tax benefit (expense), respectively, of $0.5, $(0.2), and $0.1	*19*	(1.8)	0.2	(0.5)
Total post-retirement benefits movements		**23.0**	**(16.5)**	**(5.8)**
Other comprehensive income (loss)		80.9	(6.5)	(125.3)
Comprehensive income for the period		**$ 170.9**	**$ 687.6**	**$ 145.8**
Comprehensive income attributable to shareholders:				
—Income arising from continuing operations		$ 132.7	$ 686.6	$ 138.7
—Loss arising from discontinued operations		(0.3)	(0.6)	(0.6)
		132.4	686.0	138.1
Comprehensive income attributable to non-controlling interests		38.5	1.6	7.7
		$ 170.9	$ 687.6	$ 145.8

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc
Consolidated Balance Sheets

(dollars in millions, except share numbers and per share amounts)	Notes	As of January 2, 2021	As of December 28, 2019
Assets			
Current assets			
Cash and cash equivalents		$ 521.4	$ 635.3
Trade accounts receivable, net of allowances of $5.2 and $8.6		695.0	694.7
Inventories	10	508.2	475.1
Taxes receivable		28.6	22.1
Prepaid expenses and other assets		153.4	131.4
Total current assets		**1,906.6**	**1,958.6**
Non-current assets			
Property, plant and equipment, net	11	705.0	727.9
Goodwill	12	2,120.2	2,060.5
Pension surplus	19	69.3	38.1
Intangible assets, net	13	1,788.6	1,876.0
Right-of-use assets	14	120.9	123.0
Taxes receivable		26.5	23.0
Deferred income taxes		672.6	587.1
Other non-current assets		16.6	17.1
Total assets		**$ 7,426.3**	**$ 7,411.3**
Liabilities and equity			
Current liabilities			
Debt, current portion	17	$ 42.7	$ 46.1
Trade accounts payable		417.4	374.7
Taxes payable		14.0	48.5
Accrued expenses and other current liabilities	18	252.2	188.8
Total current liabilities		726.3	658.1
Non-current liabilities			
Debt, less current portion	17	2,666.0	2,912.3
Post-retirement benefit obligations	19	142.5	151.2
Lease liabilities	14	113.6	116.2
Taxes payable		111.5	108.8
Deferred income taxes		360.4	369.3
Other non-current liabilities	18	121.0	84.7
Total liabilities		4,241.3	4,400.6
Commitments and contingencies	24		
Shareholders' equity			
—Shares, par value of $0.01 each - authorized shares: 3,000,000,000; outstanding shares: 290,853,067 (December 28, 2019: authorized shares: 3,000,000,000; outstanding shares: 290,157,299)	21	2.9	2.9
—Additional paid-in capital		2,456.8	2,434.5
—Accumulated other comprehensive loss	22	(805.4)	(858.4)
—Retained earnings		1,151.4	1,072.0
Total shareholders' equity		**2,805.7**	**2,651.0**
Non-controlling interests		379.3	359.7
Total equity		**3,185.0**	**3,010.7**
Total liabilities and equity		$ 7,426.3	$ 7,411.3

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements of Gates Industrial Corporation plc (registered number 10980824) were approved by the board of directors and authorized for issue on May 3, 2021. They were signed on its behalf by:

Ivo Jurek
Director and Chief Executive Officer

Gates Industrial Corporation plc
Consolidated Statements of Cash Flows

(dollars in millions)	Notes	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Cash flows from operating activities				
Net income		$ 90.0	$ 694.1	$ 271.1
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization		218.6	222.2	218.5
Non-cash currency transaction loss (gain) on debt & hedging instruments		46.9	(16.8)	(45.5)
Premium paid on redemption of long-term debt		—	—	27.0
Other net non-cash financing (income) expenses		(28.0)	27.4	65.6
Share-based compensation expense	20	19.8	15.0	6.0
Decrease in post-employment benefit obligations, net		(12.4)	(9.4)	(4.6)
Deferred income taxes	8	(47.7)	(648.4)	(64.9)
Asset impairments		6.6	1.9	2.7
Other operating activities		9.1	4.1	2.1
Changes in operating assets & liabilities, net of effects of acquisitions:				
—Decrease (increase) in accounts receivable		9.7	41.8	(49.6)
—(Increase) decrease in inventories		(22.1)	65.1	(96.1)
—Increase (decrease) in accounts payable		28.6	(48.2)	42.1
—Decrease (increase) in prepaid expenses and other assets		6.8	(2.6)	(27.5)
—(Decrease) increase in taxes payable		(48.1)	46.2	(15.3)
—Increase (decrease) in other liabilities		31.2	(43.5)	(18.1)
Net cash provided by operations		**309.0**	**348.9**	**313.5**
Cash flows from investing activities				
Purchases of property, plant and equipment		(58.2)	(72.1)	(166.1)
Purchases of intangible assets		(9.2)	(11.0)	(16.6)
Cash paid under corporate-owned life insurance policies		(10.9)	(10.7)	(10.3)
Cash received under corporate-owned life insurance policies		1.5	12.0	2.9
Purchase of businesses, net of cash acquired		—	—	(50.9)
Other investing activities		(0.7)	3.8	(2.6)
Net cash used in investing activities		**(77.5)**	**(78.0)**	**(243.6)**
Cash flows from financing activities				
Issuance of shares		3.1	1.8	799.7
Other offering costs		—	—	(8.6)
Proceeds from long-term debt		—	568.0	—
Payments of long-term debt		(331.2)	(593.1)	(933.5)
Premium paid on redemption of long-term debt		—	—	(27.0)
Debt issuance costs paid		(0.3)	(8.3)	—
Dividends paid to non-controlling interests		(19.0)	(28.8)	(35.2)
Other financing activities		(6.4)	1.1	5.7
Net cash used in financing activities		**(353.8)**	**(59.3)**	**(198.9)**
Effect of exchange rate changes on cash and cash equivalents and restricted cash		9.8	10.4	(12.4)
Net (decrease) increase in cash and cash equivalents and restricted cash		**(112.5)**	**212.0**	**(141.4)**
Cash and cash equivalents and restricted cash at the beginning of the period		636.6	424.6	566.0
Cash and cash equivalents and restricted cash at the end of the period		**$ 524.1**	**$ 636.6**	**$ 424.6**
Supplemental schedule of cash flow information				
Interest paid, net of amount capitalized		$ 135.7	$ 150.8	$ 157.9
Income taxes paid		$ 60.4	$ 108.8	$ 114.0
Accrued capital expenditures		$ 1.0	$ 1.8	$ 1.0

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc

Consolidated Statements of Shareholders' Equity

(dollars in millions)	Notes	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained (deficit) earnings	Total shareholders' equity	Non-controlling interests	Total equity
As of December 30, 2017		$ 2.5	$ 1,622.6	$ (747.4)	$ 136.9	$ 1,014.6	$ 413.8	$1,428.4
Net income		—	—	—	245.3	245.3	25.8	271.1
Other comprehensive income, net	22	—	—	(106.9)	(0.3)	(107.2)	(18.1)	(125.3)
Total comprehensive (loss) income		—	—	**(106.9)**	**245.0**	**138.1**	**7.7**	**145.8**
Other changes in equity:								
—Issuance of shares		0.4	841.3	—	—	**841.7**	—	**841.7**
—Cost of shares issued		—	(53.0)	—	—	(53.0)	—	(53.0)
—Share-based compensation	20	—	6.0	—	—	**6.0**	—	**6.0**
—Dividends paid to non-controlling interests		—	—	—	—	—	(35.2)	(35.2)
As of December 29, 2018		**2.9**	**2,416.9**	**(854.3)**	**381.9**	**1,947.4**	**386.3**	**2,333.7**
Net income		—	—	—	690.1	690.1	4.0	694.1
Other comprehensive loss, net	22	—	—	(4.1)	—	**(4.1)**	(2.4)	**(6.5)**
Total comprehensive (loss) income		—	—	(4.1)	690.1	686.0	1.6	687.6
Other changes in equity:								
—Issuance of shares		—	1.8	—	—	1.8	—	1.8
—Share-based compensation		—	14.6	—	—	**14.6**	—	**14.6**
—Change in ownership of a controlled subsidiary	20	—	1.2	—	—	1.2	(1.2)	—
—Shares issued by a subsidiary to a non-controlling interest		—	—	—	—	—	1.8	**1.8**
—Dividends paid to non-controlling interests		—	—	—	—	—	(28.8)	(28.8)
As of December 28, 2019		**2.9**	**2,434.5**	**(858.4)**	**1,072.0**	**2,651.0**	**359.7**	**3,010.7**
Net income		—	—	—	79.4	79.4	10.6	90.0
Other comprehensive income, net	22	—	—	53.0	—	**53.0**	27.9	**80.9**
Total comprehensive income		—	—	53.0	79.4	132.4	38.5	170.9
Other changes in equity:								
—Issuance of shares		—	2.8	—	—	2.8	—	2.8
—Share-based compensation	20	—	19.5	—	—	**19.5**	0.1	**19.6**
—Dividends paid to non-controlling interests		—	—	—	—	—	(19.0)	(19.0)
As of January 2, 2021		**$ 2.9**	**$ 2,456.8**	**$ (805.4)**	**$ 1,151.4**	**$ 2,805.7**	**$ 379.3**	**$3,185.0**

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc

Notes to the Consolidated Financial Statements

1. Background

Gates Industrial Corporation plc (the "Company") is a public limited company that was registered in England and Wales on September 25, 2017.

In these consolidated financial statements and related notes, all references to "Gates", "we", "us", "our" refer, unless the context requires otherwise, to the Company and its subsidiaries.

Gates manufactures a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world. Gates is comprised of two operating segments: Power Transmission and Fluid Power.

The first quarter of 2020 marked the beginning of an unprecedented environment for the global economy, which has continued throughout 2020, although to a lessening degree as it impacts our business, as governments, companies and communities implemented strict measures to minimize the spread of the novel coronavirus ("COVID-19"). As a result of the unpredictable and evolving impact of the pandemic and measures being taken around the world to combat its spread, the timing and trajectory of the recovery remain uncertain, and any future adverse impact of the pandemic on the Company's operations may be material but cannot be reasonably estimated at this time.

2. Significant accounting policies

A. Basis of presentation

The consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars unless otherwise indicated.

The accounting policies used in preparing these consolidated financial statements and related notes are the same as those applied in the prior period, except for the adoption on the first day of our 2020 fiscal year (unless issued later or otherwise noted below) of the following new Accounting Standard Updates (each, an "ASU"):

- ASU 2016-13 "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*"
- ASU 2020-02 "*Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842)*"

  In June 2016, the Financial Accounting Standards Board ("FASB") issued an ASU which broadens the information that an entity must consider when developing its expected credit loss estimate for financial assets. The measurement of expected credit losses should be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The financial asset must be measured at the net amount expected to be collected.

  These ASUs are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. On transition, no cumulative-effect adjustment was recognized to retained earnings.

- ASU 2020-04 "*Reference Rate Reform*" (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting

  In March 2020, the FASB issued an ASU to provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

  The guidance in this ASU is optional and may be elected over time as reference rate reform activities occur. During the second quarter of 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We will continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

- ASU 2018-14 "*Compensation - Retirement Benefits - Defined Benefit Plans - General*" (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans

  In August 2018, the FASB issued an ASU to modify the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The amendments remove certain disclosures, clarify other disclosure requirements, and add new disclosure requirements that have been identified as relevant.

  The amendments are effective for fiscal years ending after December 15, 2020, and should be applied on a retrospective basis to all periods presented. On adoption of this ASU, we have accordingly revised the disclosures in our post-retirement benefits footnote.

The following ASUs that were also adopted on the first day of our 2020 fiscal year did not have a significant impact on our results, financial position or disclosures:

- ASU 2018-13 "*Fair Value Measurement*" (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement
- ASU 2018-15 "*Intangibles - Goodwill and Other - Internal-Use Software*" (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

B. Accounting periods

The Company prepares its annual consolidated financial statements as of the Saturday nearest December 31. Accordingly, the consolidated balance sheets are presented as of January 2, 2021 and December 28, 2019 and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' equity are presented for the years ended January 2, 2021 ("Fiscal 2020"), December 28, 2019 ("Fiscal 2019") and December 29, 2018 ("Fiscal 2018").

C. Basis of consolidation

The consolidated financial statements include the results of operations, cash flows and assets and liabilities of Gates and its majority-owned subsidiaries, and our share of the results of our equity method investees.

We consolidate entities in which we have a controlling interest or when we are considered the primary beneficiary of a variable interest entity. The consolidated financial statements reflect the assets, liabilities, revenues and expenses of consolidated subsidiaries and the non-controlling parties' ownership interest is presented as a non-controlling interest. Intercompany transactions and balances, and any unrealized profits or losses arising from intercompany transactions, are eliminated on consolidation.

D. Foreign currency transactions and translation

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are translated into the entity's functional currency at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the reporting date. Exchange differences arising from changes in exchange rates are recognized in net income for the period. The net foreign currency transaction loss included in operating income from continuing operations during Fiscal 2020 was $7.7 million, compared to a loss of $1.7 million in Fiscal 2019 and a loss of $4.0 million in Fiscal 2018. We also recognized net financing-related foreign currency transaction gains within other (income) expenses of $5.3 million during Fiscal 2020, compared to a gain of $0.8 million in Fiscal 2019 and a gain of $8.7 million in Fiscal 2018.

On consolidation, the results of operations of entities whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rate for the period and their assets and liabilities are translated into U.S. dollars at the exchange rate prevailing on the balance sheet date. Currency translation differences are recognized within other comprehensive income ("OCI") as a separate component of accumulated OCI. In the event that a foreign operation is sold, or substantially liquidated, the cumulative currency translation differences that are attributable to the operation are reclassified to net income.

In the statement of cash flows, the cash flows of operations whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rate for the period.

E. Net sales

Gates derives its net sales primarily from the sale of a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We apply the five-step model under Topic 606 ("Revenue from Contracts with Customers") to all contracts. The five steps are: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) we satisfy a performance obligation.

In the substantial majority of our agreements with customers, we consider accepted customer purchase orders, which in some cases are governed by master sales agreements, to represent the contracts with our customers. Revenue from the sale of goods under these contracts is measured at the invoiced amount, net of estimated returns, early settlement discounts and rebates. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues. Where a customer has the right to return goods, future returns are estimated based on historical returns profiles. Settlement discounts that may apply to unpaid invoices are estimated based on the settlement histories of the relevant customers. Our transaction prices often include variable consideration, usually in the form of discounts and rebates that may apply to issued invoices. The reduction in the transaction price for variable consideration requires that we make estimations of the expected total qualifying sales to the relevant customers. These estimates, including an analysis for potential constraint on variable consideration, take into account factors such as the nature of the rebate program, historical information and expectations of customer and consumer behavior. Overall, the transaction price is reduced to reflect our estimate of the consideration that is not probable of significant reversal.

We allocate the transaction price to each distinct performance obligation based on their relative standalone selling price. The product price as specified on the accepted purchase order is considered to be the standalone selling price.

In substantially all of our contracts with customers, our performance obligations are satisfied at a point in time, rather than over a period of time, when control of the product is transferred to the customer. This occurs typically at shipment. In determining whether control has transferred and the customer is consequently able to control the use of the product for their own benefit, we consider if there is a present right to payment, legal title and physical possession has been transferred, whether the risks and rewards of ownership have transferred to the customer, and if acceptance of the asset by the customer is more than perfunctory.

F. Selling, general and administrative expenses

Shipping and handling costs

Costs of outbound shipping and handling are included in SG&A. During Fiscal 2020, we recognized shipping and handling costs of $137.2 million, compared to $145.2 million in Fiscal 2019 and $159.9 million in Fiscal 2018.

Research and development costs

Research and development costs are charged to net income in the period in which they are incurred. Our research and development expense was $67.2 million in Fiscal 2020, compared to $67.9 million in Fiscal 2019 and $71.4 million in Fiscal 2018. These costs related primarily to product development and also to technology to enhance manufacturing processes.

Advertising costs

Advertising costs are expensed as incurred and included in SG&A. During Fiscal 2020, we recognized advertising costs of $6.7 million, compared to $10.2 million in Fiscal 2019 and $10.4 million in Fiscal 2018.

G. Restructuring expenses

Restructuring expenses are incurred in major projects undertaken to rationalize and improve our cost competitiveness. Restructuring expenses incurred during the periods presented are analyzed in note 7.

Liabilities in respect of termination benefits provided to employees who are involuntarily terminated under the terms of a one-time benefit arrangement are recognized over the future service period when those employees are required to render services to the entity beyond the minimum retention period. If employees are not required to render service until they are terminated or if they will not be retained to render service beyond 60 days or a longer legal notification period, the liability is recognized on the communication date.

Termination benefits that are covered by a contract or an ongoing benefit arrangement are recognized when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. Benefits that are offered for a short period of time in exchange for voluntary termination are recognized when the employees accept the offer.

Restructuring expenses other than termination benefits and lease exit costs are recognized only when the Company has incurred a related liability.

H. Inventories

Inventories are stated at the lower of cost or net realizable value. A valuation adjustment is made to inventory for any excess, obsolete or slow moving items based on management's review of on-hand inventories compared to historical and estimated future sales and usage profiles. Any consequent write down of inventory results in a new cost basis for inventory.

Cost represents the expenditure incurred in bringing inventories to their existing location and condition, which may include the cost of raw materials, direct labor costs, other direct costs and related production overheads. Cost is generally determined on a first in, first out ("FIFO") basis, but the cost of certain inventories is determined on a last in, first out ("LIFO") basis. As of January 2, 2021, inventories whose cost was determined on a LIFO basis represented 30.8% of the total carrying amount of inventories compared to 32.5% as of December 28, 2019.

I. Goodwill

Goodwill arising in a business combination is allocated to the reporting unit that is expected to benefit from the synergies of the acquisition.

Where goodwill is attributable to more than one reporting unit, the goodwill is determined by allocating the purchase consideration in proportion to their respective business enterprise values and comparing the allocated purchase consideration with the fair value of the identifiable assets and liabilities of the reporting unit. Goodwill is not amortized but is tested for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment. For both reporting units, the fair values exceeded the carrying values and no goodwill impairments were therefore recognized during Fiscal 2020, Fiscal 2019 or Fiscal 2018.

To identify a potential impairment of goodwill, the fair value of the reporting unit to which the goodwill is allocated is compared to its carrying amount, including goodwill. We calculate fair values using a weighted blend of income and market approaches. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. If the fair value is lower than the carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the amount of goodwill allocated to that reporting unit.

J. Other intangible assets

Other intangible assets are stated at cost less accumulated amortization and any recognized impairment.

(i) Assets acquired in business combinations

An acquired intangible asset with a finite useful life is amortized on a straight-line basis so as to charge its cost, which represents its fair value at the date of acquisition, to net income over the Company's expectation of its useful life, as follows:

Customer relationships	15 to 17 years
Technology	5 to 7 years

Acquired brands and trade names are considered to have an indefinite useful life and are not amortized but are tested at least annually for impairment and are carried at cost less any recognized impairment.

(ii) Computer software

Computer software that is not integral to an item of property, plant and equipment is recognized separately as an intangible asset. Computer software is amortized on a straight-line basis over its estimated useful life, which ranges from 2 to 6 years.

K. Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any recognized impairment losses. Major improvements are capitalized. Expenditures for repairs and maintenance that do not significantly extend the useful life of the asset are expensed as incurred.

Land and assets under construction are not depreciated. Depreciation of property, plant and equipment, other than land and assets under construction, is generally expensed on a straight-line basis over their estimated useful lives. The Company's estimated useful lives of items of property, plant and equipment are generally in the following ranges:

Buildings and improvements	30 to 40 years
Leasehold improvements	Shorter of lease term or useful life
Machinery, equipment and vehicles	2 to 20 years

L. Leases

Gates has a large number of leases covering a wide variety of tangible assets that are used in our operations across the world. The value of our global leases is concentrated in a relatively small number of real estate leases, which accounted for approximately 92% of the lease liability under non-cancellable leases as of January 2, 2021. The remaining leases are predominantly comprised of equipment and vehicle leases.

In determining the impact of renewal options on the lease term, we consider various economic factors, including real estate strategies, the nature, length and underlying terms of the agreement, as well as the uncertainty of the condition of leased equipment at the end of the lease term.

Certain payments under our lease agreements, such as property taxes and utility costs, are excluded from the measurement of our right-of-use assets and lease liabilities and are recognized instead as variable payments in the period in which the obligation for those payments is incurred. A number of our leases, particularly real estate leases, include base rent escalation clauses. The majority of these are based on the change in a local consumer price or similar inflation index. Payments that vary based on an index or rate are included in the measurement of our right-of-use assets and lease liabilities at the rate as of the commencement date with any subsequent changes to those payments being recognized as variable payments in the period in which they occur.

Gates does not have any significant leases containing residual value guarantees, restrictions or covenants. Additionally, as of January 2, 2021, there were no significant new leases that have not yet commenced.

The discount rate used to calculate the present value of the future minimum lease payments is the rate implicit in the lease, when readily available. As most of our leases do not have a readily determinable implicit rate, we discount the future minimum lease payments using an incremental borrowing rate which represents the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. We determine this rate at a country or lower level and take into account factors including currency, country risk premium, industry risk and adjustments for collateralized debt. Appropriate yield curves are used to derive different debt tenors to approximate the applicable lease term.

The discount rate is reassessed when there is a remeasurement of the lease liability, which happens predominantly when there is a contract modification and that modification does not result in a separate contract.

We have adopted the following practical expedients:

(i) we will not separate the lease component from the non-lease component for all asset classes. We have therefore not allocated consideration in a contract between lease and non-lease components; and

(ii) we recognize the payments on short-term leases (leases with terms at inception of 12 months or fewer) in net income on a straight-line basis over the lease term. No amount is recognized on the balance sheet with respect to these leases.

M. Financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits available on demand and other short-term, highly liquid investments with maturities on acquisition of 90 days or less. We have cash concentrations in certain large, highly-rated global financial institutions. Management closely monitors the credit quality of the institutions in which it holds deposits.

(ii) Restricted cash

Restricted cash, which is included in the prepaid expenses and other assets line in the consolidated balance sheet, includes cash given as collateral under letters of credit for insurance and regulatory purposes. Cash and cash equivalents for the purposes of the consolidated statement of cash flows includes restricted cash of $2.7 million as of January 2, 2021, compared to $1.3 million and $1.2 million as of December 28, 2019 and December 29, 2018, respectively.

(iii) Trade accounts receivable

Trade accounts receivable represent the amount of sales of goods to customers, net of discounts and rebates, for which payment has not been received, less an allowance for expected credit losses. Our businesses develop their expected loss estimates based either on the aging profile of outstanding receivables or by applying an experience factor (either a percentage of sales or a percentage of open receivables). These methodologies are based primarily on historical trends and experience, but credit controllers also regularly assess individual customer accounts to identify any potential increases or decreases in the level of expected credit loss needed to be applied to each customer based on current circumstances and future expectations.

Before accepting a new customer, we assess their credit quality and establish a credit limit. Credit quality is assessed by using data maintained by reputable credit rating agencies, by checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorization and are reviewed on a regular basis.

Although Gates has a wide variety of customers from multinational original equipment manufacturers and distributors to small family-owned businesses, the majority of our sales are generated from large companies with low credit risk. Recent global developments related to the COVID-19 pandemic and its impact on our customers' ability to pay us continue to be closely monitored and taken into account in the determination of our expected credit loss estimates.

Movements in our allowance for expected credit losses during the periods presented are analyzed in note 24.

(iv) Debt

Debt is initially measured at its principal amount, net of directly attributable transaction costs, if any, and is subsequently measured at amortized cost using the effective interest rate method.

(v) Accounts payable

Accounts payable represents the amount of invoices received from suppliers for purchases of goods and services and the amount of goods received but not invoiced, for which payment has not been made.

(vi) Derivative financial instruments

We use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact.

We recognize all derivative financial instruments as either assets or liabilities at fair value on the balance sheet date. The accounting for the change in the fair value is recognized in net income based on the nature of the items being hedged unless the financial instrument has been designated in an effective cash flow or net investment hedging relationship, in which case the change in fair value is recognized in OCI.

(vii) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities that are held at fair value, or for which fair values are presented in these consolidated financial statements, have been categorized into one of three levels to reflect the degree to which observable inputs are used in determining the fair values. Where a change in the determination of the fair value of a financial asset or liability results in a transfer between the levels of the fair value hierarchy, we recognize that transfer at the end of the reporting period.

N. Post-retirement benefits

Post-retirement benefits comprise pension benefits provided to employees and other benefits, mainly healthcare, provided to certain employees in North America.

We account for our post-retirement benefit plans in accordance with Topic 715 "*Compensation – Retirement Benefits*", which is based on the principle that the cost of providing these benefits is recognized in net income over the service periods of the participating employees.

For defined benefit plans, the net obligation or surplus arising from providing the benefits is recognized as a liability or an asset determined by actuarial valuations of each of the plans that are carried out annually by independent qualified actuaries as of the year end balance sheet date. Benefit obligations are measured using the projected unit credit method. Plan assets (if any) are measured at fair value. We recognize the service cost component of our net periodic pension and other post-retirement benefit cost in the lines within operating income to which the relevant employees' other compensation costs are reported. All other components of the net periodic benefit cost (which include the interest cost, the expected return on plan assets, gains or losses on settlements and curtailments, the amortization of prior year service cost or credit and prior year actuarial gains and losses) are included in the other (expenses) income line, outside of operating income from continuing operations.

Actuarial gains and losses represent differences between the expected and actual returns on the plan assets, gains and losses on the plan liabilities and the effect of changes in actuarial assumptions. We use the "corridor approach" whereby, to the extent that cumulative actuarial gains and losses exceed 10% of the greater of the market related value of the plan assets and the projected benefit obligation at the beginning of the fiscal year, they are reclassified from accumulated other comprehensive income to net income over the average remaining service periods of participating employees.

Gains and losses on settlements and curtailments are recognized in net income in the period in which the curtailment or settlement occurs.

O. Share-based compensation

Share-based compensation has historically been provided to certain of our employees under share option, bonus and other share award plans. All share-award plans are equity settled, except for certain awards issued in the form of stock appreciation rights to employees in China, where local regulations necessitate a cash-settled award. These awards are therefore accounted for as liabilities rather than equity.

We recognize compensation expense based on the fair value of the awards, measured using either the share price on the date of grant, a Black-Scholes option-pricing model or a Monte-Carlo valuation model, depending on the nature of the award. Fair value is determined at the date of grant and reflects market and performance conditions and all non-vesting conditions.

Generally, the compensation expense for each separately vesting portion of the award is recognized on a straight-line basis over the vesting period for that portion of the award. Compensation expense is recognized for awards containing market conditions regardless of whether or not the market condition is met, whereas compensation expense for awards containing performance conditions is recognized only to the extent that it is probable that those performance conditions will be met. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions.

For equity awards, fair value is not subsequently remeasured unless the conditions on which the award was granted are modified. An amount corresponding to the compensation expense for equity awards is recognized in equity as additional paid in capital.

For liability awards, the fair value is remeasured each period and the change in fair value is recognized in net income for the period with a corresponding change in the outstanding liability.

P. Income taxes

Current tax is the amount of tax payable or receivable in respect of the taxable income for the period. Taxable income differs from financial reporting income because it excludes items of income or expense recognized for financial reporting purposes that are either not taxable or deductible for tax purposes or are taxable or deductible in other periods. Current tax is calculated using tax rates that have been enacted at the balance sheet date.

Management assesses unrecognized tax benefits based upon an evaluation of the facts, circumstances and information available at the balance sheet date. Provision is made for unrecognized tax benefits to the extent that the amounts previously taken or expected to be taken in tax returns exceeds the tax benefits that are recognized in the consolidated financial statements in respect of the tax positions. A tax benefit is recognized in the consolidated financial statements only if management considers that it is more likely than not that the tax position will be sustained on examination by the relevant tax authority solely on the technical merits of the position and is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement assuming that the tax authority has full knowledge of all relevant information. Provisions for unrecognized tax benefits are reviewed regularly and are adjusted to reflect events such as the expiration of limitation periods for assessing tax, guidance given by the tax authorities and court decisions.

Interest and penalties relating to unrecognized tax benefits are accrued in accordance with the applicable tax legislation on any excess of the tax benefit claimed or expected to be claimed in a tax return and the tax benefit recognized in the consolidated financial statements. Interest and penalties are recognized as a component of income tax benefit (expense) in the consolidated statement of operations and accrued interest and penalties are included under the related taxes payable line in the consolidated balance sheet.

Deferred tax assets and liabilities are recognized based on the expected future tax consequences of the difference between the financial statement carrying amount and the respective tax basis. Deferred taxes are measured on the enacted rates expected to apply to taxable income at the time the difference is anticipated to reverse. Deferred tax assets are reduced through the establishment of a valuation allowance if it is more likely than not that the deferred tax asset will not be realized taking into account the timing and amount of the reversal of taxable temporary differences, expected future taxable income and tax planning strategies.

Deferred tax is provided on taxable temporary differences arising on investments in foreign subsidiaries, except where we intend, and are able, to reinvest such amounts on a permanent basis or to remit such amounts in a tax free manner.

Q. Use of estimates

The preparation of consolidated financial statements under U.S. GAAP requires us to make assumptions and estimates concerning the future that affect reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are particularly important in accounting for rebates, post-retirement benefits, impairment of long-lived assets, intangible assets and goodwill, inventory valuation, financial instruments, share-based compensation, product warranties and income taxes. Estimates and assumptions used are based on factors such as historical experience, the observance of trends in the industries in which we operate and information available from our customers and other outside sources. Due to the inherent uncertainty involved in making assumptions and estimates, including those resulting from the impacts of the COVID-19 pandemic, actual outcomes could differ from those assumptions and estimates.

3. Recent accounting pronouncements not yet adopted

The following recent accounting pronouncements are relevant to Gates' operations but have not yet been adopted.

- ASU 2019-12 "*Simplifying the Accounting for Income Taxes*" (Topic 740): Income Taxes

  In December 2019, the FASB issued an ASU to simplify and reduce the complexity of general principles in Topic 740: Income Taxes. Such simplifications include the elimination of certain exceptions to: 1) the incremental approach for intraperiod tax allocation, 2) the requirement to recognize a deferred income tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, 3) the ability not to recognize a deferred income tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and 4) the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

The amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The ASU provides for a number of different approaches to applying the changes, depending on the amendment, from full retrospective to modified retrospective to fully prospective. We do not expect any significant impact on our consolidated financial statements on adoption of this ASU.

4. Segment information

A. Background

The segment information provided in these consolidated financial statements reflects the information that is used by the chief operating decision maker for the purposes of making decisions about allocating resources and in assessing the performance of each segment. The chief executive officer ("CEO") of Gates serves as the chief operating decision maker. These decisions are based principally on net sales and Adjusted EBITDA (defined below).

B. Operating segments and segment assets

Gates manufactures a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

Our reportable segments are identified on the basis of our primary product lines, as this is the basis on which information is provided to the CEO for the purposes of allocating resources and assessing the performance of Gates' businesses. Our operating and reporting segments are therefore Power Transmission and Fluid Power.

Segment asset information is not provided to the chief operating decision maker and therefore segment asset information has not been presented. Due to the nature of Gates' operations, cash generation and profitability are viewed as the key measures rather than an asset base measure.

C. Segment net sales and disaggregated net sales

Sales between reporting segments and the impact of such sales on Adjusted EBITDA for each segment are not included in internal reports presented to the CEO and have therefore not been included below.

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Power Transmission	$ 1,800.2	$ 1,945.7	$ 2,098.8
Fluid Power	992.8	1,141.4	1,248.8
Continuing operations	**$ 2,793.0**	**$ 3,087.1**	**$ 3,347.6**

Our commercial function is organized by region and therefore, in addition to reviewing net sales by our reporting segments, the CEO also reviews net sales information disaggregated by region, including between emerging and developed markets.

The following table summarizes our net sales by key geographic region of origin:

	For the year ended					
	January 2, 2021		December 28, 2019		December 29, 2018	
(dollars in millions)	Power Transmission	Fluid Power	Power Transmission	Fluid Power	Power Transmission	Fluid Power
U.S.	$ 538.3	$ 513.9	$ 580.4	$ 590.0	$ 606.3	$ 671.7
North America, excluding U.S.	147.3	146.9	165.3	175.9	159.3	185.6
United Kingdom ("U.K.")	44.3	28.2	43.6	37.3	55.0	39.9
EMEA[(1)], excluding U.K.	487.4	151.0	509.9	173.6	584.5	172.8
East Asia and India	251.8	60.5	288.6	74.3	311.7	87.5
Greater China	279.5	66.9	288.4	57.8	310.7	59.0
South America	51.6	25.4	69.5	32.5	71.3	32.3
Net Sales	**$ 1,800.2**	**$ 992.8**	**$ 1,945.7**	**$ 1,141.4**	**$ 2,098.8**	**$ 1,248.8**

(1) Europe, Middle East and Africa ("EMEA").

The following table summarizes our net sales into emerging and developed markets:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Developed	$ 1,787.8	$ 2,013.4	$ 2,157.4
Emerging	1,005.2	1,073.7	1,190.2
Net sales	$ 2,793.0	$ 3,087.1	$ 3,347.6

D. Measure of segment profit or loss

The CEO uses Adjusted EBITDA, as defined below, to measure the profitability of each segment. Adjusted EBITDA is, therefore, the measure of segment profit or loss presented in Gates' segment disclosures.

"EBITDA" represents net income for the period before net interest and other (income) expenses, income taxes, depreciation and amortization.

Adjusted EBITDA represents EBITDA before certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. During the periods presented, the items excluded from EBITDA in computing Adjusted EBITDA primarily included:

- non-cash charges in relation to share-based compensation;
- transaction-related expenses incurred in relation to business combinations and major corporate transactions, including acquisition integration activities;
- impairments of assets;
- restructuring expenses, including severance-related expenses;
- net gains or losses on disposals and on the exit of businesses; and
- fees paid to our private equity sponsor for monitoring, advisory and consulting services.

Adjusted EBITDA by segment was as follows:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Power Transmission	$ 353.0	$ 412.6	$ 492.2
Fluid Power	153.6	198.4	263.6
Adjusted EBITDA	$ 506.6	$ 611.0	$ 755.8

Reconciliation of net income from continuing operations to Adjusted EBITDA:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Net income from continuing operations	$ 90.3	$ 694.7	$ 271.7
Income tax (benefit) expense	(19.3)	(495.9)	31.8
Income from continuing operations before taxes	71.0	198.8	303.5
Interest expense	154.3	157.8	175.9
Other (income) expenses	(14.2)	(9.8)	17.4
Operating income from continuing operations	**211.1**	**346.8**	**496.8**
Depreciation and amortization	218.6	222.2	218.5
Transaction-related expenses [1]	5.2	2.6	6.7
Asset impairments	5.2	0.7	0.6
Restructuring expenses	37.3	6.0	6.4
Share-based compensation expense	19.8	15.0	6.0
Sponsor fees (included in other operating (income) expenses)	1.9	6.5	8.0
Impact of fair value adjustment on inventory (included in cost of sales)	—	—	0.3
Inventory impairments and adjustments (included in cost of sales)	1.4	1.2	1.2
Duplicate expenses incurred on facility relocation	—	—	5.2
Severance-related expenses (included in cost of sales)	1.0	4.0	1.7
Other primarily severance-related expenses (included in SG&A)	8.0	3.4	4.4
Other items not directly related to current operations	(2.9)	2.6	—
Adjusted EBITDA	$ 506.6	$ 611.0	$ 755.8

(1) Transaction-related expenses relate primarily to advisory fees and other costs recognized in respect of major corporate transactions, including the acquisition of businesses and debt refinancings.

E. Selected geographic information

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Property, plant and equipment, net by geographic location		
U.S.	$ 184.4	$ 199.2
Rest of North America	121.5	117.3
U.K.	31.8	32.6
Rest of EMEA	161.4	154.4
East Asia and India	54.9	65.6
Greater China	134.9	138.4
South America	16.1	20.4
	$ 705.0	$ 727.9

F. Information about major customers

Gates has a significant concentration of sales in the U.S., which accounted for 39.0% of Gates' net sales by destination from continuing operations during Fiscal 2020, compared to 43.2% during Fiscal 2019 and 39.2% during Fiscal 2018. During Fiscal 2020, 2019 and 2018, no single customer accounted for more than 10% of Gates' net sales. Two customers of our North America businesses accounted for 16.5% and 11.9%, respectively, of our total trade accounts receivable balance as of January 2, 2021, compared to 18.9% and 11.3%, respectively, as of December 28, 2019. These concentrations are due to the extended payment terms common in the industry in which these businesses operate.

5. Employees

Employee costs recognized in operating income from continuing operations during the year were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Wages and salaries	$ 553.7	$ 543.6	$ 581.2
Social security costs	70.9	73.4	78.8
Post-retirement benefits	25.7	24.7	24.1
Share-based incentives	19.8	15.0	6.0
Medical insurance costs	30.4	29.6	30.5
Other primarily insurance-related costs	39.0	42.3	37.7
	739.5	728.6	758.3
Termination benefits	36.1	12.4	6.0
	$ 775.6	$ 741.0	$ 764.3

The average number of persons employed by Gates, excluding the Company's non-executive directors but including temporary employees, was as follows:

	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
U.S.	3,938	4,460	4,163
Rest of North America	2,776	2,980	2,998
U.K.	648	694	517
Rest of EMEA	3,326	3,463	3,252
East Asia and India	2,276	2,410	2,252
Greater China	2,200	2,291	2,265
South America	654	686	727
	15,818	**16,984**	**16,174**

The directors' remuneration, analyzed under the headings required by Company Law, is set out below.

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Directors' remuneration:		
Emoluments	$ 3.6	$ 1.7
Company contributions to money purchase pension plans	0.1	0.2
	$ 3.7	**$ 1.9**

	For the year ended January 2, 2021	December 28, 2019
The number of directors who:		
Are members of a money purchase pension plan	1	1
Had awards receivable in the form of Parent Company shares under a long-term incentive plan	6	6

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Remuneration of the highest paid director:		
Emoluments	$ 3.0	$ 1.0
Company contributions to money purchase pension plans	0.1	0.2

6. Auditor's remuneration

The following table presents fees for professional services rendered by Deloitte LLP and affiliates ("Deloitte") for the audit of our consolidated financial statements and other services in Fiscal 2020 and Fiscal 2019.

	For the year ended	
(dollars in millions)	January 2, 2021	December 28, 2019
Auditing of the parent company and consolidated financial statements	$ 4.2	$ 3.8
Audit of the Company's subsidiaries	0.7	0.6
Audit-related assurance services	0.1	0.3
Taxation compliance services	0.1	0.1
Taxation advice	0.1	0.2
Other assurance services	—	0.1
	$ 5.2	$ 5.1

In Fiscal 2020 and Fiscal 2019, all of Deloitte's services and fees were pre-approved by the Audit Committee.

7. Restructuring and other strategic initiatives

Gates continues to undertake various restructuring and other strategic initiatives to drive increased productivity in all aspects of our operations. These actions include efforts to consolidate our manufacturing and distribution footprint, scale operations to current demand levels, combine back-office workgroups and relocate certain operations to lower cost locations. The manufacturing footprint investments and other productivity improvements completed in recent years have helped to position us to accelerate and expand upon our previously announced restructuring program, which is primarily intended to optimize our manufacturing and distribution footprint over the mid-term by removing structural fixed costs, and, to a lesser degree, to streamline our selling, general and administrative ("SG&A") back-office functions.

Overall costs associated with our restructuring and other strategic initiatives have been recognized in the consolidated statements as set forth below. Expenses incurred in relation to certain of these actions qualify as restructuring expenses under U.S. GAAP.

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Restructuring expenses:			
—Severance expenses	$ 24.0	$ 4.7	$ 0.5
—Non-severance labor and benefit expenses	3.8	—	—
—Consulting expenses	2.1	1.6	3.5
—Other restructuring expenses (benefits)	7.4	(0.3)	2.4
	37.3	**6.0**	**6.4**
Restructuring expenses in asset impairments:			
—Impairment of fixed assets	5.2	0.7	—
Restructuring expenses in cost of sales:			
—Impairment of inventory	1.4	1.2	0.4
—Other restructuring expenses	—	—	0.5
Total restructuring expenses	$ 43.9	$ 7.9	$ 7.3
Expenses related to other strategic initiatives:			
—Severance expenses included in cost of sales	1.0	4.0	1.2
—Severance expenses included in SG&A	8.0	3.4	3.1
Total expenses related to other strategic initiatives	**$ 9.0**	**$ 7.4**	**$ 4.3**

Restructuring and other strategic initiatives during the year ended January 2, 2021 related primarily to the closure of a manufacturing facility in Korea, a European reorganization involving office and distribution center closures or downsizings and implementation of a regional shared service center, and the closure of two North American manufacturing facilities, in addition to reductions in workforce, primarily in EMEA and North America. The closure of the Korean facility resulted in severance and other labor and benefit costs of $13.2 million, an impairment of inventory of $1.4 million (recognized in cost of sales) and an impairment of fixed assets of $4.8 million (recognized in asset impairments). Restructuring costs incurred in relation to our European reorganization were $12.6 million, of which $11.4 million related to estimated severance.

Expenses incurred in connection with our restructuring and other strategic initiatives during the year ended December 28, 2019 related primarily to reductions in force across all regions and impairments of inventory and fixed assets related to facility closures in countries including France, the U.S., Turkey and Australia. During the year ended December 28, 2019 we also incurred $1.6 million of professional fees relating primarily to the closure of one of our facilities in France, the reorganization of our European corporate center, and a strategic restructuring of part of our Asian business.

Restructuring expenses of $7.3 million were recognized during the year ended December 29, 2018, related primarily to the implementation of our European corporate center and a strategic restructuring of part of our Asian business.

Restructuring activities

As indicated above, restructuring expenses, as defined under U.S. GAAP, form a subset of our total expenses related to restructuring and other strategic initiatives. These expenses include the impairment of inventory, which is recognized in cost of sales. Analyzed by segment, our restructuring expenses were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Power Transmission	$ 32.6	$ 3.5	$ 2.8
Fluid Power	11.3	4.4	4.5
Continuing operations	$ 43.9	$ 7.9	$ 7.3

The following summarizes the reserve for restructuring expenses for the year ended January 2, 2021 and December 28, 2019, respectively:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Balance as of the beginning of the period	$ 2.9	$ 2.6
Utilized during the period	(23.4)	(5.7)
Net charge for the period	37.7	6.1
Released during the period	(0.4)	(0.1)
Foreign currency translation	1.1	—
Balance as of the end of the period	**$ 17.9**	**$ 2.9**

Restructuring reserves, which are expected to be utilized during 2021, are included in the consolidated balance sheet within the accrued expenses and other current liabilities line.

8. Income taxes

Provision for income taxes

Gates Industrial Corporation plc is domiciled in the United Kingdom. Income from continuing operations before income taxes and income tax (benefit) expense are summarized below based on the geographic location of the operation to which such earnings and income taxes are attributable.

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
U.K.	$ (82.7)	$ (80.6)	$ (12.8)
U.S.	(105.3)	0.9	(43.3)
Other	259.0	278.5	359.6
Income from continuing operations before income taxes	**$ 71.0**	**$ 198.8**	**$ 303.5**

Income tax (benefit) expense on income from continuing operations analyzed by tax jurisdiction is as follows:

(dollars in millions)	For the year ended January 2, 2021	For the year ended December 28, 2019	For the year ended December 29, 2018
Current tax			
U.K.	$ (0.1)	$ 7.5	$ 0.8
U.S.	5.4	21.0	9.0
Other foreign	23.1	124.3	86.9
Total current tax expense	$ 28.4	$ 152.8	$ 96.7
Deferred income tax			
U.K.	$ (19.2)	$ (4.7)	$ 2.8
U.S.	2.0	(49.3)	(45.3)
Other foreign	(30.5)	(594.7)	(22.4)
Total deferred income tax benefit	**(47.7)**	**(648.7)**	**(64.9)**
Income tax (benefit) expense	$ (19.3)	$ (495.9)	$ 31.8

Reconciliation of the applicable statutory income tax rate to the reported effective income tax rate:

	For the year ended January 2, 2021	For the year ended December 28, 2019	For the year ended December 29, 2018
U.K. corporation tax rate	19.0%	19.0%	19.0%
Effect of:			
—State tax provision, net of Federal benefit	(0.9%)	(2.1%)	(1.5%)
—Provision for unrecognized income tax benefits	(30.8%)	34.0%	(1.3%)
—Company Owned Life Insurance	(11.3%)	(4.4%)	(2.8%)
—Tax on international operations[1]	(4.4%)	(325.9%)	(1.1%)
—Manufacturing incentives[2]	(4.4%)	0.5%	(4.2%)
—Change in valuation allowance[3]	(2.8%)	6.6%	2.9%
—Deferred income tax rate changes	(3.8%)	17.8%	0.2%
—Currency exchange rate movements	8.2%	6.5%	0.1%
—Other permanent differences	4.0%	(1.4%)	(0.8%)
Reported effective income tax rate	(27.2)%	(249.4)%	10.5 %

(1) "Tax on international operations" includes U.S. tax on foreign earnings, unremitted earnings of foreign subsidiaries, effects of global funding structures, and effects of differences between statutory and foreign tax rates. In addition, for the years ended January 2, 2021 and December 28, 2019, it also includes the effects of tax law enactments other than deferred income tax rate changes; and for the year ended December 28, 2019, it also includes $608.6 million for the generation of finite lived net operating losses in Luxembourg. Finally, for the year ended January 2, 2021, it includes the impact of nondeductible transaction-related expenses.

(2) "Manufacturing incentives" for the year ended December 28, 2019 includes an adjustment of $5.0 million for the expiration of manufacturing incentives in the Czech Republic, offset partially by $4.1 million of incentives generated during the year.

(3) "Change in valuation allowance" for the year ended December 28, 2019 is comprised primarily of an increase of $608.6 million of additional valuation allowance for finite lived net operating losses generated in Luxembourg, offset partially by a release of $579.0 million of valuation allowance against indefinite lived net operating losses in Luxembourg and by a release of $5.0 million of valuation allowances on manufacturing incentives in the Czech Republic.

Significant Events

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted and signed into law in the U.S. in response to the COVID-19 pandemic. One of the provisions of this law is an increase to the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income for the 2019 and 2020 tax years. This modification significantly increases the current deductible interest expense of the Company for both years, which will result in a cash benefit while increasing our effective tax rate through requirements to allocate and apportion interest expense for certain other tax purposes, including in determining our global intangible low-taxed income inclusion, deduction for foreign derived intangible income, and the utilization of foreign tax credits.

Deferred income tax assets (liabilities)

Deferred income tax assets (liabilities) recognized by the Company were as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Deferred income tax assets		
Accounts receivable	$ 3.3	$ 3.1
Inventories	8.0	6.2
Property, plant and equipment	8.6	5.9
Lease liabilities	36.8	37.0
Accrued expenses	39.8	46.8
Post-retirement benefit obligations	30.1	27.8
Compensation	19.3	12.8
Net operating losses	1,540.7	1,480.3
Capital losses	151.9	130.7
Credits	147.9	138.7
Interest	122.1	120.9
Other items	14.2	11.0
	$ 2,122.7	**$ 2,021.2**
Valuation allowances	(1,219.9)	(1,200.2)
Total deferred income tax assets	**$ 902.8**	**$ 821.0**
Deferred income tax liabilities		
Inventories	(22.1)	(22.7)
Property, plant and equipment	(54.8)	(51.2)
Lease right-of-use assets	(30.3)	(30.1)
Intangible assets	(428.3)	(450.7)
Post-retirement benefit obligations	(12.9)	(6.8)
Undistributed earnings	(40.6)	(40.9)
Other items	(1.6)	(0.8)
Total deferred income tax liabilities	**$ (590.6)**	**$ (603.2)**
Net deferred income tax assets	**$ 312.2**	**$ 217.8**

As of January 2, 2021, the Company had the following loss and credit carryforward amounts:

- Gates had U.S. federal, U.K. and foreign operating tax losses amounting to $6,152.1 million and U.S. state operating tax losses amounting to $176.3 million. Operating losses of $3,543.1 million can be carried forward indefinitely and $2,785.3 million have expiration dates between 2021 and 2040. We recognized a related deferred income tax asset of $654.7 million after valuation allowance of $885.9 million;
- Gates had U.K. capital tax losses amounting to $799.5 million, all of which can be carried forward indefinitely. We recognized no related deferred income tax asset after valuation allowance of $151.9 million;

- Gates had U.S. federal, Luxembourg, Belgium and U.K. interest expense deductions which can be carried forward amounting to $515.5 million. Interest expense carried forward can be carried forward indefinitely. We recognized a related deferred tax asset of $86.5 million after valuation allowance of $35.6 million;
- Gates had U.S. federal foreign tax credits amounting to $143.4 million, which expire between 2021 and 2027. We recognized a related deferred income tax asset of $2.5 million after valuation allowance of $140.9 million; and
- Gates had other tax credits amounting to $4.5 million, of which $0.5 million can be carried forward indefinitely and $4.0 million expire between 2021 and 2040. We recognized a deferred income tax asset of $3.4 million after valuation allowance of $1.1 million.

As of January 2, 2021, income and withholding taxes in the various tax jurisdictions in which Gates operates have not been provided on approximately $1,707.0 million of taxable temporary differences related to the investments in the Company's subsidiaries. These temporary differences represent the estimated excess of the financial reporting over the tax basis in our investments in those subsidiaries, which are primarily the result of purchase accounting adjustments. These temporary differences are not expected to reverse in the foreseeable future, but could become subject to income and withholding taxes in the various tax jurisdictions in which Gates operates if they were to reverse. The amount of unrecognized deferred income tax liability on these taxable temporary differences has not been determined because the hypothetical calculation is not practicable due to the uncertainty as to how they may reverse. However, Gates has recognized a deferred income tax liability of $40.6 million on taxable temporary differences related to undistributed earnings of the Company's subsidiaries.

Recoverability of Deferred Income Tax Assets and Liabilities

We recognize deferred income tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We evaluate the recoverability of our deferred income tax assets, weighing all positive and negative evidence, and are required to establish or maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred income tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which the evidence can be objectively verified. If negative evidence exists, positive evidence is necessary to support a conclusion that a valuation allowance is not needed.

Our framework for assessing the recoverability of deferred income tax assets requires us to weigh all available evidence, including:

- taxable income in prior carry back years if carry back is permitted under the relevant tax law;
- future reversal of existing temporary differences;
- tax-planning strategies that are prudent and feasible; and
- future taxable income exclusive of reversing temporary differences and carryforwards.

After weighing all of the evidence, giving more weight to the evidence that was objectively verifiable, we determined in Fiscal 2020 that it was more likely than not that deferred income tax assets in the U.K., Luxembourg, and Belgium totaling $29.5 million were realizable. Similarly, we determined in Fiscal 2019 that it was more likely than not that deferred income tax assets in Luxembourg, the U.K., and the U.S. totaling $586.2 million were realizable.

In Fiscal 2020, the deferred tax assets above relate primarily to disallowed interest carryforwards of $26 million in these jurisdictions which have no expiration. As a result of changes in estimates of future taxable profits in the third quarter of Fiscal 2020, due primarily to the impact of anticipated changes to the composition of our intercompany financing arrangements, our judgment changed regarding valuation allowances on these deferred tax assets. The change in estimates and resulting change in judgment relate to the evaluation of proposed international tax law changes advanced during the period.

Included within the $586.2 million of valuation allowances released in Fiscal 2019 are deferred income tax assets totaling $579.0 million related to €2.1 billion of indefinite lived net operating losses in Luxembourg for which our evaluation of the positive and negative evidence changed during the first quarter of Fiscal 2019 due to the implementation of our European corporate center. Our European corporate center was implemented in Fiscal 2019 to centralize and strengthen regional operations in Europe, which thereafter became centrally managed from Luxembourg.

As of each reporting date, management considers new evidence, both positive and negative, that could impact our view with regard to the future realization of deferred income tax assets. We will maintain our positions with regard to future realization of deferred income tax assets, including those with respect to which we continue maintaining valuation allowances, until there is sufficient new evidence to support a change in expectations. Such a change in expectations could arise due to many factors, including those impacting our forecasts of future earnings, as well as changes in the international tax laws under which we operate and tax planning. It is not reasonably possible to forecast any such changes at the present time, but it is possible that, should they arise, our view of their effect on the future realization of deferred income tax assets may impact materially our consolidated financial statements.

Unrecognized income tax benefits

The following is a reconciliation of the gross beginning and ending amount of unrecognized income tax benefits, excluding interest and penalties:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
At the beginning of the period	$ 147.3	$ 80.1	$ 106.1
Increases for tax positions related to the current period	6.9	70.6	0.4
Increases for tax positions related to prior periods	0.5	5.8	0.2
Decreases for tax positions related to prior periods	(18.9)	(2.1)	(1.5)
Decreases related to settlements	(14.0)	—	—
Decreases due to lapsed statute of limitations	(5.8)	(8.1)	(21.0)
Foreign currency translation	5.6	1.0	(4.1)
At the end of the period	**$ 121.6**	**$ 147.3**	**$ 80.1**

Unrecognized income tax benefits represent the difference between the income tax benefits that we are able to recognize for financial reporting purposes and the income tax benefits that we have recognized or expect to recognize in filed tax returns. Such amounts represent a reasonable provision for income taxes ultimately expected to be paid, and may need to be adjusted over time as more information becomes known.

If all unrecognized income tax benefits were recognized, the net impact on the provision for income taxes which would impact the annual effective tax rate would be $94.6 million, including all competent authority offsets.

As of January 2, 2021, December 28, 2019, and December 29, 2018, Gates had accrued $12.3 million, $19.6 million, and $13.4 million, respectively, for the payment of worldwide interest and penalties on unrecognized income tax benefits, which are not included in the table above. Gates recognizes interest and penalties relating to unrecognized income tax benefits in the provision for income tax expense.

The primary driver of the reduction in unrecognized income tax benefits during the year relates to the settlement of tax audits with Canada and Germany. We believe that it is reasonably possible that a decrease of up to $3.3 million in unrecognized income tax benefits will occur in the next 12 months as a result of the expiration of the statutes of limitations in multiple jurisdictions. Additionally, we believe it is reasonably possibly that a decrease of $1 to $2 million in unrecognized tax benefits will occur in the next 12 months as a result of expected settlement of audits in India.

As of January 2, 2021, Gates remains subject to examination in the US for tax years 2015 to 2019 and in other major jurisdictions for tax years 2008 to 2019.

9. Earnings per share

Basic earnings per share represents net income attributable to shareholders divided by the weighted average number of shares outstanding during the period. Diluted earnings per share considers the dilutive effect of potential shares, unless the inclusion of the potential shares would have an anti-dilutive effect. The treasury stock method is used to determine the potential dilutive shares resulting from assumed exercises of equity-related instruments.

The computation of earnings per share is presented below:

(dollars in millions, except share numbers and per share amounts)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Net income attributable to shareholders	$ 79.4	$ 690.1	$ 245.3
Weighted average number of shares outstanding	290,681,615	290,057,360	285,906,693
Dilutive effect of share-based awards	1,434,349	1,570,101	5,791,580
Diluted weighted average number of shares outstanding	**292,115,964**	**291,627,461**	**291,698,273**
Number of anti-dilutive shares excluded from diluted earnings per share calculation	5,257,654	3,679,014	932,515
Basic earnings per share	$ 0.27	$ 2.38	$ 0.86
Diluted earnings per share	$ 0.27	$ 2.37	$ 0.84

10. Inventories

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Raw materials and supplies	$ 135.1	$ 118.9
Work in progress	34.3	33.6
Finished goods	338.8	322.6
Total inventories	**$ 508.2**	**$ 475.1**

11. Property, plant and equipment

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Cost		
Land and buildings	$ 333.0	$ 318.6
Machinery, equipment and vehicles	881.3	819.4
Assets under construction	$ 50.4	$ 49.8
	1,264.7	1,187.8
Less: Accumulated depreciation and impairment	$ (559.7)	$ (459.9)
Total	705.0	727.9

During Fiscal 2020, the depreciation expense in relation to the above assets was $89.3 million, compared to $92.3 million during Fiscal 2019 and $87.8 million during Fiscal 2018. During Fiscal 2020 and Fiscal 2019, no interest was capitalized to property, plant and equipment in relation to the construction of qualifying assets, compared to $4.5 million of interest that was capitalized during Fiscal 2018.

During Fiscal 2020, impairments of property, plant and equipment of $5.2 million were recognized, compared to $0.7 million in Fiscal 2019, and $2.7 million in Fiscal 2018, which included $2.1 million reported in restructuring expenses.

Property, plant and equipment includes assets held under finance leases with a carrying amount of $4.1 million as of January 2, 2021, compared to $2.8 million as of December 28, 2019.

Gates' secured debt is jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of its subsidiaries and are secured by liens on substantially all of their assets, including property, plant and equipment.

12. Goodwill

(dollars in millions)		Power Transmission		Fluid Power		Total
Cost and carrying amount						
As of December 29, 2018	$	1,374.1	$	671.8	$	2,045.9
Foreign currency translation		3.4		11.2		14.6
As of December 28, 2019		**1,377.5**		**683.0**		**2,060.5**
Foreign currency translation		56.9		2.8		59.7
As of January 2, 2021	**$**	**1,434.4**	**$**	**685.8**	**$**	**2,120.2**

13. Intangible assets

	As of January 2, 2021			As of December 28, 2019		
(dollars in millions)	Cost	Accumulated amortization and impairment	Net	Cost	Accumulated amortization and impairment	Net
Finite-lived:						
—Customer relationships	$ 2,073.0	$ (796.9)	$ **1,276.1**	$ 2,021.8	$ (656.3)	$ **1,365.5**
—Technology	90.9	(88.5)	**2.4**	90.8	(87.8)	**3.0**
—Capitalized software	89.9	(49.2)	**40.7**	76.1	(38.0)	**38.1**
[illegible]	2,253.8	(934.6)	**1,319.2**	2,188.7	(782.1)	**1,406.6**
Indefinite-lived:						
—Brands and trade names	513.4	(44.0)	**469.4**	513.4	(44.0)	**469.4**
Total intangible assets	**$ 2,767.2**	**$ (978.6)**	**$ 1,788.6**	**$ 2,702.1**	**$ (826.1)**	**$ 1,876.0**

During Fiscal 2020, Fiscal 2019, and Fiscal 2018, no impairments were recognized. Refer to note 16.D. for additional detail on assets measured at fair value on a non-recurring basis.

During Fiscal 2020, the amortization expense recognized in respect of intangible assets was $129.3 million, compared to $129.9 million for Fiscal 2019 and $130.7 million for Fiscal 2018. In addition, movements in foreign currency exchange rates resulted in an increase in the net carrying value of total intangible assets of $30.8 million in Fiscal 2020, compared to an increase of $3.0 million in Fiscal 2019.

The amortization expense for the next five years is estimated to be as follows:

Fiscal year	(dollars in millions)
—2021	134.7
—2022	134.5
—2023	130.5
—2024	128.3
—2025	127.0

14. Leases

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Lease expenses		
Operating lease expenses	$ 29.9	$ 30.3
Finance lease expense:		
Finance lease amortization expenses	0.9	0.3
—Interest on lease liabilities	0.1	—
Short-term lease expenses	5.8	4.6
Variable lease expenses	7.0	6.9
Sublease income	—	(0.1)
Total lease expenses	$ 43.7	$ 42.0
Other information		
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 17.7	$ 19.7
Assets obtained in exchange for new finance lease liabilities	$ 2.0	$ 0.9
Cash paid for amounts included in the measurement of lease liabilities:		
—Operating cash flows from operating leases	$ 30.3	$ 26.3
—Financing cash flows from finance leases	1.0	0.4
	$ 31.3	$ 26.7
Weighted-average remaining lease term — finance leases	5.3 years	8.5 years
Weighted-average remaining lease term — operating leases	9.4 years	10.1 years
Weighted-average discount rate — finance leases	3.0 %	2.5 %
Weighted-average discount rate — operating leases	5.5 %	5.4 %

Maturity analysis of liabilities

(dollars in millions)	Operating leases	Finance leases
Next 12 months	$ 27.8	$ 1.1
Year 2	22.3	1.1
Year 3	17.9	0.6
Year 4	15.4	0.2
Year 5	13.5	0.1
Year 6 and beyond	77.1	—
Total lease payments	174.0	3.1
Interest	(40.8)	(0.1)
Total present value of lease liabilities	$ 133.2	$ 3.0

Balance sheet presentation of leases as of January 2, 2021 and December 28, 2019

(dollars in millions)	As of January 2, 2021 Operating leases	As of January 2, 2021 Finance leases	As of December 28, 2019 Operating leases	As of December 28, 2019 Finance leases
Right-of-use assets	$ 120.9	$ 4.1	$ 123.0	$ 2.8
Short-term lease liabilities (included in "Accrued expenses and other current liabilities")	$ 21.8	$ 0.8	$ 19.5	$ 0.3
Long-term lease liabilities	111.4	2.2	114.8	1.4
Total lease liabilities	$ 133.2	$ 3.0	$ 134.3	$ 1.7

Right-of-use assets arising under finance leases are presented in the property, plant and equipment, net line item in the consolidated balance sheet. The amortization of right-of-use operating assets during the year ended January 2, 2021 was $22.8 million, compared to $23.6 million during the year ended December 28, 2019 . This is included in the change in prepaid expenses and other assets line in the consolidated statement of cash flows.

15. Derivative financial instruments

We are exposed to certain risks relating to our ongoing business operations. From time to time, we use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact.

We recognize derivative instruments as either assets or liabilities in the consolidated balance sheet. We designate certain of our currency swaps as net investment hedges and designate our interest rate caps and interest rate swaps as cash flow hedges. The gain or loss on the designated derivative instrument is recognized in OCI and reclassified into net income in the same period or periods during which the hedged transaction affects earnings.

Derivative instruments that have not been designated in an effective hedging relationship are considered economic hedges, and their change in fair value is recognized in net income in each period.

The period end fair values of derivative financial instruments were as follows:

	As of January 2, 2021					As of December 28, 2019				
(dollars in millions)	Prepaid expenses and other assets	Other non-current assets	Accrued expenses and other current liabilities	Other non-current liabilities	Net	Prepaid expenses and other assets	Other non-current assets	Accrued expenses and other current liabilities	Other non-current liabilities	Net
Derivatives designated as hedging instruments:										
—Currency swaps	$ 1.1	$ —	$ —	$ (42.6)	**$ (41.5)**	$ 4.2	$ —	$ —	$ (19.3)	**$(15.1)**
—Interest rate caps	—	—	(1.4)	(2.0)	**(3.4)**	—	—	(4.0)	(3.0)	**(7.0)**
—Interest rate swaps	—	—	(13.4)	(43.6)	**(57.0)**	—	—	(5.3)	(29.0)	**(34.3)**
Derivatives not designated as hedging instruments:										
—Currency swaps	—	—	—	—	**—**	—	—	(0.1)	—	**(0.1)**
—Currency forward contracts	0.6	—	(1.9)	—	**(1.3)**	1.2	—	(0.2)	—	**1.0**
	$ 1.7	$ —	$ (16.7)	$ (88.2)	**$(103.2)**	$ 5.4	$ —	$ (9.6)	$ (51.3)	**$(55.5)**

A. Instruments designated as net investment hedges

We hold cross currency swaps that have been designated as net investment hedges of certain of our European operations. As of January 2, 2021 and December 28, 2019, the notional principal amount of these contracts was $270.0 million. During July 2019, we extended the maturity of these contracts from March 2020 to March 2022. In addition, as of both January 2, 2021 and December 28, 2019, we had designated €147.0 million of our Euro-denominated debt as a net investment hedge of certain of our European operations.

The fair value (losses) gains before tax recognized in OCI in relation to the instruments designated as net investment hedging instruments were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Net fair value (losses) gains recognized in OCI in relation to:			
—Euro-denominated debt	$ (15.5)	$ (0.2)	$ (11.0)
—Designated cross currency swaps	(26.3)	5.7	20.8
Total net fair value (losses) gains	**$ (41.8)**	**$ 5.5**	**$ 9.8**

During the year ended January 2, 2021, a net gain of $3.7 million was recognized in interest expense in relation to our cross currency swaps that have been designated as net investment hedges, compared to a net gain of $7.8 million and $2.5 million during the year ended December 28, 2019 and December 29, 2018, respectively.

B. Instruments designated as cash flow hedges

We use interest rate swaps and interest rate caps as part of our interest rate risk management strategy to add stability to interest expense and to manage our exposure to interest rate movements. These instruments are all designated as cash flow hedges. As of January 2, 2021 and December 28, 2019, we held pay-fixed, receive-floating interest rate swaps with an aggregate notional amount of $870.0 million. During June 2020, we extended these swaps, which originally ran from June 30, 2020 through June 30, 2023, to now run from June 30, 2020 to June 30, 2025, locking in a lower blended fixed rate. The new, extended swaps have been designated as hedging instruments and the $53.7 million of losses accumulated in OCI in relation to the previously designated swaps are being reclassified into earnings over the term of the original swaps.

Our interest rate caps involve the receipt of variable rate payments from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium. As of January 2, 2021 the notional amount of our interest rate caps outstanding was €425.0 million, covering the period from July 1, 2019 to June 30, 2023, compared to $1.7 billion as of December 28, 2019, which included two interest rate caps that expired on June 30, 2020.

The movements before tax recognized in OCI in relation to our cash flow hedges were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Movement recognized in OCI in relation to:			
—Fair value loss on cash flow hedges	$ (29.1)	$ (31.7)	$ (4.5)
—Amortization to net income of prior period fair value losses	9.1	—	—
—Deferred premium reclassified from OCI to net income	3.6	2.5	5.4
Total movement	$ (16.4)	$ (29.2)	$ 0.9

As of January 2, 2021, we expect to reclassify an estimated $21.5 million in OCI, net of taxes, to earnings within the next twelve months associated with cash flow hedges along with the earnings effects of the related forecasted transactions.

C. Derivative instruments not designated as hedging instruments

We do not designate our currency forward contracts, which are used primarily in respect of operational currency exposures related to payables, receivables and material procurement, or the currency swap contracts that are used to manage the currency profile of Gates' cash as hedging instruments for the purposes of hedge accounting.

As of January 2, 2021, the notional principal amount of outstanding currency swaps that are used to manage the currency profile of Gates' cash was $0 million, compared to $16.7 million as of December 28, 2019.

As of January 2, 2021, the notional amount of outstanding currency forward contracts that are used to manage operational foreign exchange exposures was $87.6 million, compared to $82.5 million as of December 28, 2019.

The fair value (losses) gains recognized in net income in relation to derivative instruments that have not been designated as hedging instruments were as follows:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Fair value (losses) gains recognized in relation to:			
—Currency forward contracts recognized in SG&A	$ (1.9)	$ 3.0	$ 2.4
—Currency swaps recognized in other (income) expenses	0.4	0.6	0.6
Total	**$ (1.5)**	**$ 3.6**	**$ 3.0**

16. Fair value measurement

A. Fair value hierarchy

We account for certain assets and liabilities at fair value. Topic 820 "*Fair Value Measurements and Disclosures*" establishes the following hierarchy for the inputs that are used in fair value measurement:

- "Level 1" inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- "Level 2" inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- "Level 3" inputs are not based on observable market data (unobservable inputs).

Assets and liabilities that are measured at fair value are categorized in one of the three levels on the basis of the lowest-level input that is significant to its valuation.

B. Financial instruments not held at fair value

Certain financial assets and liabilities are not measured at fair value; however, items such as cash and cash equivalents, restricted cash, revolving credit facilities and bank overdrafts generally attract interest at floating rates and accordingly their carrying amounts are considered to approximate fair value. Due to their short maturities, the carrying amounts of accounts receivable and accounts payable are also considered to approximate their fair values.

The carrying amount and fair value of our debt are set out below:

	As of January 2, 2021		As of December 28, 2019	
(dollars in millions)	Carrying amount	Fair value	Carrying amount	Fair value
Current	$ 42.7	$ 42.3	$ 46.1	$ 45.9
Non-current	2,666.0	2,700.0	2,912.3	2,946.8
[illegible]	$ 2,708.7	$ 2,742.3	$ 2,958.4	$ 2,992.7

Debt is comprised principally of borrowings under the secured credit facilities and the unsecured senior notes. Loans under the secured credit facilities pay interest at floating rates, subject to a 1% LIBOR floor on the Dollar Term Loan and a 0% EURIBOR floor on the Euro Term Loan. The fair values of the term loans are derived from a market price, discounted for illiquidity. The unsecured senior notes have fixed interest rates, are traded by "Qualified Institutional Buyers" and certain other eligible investors, and their fair value is derived from their quoted market price.

C. Assets and liabilities measured at fair value on a recurring basis

The following table categorizes the assets and liabilities that are measured at fair value on a recurring basis:

(dollars in millions)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
As of January 2, 2021			
Equity investments	$ 2.1	$ —	$ **2.1**
Derivative assets	$ —	$ 1.7	$ **1.7**
Derivative liabilities	$ —	$ (104.9)	$ **(104.9)**
As of December 28, 2019			
Equity investments	$ 1.1	$ —	$ **1.1**
Derivative assets	$ —	$ 5.4	$ **5.4**
Derivative liabilities	$ —	$ (60.9)	$ **(60.9)**

Available-for-sale securities represent equity securities that are traded in an active market and therefore are measured using quoted prices in an active market. Derivative assets and liabilities included in Level 2 represent foreign currency exchange forward and swap contracts, and interest rate derivative contracts.

We value our foreign currency exchange derivatives using models consistent with those used by a market participant that maximize the use of market observable inputs including forward prices for currencies.

We value our interest rate derivative contracts using a widely accepted discounted cash flow valuation methodology that reflects the contractual terms of each derivative, including the period to maturity. The methodology derives the fair values of the derivatives using the market standard methodology of netting the discounted future cash payments and the discounted expected receipts. The inputs used in the calculation are based on observable market-based inputs, including interest rate curves, implied volatilities and credit spreads.

We incorporate credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Transfers between levels of the fair value hierarchy

During the periods presented, there were no transfers between Levels 1 and 2, and Gates had no assets or liabilities measured at fair value on a recurring basis using Level 3 inputs.

D. Assets measured at fair value on a non-recurring basis

Gates has non-recurring fair value measurements related to certain assets, including goodwill, intangible assets, and property, plant, and equipment. During the year ended January 2, 2021, impairments of property, plant and equipment of $5.2 million were recognized in relation to restructuring and other strategic initiatives, primarily the closure of our manufacturing facility in Korea. No significant impairment was recognized during either the year ended December 28, 2019 or the year ended December 29, 2018.

17. Debt

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Secured debt:		
—Dollar Term Loan	$ 1,377.4	$ 1,699.1
—Euro Term Loan	775.2	717.7
Unsecured debt:		
—6.25% Dollar Senior Notes due 2026	568.0	568.0
—Other loans	0.2	0.2
Total principal of debt	**2,720.8**	**2,985.0**
Deferred issuance costs	(29.4)	(41.8)
Accrued interest	17.3	15.2
Total carrying value of debt	**2,708.7**	**2,958.4**
Debt, current portion	42.7	46.1
Debt, less current portion	**$ 2,666.0**	**$ 2,912.3**

Gates' secured debt is jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of its subsidiaries and is secured by liens on substantially all of their assets.

Gates is subject to covenants, representations and warranties under certain of its debt facilities. During the periods covered by these consolidated financial statements, we were in compliance with the applicable financial covenants. Also under the agreements governing our debt facilities, our ability to engage in activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is dependent, in part, on our ability to satisfy tests based on measures determined under those agreements.

The principal payments due under our financing agreements over the next five years and thereafter are as follows:

(dollars in millions)	Total
Fiscal year:	
—2021	$ 25.4
—2022	25.3
—2023	25.2
—2024	2,076.9
—2025	—
Thereafter	568.0
	$ 2,720.8

Debt issuances and redemptions

On December 31, 2020, we made a principal debt prepayment of $300.0 million against our Dollar Term Loan facility. As a result of this prepayment, we accelerated the recognition of $3.7 million of deferred financing costs (recognized in interest expense).

On November 22, 2019, we issued and sold $568.0 million of unsecured Dollar Senior Notes, described further below. The proceeds from this debt issuance were used on December 5, 2019 to redeem all $568.0 million of our outstanding 6.00% Dollar Senior Notes, plus interest accrued up to and including the redemption date of $13.2 million. The majority of the costs totaling approximately $8.6 million related to the refinancing transactions have been deferred and will be amortized to interest expense over the remaining term of the related borrowings using the effective interest method.

Dollar and Euro Term Loans

Our secured credit facilities include a Dollar Term Loan credit facility and a Euro Term Loan credit facility that were drawn on July 3, 2014. The maturity date for each of the term loan facilities is March 31, 2024. These term loan facilities bear interest at a floating rate, which for U.S. dollar debt can be either a base rate as defined in the credit agreement plus an applicable margin, or at our option, LIBOR plus an applicable margin. The Euro Term Loan bears interest at EURIBOR subject to a floor of 0%, plus a margin of 3.00%.

The Dollar Term Loan interest rate is currently LIBOR, subject to a floor of 1.00%, plus a margin of 2.75%, and as of January 2, 2021, borrowings under this facility bore interest at a rate of 3.75% per annum. The Dollar Term Loan interest rate is re-set on the last business day of each month. As of January 2, 2021, the Euro Term Loan bore interest at EURIBOR, which is currently below 0%, subject to a floor of 0%, plus a margin of 3.00%. The Euro Term Loan interest rate is re-set on the last business day of each quarter.

Both term loans are subject to quarterly amortization payments of 0.25%, based on the original principal amount less certain prepayments with the balance payable on maturity. During the year ended January 2, 2021, we made amortization payments against the Dollar Term Loan and the Euro Term Loan of $21.7 million and $9.4 million, respectively. During the year ended December 28, 2019, we made amortization payments against the Dollar Term Loan and the Euro Term Loan of $17.3 million and $7.4 million, respectively.

Under the terms of the credit agreement, we are obliged to offer annually to the term loan lenders an "excess cash flow" amount as defined under the agreement, based on the preceding year's final results. Based on our 2020 results, the leverage ratio as defined under the credit agreement was below the threshold above which payments are required, and therefore no excess cash flow payment is required to be made in 2021.

During the periods presented, foreign exchange gains were recognized in respect of the Euro Term Loans as summarized in the table below. As a portion of the facility was designated as a net investment hedge of certain of our Euro investments, a corresponding portion of the foreign exchange (losses) gains were recognized in OCI.

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
(Loss) gain recognized in statement of operations	$ (51.4)	$ 17.3	$ 43.6
Loss recognized in OCI	(15.5)	(0.2)	(6.0)
Total (loss) gain	$ (66.9)	$ 17.1	$ 37.6

The above net foreign exchange (losses) gains recognized in the Other (income) expenses line of the consolidated statement of operations have been substantially offset by net foreign exchange movements on Euro-denominated intercompany loans as part of our overall hedging strategy.

A wholly-owned U.S. subsidiary of Gates Global LLC is the principal obligor under the Term Loans for U.S. federal income tax purposes and makes the payments due on this tranche of debt. As a result, interest received by lenders of this tranche of debt is U.S. source income.

Unsecured Senior Notes

As of January 2, 2021, we had $568.0 million of Dollar Senior Notes outstanding that were issued in November 2019. These notes are scheduled to mature on January 15, 2026 and bear interest at an annual fixed rate of 6.25% with semi-annual interest payments.

On and after January 15, 2022, we may redeem the Dollar Senior Notes, at our option, in whole at any time or in part from time to time, at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest to the redemption date:

	Redemption Price
During the year commencing:	
—2022	103.125 %
—2023	101.563 %
—2024 and thereafter	100.000 %

Additionally, net cash proceeds from an equity offering can be utilized at any time prior to January 15, 2022, to redeem up to 40% of the notes at a redemption price equal to 106.250% of the principal amount thereof, plus accrued and unpaid interest through to the redemption date.

Upon the occurrence of a change of control or a certain qualifying asset sale, the holders of the notes will have the right to require us to make an offer to repurchase each holder's notes at a price equal to 101% (in the case of a change of control) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest.

Up to the date of their redemption on January 31, 2018, foreign exchange losses of $9.2 million were recognized in respect of the Euro Senior Notes. Of these losses, $5.0 million was recognized in OCI for the period during which the facility was designated as a net investment hedge of certain of our Euro investments, and $4.2 million was recognized in the statement of operations.

Revolving credit facility

We also have a secured revolving credit facility, maturing on January 29, 2023, that provides for multi-currency revolving loans up to an aggregate principal amount of $185.0 million, with a letter of credit sub-facility of $20.0 million.

As of both January 2, 2021 and December 28, 2019, there were no drawings for cash under the revolving credit facility and there were no letters of credit outstanding.

Debt under the revolving credit facility bears interest at a floating rate, which can be either a base rate as defined in the credit agreement plus an applicable margin or, at our option, LIBOR, plus an applicable margin.

Asset-backed revolver

We have a revolving credit facility backed by certain of our assets in North America. The facility allows for loans of up to a maximum of $325.0 million ($230.2 million as of January 2, 2021, compared to $294.6 million as of December 28, 2019, based on the values of the secured assets on those dates) with a letter of credit sub-facility of $150.0 million within this maximum. The facility matures on January 29, 2023.

As of both January 2, 2021 and December 28, 2019, there were no drawings for cash under the asset-backed revolver, but there were letters of credit outstanding of $28.5 million and $50.1 million, respectively.

Debt under the facility bears interest at a floating rate, which can be either a base rate as defined in the credit agreement plus an applicable margin or, at our option, LIBOR, plus an applicable margin.

18. Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Accrued compensation	$ 70.0	$ 47.3
Current portion of lease obligations	22.6	19.8
Derivative financial instruments	104.9	60.9
Payroll and related taxes payable	25.0	11.3
VAT and other taxes payable	11.7	11.5
Warranty reserve	19.8	17.7
Restructuring reserve	17.9	2.9
Workers' compensation reserve	8.8	10.0
Other accrued expenses and other liabilities	92.5	92.1
	$ 373.2	$ 273.5

The above liabilities are presented in Gates' balance sheet within other current liabilities and other non-current liabilities as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
—Accrued expenses and other current liabilities	$ 252.2	$ 188.8
—Other non-current liabilities	121.0	84.7
	$ 373.2	$ 273.5

Changes in warranty reserves (included in accrued expenses and other liabilities) were as follows:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Balance at the beginning of the period	$ 17.7	$ 14.3	$ 14.1
Charge for the period	11.8	16.5	11.6
Utilized during the period	(9.5)	(10.9)	(11.0)
Released during the period	(0.7)	(2.2)	(0.1)
Foreign currency translation	0.5	—	(0.3)
Balance at the end of the period	**$ 19.8**	**$ 17.7**	**$ 14.3**

An accrual is made for warranty claims on various products depending on specific market expectations and the type of product. These estimates are established using historical information on the nature, frequency and average cost of warranty claims. The majority of the warranty accruals are expected to be utilized during 2021, with the remainder estimated to be utilized within the next three years.

An accrual is made for the cost of product recalls if management considers it probable that it will be necessary to recall a specific product and the amount can be reasonably estimated.

19. Post-retirement benefits

A. Defined contribution pension plans

Gates provides defined contribution pension benefits in most of the countries in which it operates; in particular, the majority of its employees in the U.S. are entitled to such benefits.

During Fiscal 2020, the expense recognized by Gates in respect of defined contribution pension plans was $19.0 million, compared to $17.9 million in Fiscal 2019 and $19.1 million in Fiscal 2018.

B. Defined benefit pension plans

Gates operates defined benefit pension plans in certain of the countries in which it operates, in particular, in the U.S. and U.K. Generally, the pension benefits provided under these plans are based on pensionable salary and the period of service of the individual employees. Plan assets are held separately from those of Gates in funds that are under the control of trustees. All of the defined benefit pension plans operated by Gates are closed to new entrants. In addition to the funded defined benefit pension plans, Gates has unfunded defined benefit obligations to certain current and former employees.

Funded status

The net deficit recognized in respect of defined benefit pension plans is presented in the balance sheet as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Pension surplus	$ (69.3)	$ (38.1)
Accrued expenses and other current liabilities	2.3	2.3
Post-retirement benefit obligations	91.5	98.7
Net unfunded pension obligation	**$ 24.5**	**$ 62.9**
Plans whose projected benefit obligation was in excess of plan assets:		
—Aggregate projected benefit obligation	$ 376.3	$ 391.7
—Aggregate fair value of plan assets	$ 282.5	$ 290.7
Plans whose accumulated benefit obligation was in excess of the plan assets:		
—Aggregate accumulated benefit obligation	$ 371.6	$ 381.6
—Aggregate fair value of plan assets	$ 281.9	$ 286.2

During the year ended January 2, 2021, the net unfunded pension obligation decreased by $38.4 million. This decrease was driven primarily by the actual return on plan assets of $83.0 million, offset partially by an actuarial loss of $31.3 million and interest on the benefit obligation of $18.3 million.

Benefit obligation

Changes in the projected benefit obligation in relation to defined benefit pension plans were as follows:

	For the year ended	
(dollars in millions)	January 2, 2021	December 28, 2019
Benefit obligation at the beginning of the period	$ 898.1	$ 827.1
Employer service cost	5.6	5.5
Plan participants' contributions	0.2	0.2
Plan amendments	1.5	—
Interest cost	18.3	23.4
Net actuarial loss	31.3	83.1
Benefits paid	(44.6)	(51.6)
Expenses paid from assets	(2.0)	(2.3)
Curtailments and settlements	(30.6)	(3.6)
Foreign currency translation	28.1	16.3
Benefit obligation at the end of the period	**$ 905.9**	**$ 898.1**
Accumulated benefit obligation	**$ 901.6**	**$ 892.4**

Changes in plan assets

Changes in the fair value of the assets held by defined benefit pension plans were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Plan assets at the beginning of the period	$ 835.2	$ 774.9
Actual return on plan assets	83.0	90.4
Employer contributions	9.8	8.5
Plan participants' contributions	0.2	0.2
Settlements	(29.2)	(2.3)
Benefits paid	(44.6)	(51.6)
Expenses paid from assets	(2.0)	(2.3)
Foreign currency translation	29.0	17.4
Plan assets at the end of the period	$ 881.4	$ 835.2

Gates' desired investment objectives for pension plan assets include maintaining an adequate level of diversification to reduce interest rate and market risk, and to provide adequate liquidity to meet immediate and future benefit payment requirements. Outside the U.S., Gates' defined benefit pension plans target a mix of growth seeking assets, comprising equities, and income generating assets, such as government and corporate bonds, that are considered by the trustees to be appropriate in the circumstances. Plan assets are rebalanced periodically to maintain target asset allocations.

Certain benefit obligations outside the U.S. are matched by insurance contracts.

Investments in equities and fixed income securities are held in pooled investment funds that are managed by investment managers on a passive (or "index-tracking") basis. The trustees ensure that there is no significant concentration of credit risk in any one financial institution.

Plan assets do not include any financial instruments issued by, any property occupied by, or other assets used by Gates.

The fair values of pension plan assets by asset category were as follows:

	As of January 2, 2021				As of December 28, 2019			
(dollars in millions)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Collective investment trusts								
Equity Securities	$ —	$ 144.1	$ —	**$ 144.1**	$ —	$ 102.7	$ —	**$ 102.7**
Debt Securities								
—Corporate bonds	—	190.6	—	**190.6**	—	207.9	—	**$ 207.9**
—Government bonds	—	249.5	—	**249.5**	—	231.3	—	**$ 231.3**
Annuities and insurance	—	49.4	239.4	**288.8**	—	48.7	235.9	**$ 284.6**
Cash and cash equivalents	8.4	—	—	**8.4**	8.7	—	—	**$ 8.7**
Total	$ 8.4	$ 633.6	$ 239.4	**$ 881.4**	$ 8.7	$ 590.6	$ 235.9	**$ 835.2**

Investments in equities and bonds held in pooled investment funds are measured at the bid price quoted by the investment managers, which reflect the quoted prices of the underlying securities. Insurance contracts are measured at their surrender value quoted by the insurers. Cash and cash equivalents largely attract floating interest rates.

Changes in the fair value of plan assets measured using significant unobservable inputs (level 3) were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019
Fair value at the beginning of the period	$ 235.9	$ 224.0
Actual return on plan assets	11.2	17.9
Purchases	0.9	1.4
Sales	(6.7)	(0.9)
Impacts of benefits paid	(12.6)	(12.3)
Settlements	(0.4)	—
Foreign currency translation	11.1	5.8
Fair value at the end of the period	**$ 239.4**	**$ 235.9**

Estimated future contributions and benefit payments

Gates' funding policy for its defined benefit pension plans is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations. During 2021, Gates expects to contribute approximately $10.6 million to its defined benefit pension plans (including non-qualified supplemental plans).

Benefit payments, reflecting expected future service, are expected to be made by Gates' defined benefit pension plans as follows:

(dollars in millions)	
Fiscal year	
—2021	$ 45.3
—2022	46.3
—2023	45.8
—2024	45.7
—2025	50.7
—2026 through 2030	228.4

Net periodic benefit cost

Components of the net periodic benefit cost for defined benefit pension plans relating to continuing operations were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Employer service cost	$ 5.6	$ 5.5	$ 5.3
Settlements and curtailments	(2.1)	(0.6)	0.3
Interest cost	18.3	23.4	23.6
Expected return on plan assets	(22.0)	(27.8)	(22.6)
Amortization of prior net actuarial loss	0.2	—	0.1
Amortization of prior service cost	0.8	0.8	0.1
Net periodic benefit cost	$ 0.8	$ 1.3	$ 6.8

Other comprehensive income

Changes in plan assets and benefit obligations of defined benefit pension plans recognized in OCI were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Current period net actuarial (gain) loss	$ (32.6)	$ 20.5	$ 1.2
Amortization of prior net actuarial loss	(0.2)	—	(0.1)
Prior service cost	1.5	—	11.4
Amortization of prior service cost	(0.8)	(0.8)	(0.1)
Gain (loss) recognized due to settlements and curtailments	2.1	(0.8)	(0.3)
Pre-tax changes recognized in OCI other than foreign currency translation	**(30.0)**	**18.9**	**12.1**
Foreign currency translation	1.7	1.0	(0.1)
Total pre-tax changes recognized in OCI	**$ (28.3)**	**$ 19.9**	**$ 12.0**

Cumulative losses before tax recognized in OCI in respect of post-retirement benefits that had not yet been recognized as a component of the net periodic benefit cost were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Actuarial (gain) loss	$ (9.5)	$ 21.2	$ 1.5
Prior service costs	11.8	11.1	11.9
Foreign currency translation	(1.2)	(2.9)	(3.9)
Cumulative total	$ 1.1	$ 29.4	$ 9.5

Assumptions

Major assumptions used in determining the benefit obligation and the net periodic benefit cost for defined benefit pension plans are presented in the following table as weighted averages:

	As of January 2, 2021	As of December 28, 2019
Benefit obligation:		
—Discount rate	1.527 %	2.261 %
—Rate of salary increase	3.032 %	3.173 %
Net periodic benefit cost:		
—Discount rate	2.144 %	2.932 %
—Rate of salary increase	3.170 %	3.190 %
—Expected return on plan assets	2.832 %	3.622 %

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes, and economic and other indicators of future performance. Return projections are validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

C. Other defined benefit plans

Gates provides other post-employment benefits, principally health and life insurance cover, on an unfunded basis to certain of its employees in the U.S. and Canada.

Funded status

The deficit recognized in respect of other defined benefit plans is presented in the balance sheet as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Accrued expenses and other current liabilities	$ 5.7	$ 5.4
Post-retirement benefit obligations	51.0	52.5
	$ 56.7	$ 57.9

Benefit obligation

Changes in the accumulated benefit obligation in relation to other defined benefit plans were as follows:

	For the year ended	
(dollars in millions)	January 2, 2021	December 28, 2019
Benefit obligation at the beginning of the period	$ 57.9	$ 60.0
Interest cost	1.7	2.3
Actuarial loss (gain)	0.3	(1.8)
Benefits paid	(3.7)	(3.5)
Foreign currency translation	0.5	0.9
Benefit obligation at the end of the period	**56.7**	**57.9**
Accumulated benefit obligation	$ 56.7	$ 57.9

Estimated future contributions and benefit payments

Contributions are made to our other defined benefit plans as and when benefits are paid from the plans. During 2021, Gates expects to contribute approximately $5.8 million to its other benefit plans.

Benefit payments, reflecting expected future service, are expected to be made by Gates' other defined benefit plans as follows:

(dollars in millions)	
Fiscal years:	
—2021	$ 5.8
—2022	4.8
—2023	4.5
—2024	4.2
—2025	3.9
—2026 through 2030	16.6

Net periodic benefit cost

Components of the net periodic benefit cost for other defined benefit plans were as follows:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Interest cost	$ 1.7	$ 2.3	$ 2.2
Amortization of prior net actuarial gain	(1.0)	(0.8)	(0.4)
Amortization of prior service credit	(0.4)	(0.4)	(0.4)
Net periodic benefit cost	**$ 0.3**	**$ 1.1**	**$ 1.4**

The net periodic benefit cost relates entirely to continuing operations.

Other comprehensive income

Changes in the benefit obligation of other defined benefit plans recognized in OCI were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Current period net actuarial loss (gain)	$ 0.3	$ (1.8)	$ (4.8)
Amortization of prior net actuarial gain	1.0	0.8	0.4
Amortization of prior service credit	0.4	0.4	0.4
Pre-tax changes recognized in OCI other than foreign currency translation	**1.7**	**(0.6)**	**(4.0)**
Foreign currency translation	—	(0.2)	—
Total pre-tax changes recognized in OCI	**$ 1.7**	**$ (0.8)**	**$ (4.0)**

Cumulative gains before tax recognized in OCI in respect of other post-retirement benefits that had not yet been recognized as a component of the net periodic benefit cost were as follows:

(dollars in millions)	For the year ended January 2, 2021	December 28, 2019	December 29, 2018
Actuarial gains	$ (16.0)	$ (17.3)	$ (16.3)
Prior service credits	(3.0)	(3.4)	(3.8)
Other adjustments	0.2	0.2	0.2
Foreign currency translation	(0.2)	(0.2)	—
Cumulative total	$ (19.0)	$ (20.7)	$ (19.9)

Assumptions

The primary assumption used in determining the benefit obligation and the net periodic benefit cost for other defined benefit plans is the discount rate, the weighted average of which is presented in the following table:

	Benefit obligation		Net periodic benefit cost	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Discount rate	2.30 %	3.08 %	3.08 %	4.01 %

The initial healthcare cost trend rate as of January 2, 2021, starts at 6.14%, compared to 6.56% as of December 28, 2019, with an ultimate trend rate of 4.92%, compared to 4.93% as of December 28, 2019, beginning in 2023.

20. Share-based compensation

The Company operates a share-based incentive plan over its shares to provide incentives to Gates' senior executives and other eligible employees. During the year ended January 2, 2021, we recognized a charge of $19.8 million, compared to $15.0 million and $6.0 million in Fiscal 2019 and Fiscal 2018, respectively.

Awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan (the "2014 Plan")

Gates has a number of share-based incentive awards issued under the 2014 Plan, which was assumed by the Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with our initial public offering in January 2018. No new awards have been granted under this plan since 2017. The options are split equally into four tiers, each with specific vesting conditions. Tier I options vest evenly over 5 years from the grant date, subject to the participant continuing to provide service to Gates on the vesting date. Tier II, III and IV options vest on achievement of specified investment returns by our majority owners, who are various investment funds managed by affiliates of The Blackstone Group Inc. ("Blackstone" or our "Sponsor"), at the time of a defined liquidity event, which is also subject to the participant's continued provision of service to Gates on the vesting date. The performance conditions associated with Tiers II, III and IV must be achieved on or prior to July 3, 2022 in order for vesting to occur. All the options expire ten years after the date of grant.

Due to Chinese regulatory restrictions on foreign stock ownership, awards granted under this plan to Chinese employees have been issued as stock appreciation rights ("SARs"). The terms of these SARs are identical to those of the options described above with the exception that no share is issued on exercise; instead, cash equivalent to the increase in the value of the shares from the date of grant to the date of exercise is paid to the employee. These awards are therefore treated as liability awards under Topic 718 "*Compensation - Stock Compensation*" and are revalued to their fair value at each period end.

In addition to the above, in 2017, under the same plan, the Company issued 76,293 restricted stock units ("RSUs"). These RSUs vest evenly over three years from the date of grant, subject to the participant's continued provision of service to Gates on the vesting date. The awards expire ten years after the date of grant, in December 2027.

Changes in the awards granted under this plan are summarized in the tables below.

Awards issued under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (the "2018 Plan")

In conjunction with the initial public offering in January 2018, Gates adopted a new equity-based compensation plan, which is a market-based long-term incentive program that allows for the issue of a variety of equity-based and cash-based awards, including stock options, SARs and RSUs.

The SARs issued under this plan take the form of options, except that no share is issued on exercise; instead, cash equivalent to the increase in the value of the shares from the date of grant to the date of exercise is paid to the employee. These awards are therefore treated as liability awards under Topic 718 "*Compensation - Stock Compensation*" and are revalued to their fair value at each period end. The SARs and the majority of the share options issued under this plan vest evenly over either three years or four years from the grant date. The remainder of the options, the premium-priced options, vest evenly over a three year period, starting two years from the grant date. All options vest subject to the participant's continued employment by Gates on the vesting date and expire ten years after the date of grant.

The RSUs issued under the plan consist of time-vesting RSUs and performance-based RSUs ("PRSUs"). The time-vesting RSUs vest evenly over either one, three or four years from the date of grant, subject to the participant's continued provision of service to Gates on the vesting date. The PRSUs provide that 50% of the award will generally vest if Gates achieves a certain level of average annual adjusted return on invested capital as defined in the plan ("Adjusted ROIC") and the remaining 50% of the PRSUs will generally vest if Gates achieves certain relative total shareholder return ("Relative TSR") goals, in each case, measured over a three year performance period and subject to the participant's continued employment through the end of the performance period. The total number of PRSUs that vest at the end of the performance period will range from 0% to 200% of the target based on actual performance against a pre-established scale.

New awards and movements in existing awards granted under this plan are summarized in the tables below.

Summary of movements in options outstanding

	Plan	Year ended January 2, 2021 Number of options		Weighted average exercise price $
Outstanding at the beginning of the period:				
—Tier I	*2014 Plan*	3,825,855		7.07
—Tier II	*2014 Plan*	4,405,340		7.01
—Tier III	*2014 Plan*	4,405,340		7.01
—Tier IV	*2014 Plan*	4,405,340		10.52
—SARs	*Both plans*	772,450		8.72
—Share options	*2018 Plan*	1,610,485		16.69
—Premium-priced options	*2018 Plan*	796,460		19.00
		20,221,270	**$**	**9.09**
Granted during the period:				
—SARs	*2018 Plan*	69,361	$	12.08
—Share options	*2018 Plan*	1,205,369	$	12.54
		1,274,730	**$**	**12.51**
Forfeited during the period:				
—Tier I	*2014 Plan*	(149,522)	$	9.56
—Tier II	*2014 Plan*	(625,873)	$	7.76
—Tier III	*2014 Plan*	(625,873)	$	7.76
—Tier IV	*2014 Plan*	(625,873)	$	11.63
—Share options	*2018 Plan*	(188,102)	$	16.31
		(2,215,243)	**$**	**9.70**
Expired during the period:				
—Tier I	*2014 Plan*	(41,961)	$	13.44
—Share options	*2018 Plan*	(62,686)	$	17.19
		(104,647)	**$**	**15.68**
Exercised during the period:				
—Tier I	*2014 Plan*	(468,890)	$	6.65
		(468,890)	**$**	**6.65**
Outstanding at the end of the period:				
—Tier I	*2014 Plan*	3,165,482	$	6.93
—Tier II	*2014 Plan*	3,779,467	$	6.89
—Tier III	*2014 Plan*	3,779,467	$	6.89
—Tier IV	*2014 Plan*	3,779,467	$	10.34
—SARs	*Both plans*	841,811	$	9.00
—Share options	*2018 Plan*	2,565,066	$	14.75
—Premium-priced options	*2018 Plan*	796,460	$	19.00
		18,707,220	**$**	**9.28**
Exercisable at the end of the period		3,394,050	$	8.47
Vested and expected to vest at the end of the period		7,343,504	$	11.19

As of January 2, 2021, the aggregate intrinsic value of options that were vested or expected to vest was $22.2 million, and these options had a weighted average remaining contractual term of 6.6 years. As of January 2, 2021, the aggregate intrinsic value of options that were exercisable was $16.8 million, and these options had a weighted average remaining contractual term of 5.3 years.

As of January 2, 2021, the unrecognized compensation charge relating to the nonvested options other than Tier II, Tier III and Tier IV options, was $6.8 million, which is expected to be recognized over a weighted-average period of 1.9 years. The unrecognized compensation charge relating to the nonvested Tier II, Tier III and Tier IV options was $24.4 million, which will be recognized on occurrence of a liquidity event as described above.

During the year ended January 2, 2021, cash of $3.1 million was received in relation to the exercise of vested options, compared to $1.8 million and $0.6 million during the year ended December 28, 2019 and the year ended December 29, 2018, respectively. The aggregate intrinsic value of options exercised during the year ended January 2, 2021 was $2.5 million compared to $2.1 million and $0.8 million during the year ended December 28, 2019 and the year ended December 29, 2018, respectively.

Summary of movements in RSUs and PRSUs outstanding

		Year ended January 2, 2021		
	Plan	Number of awards		Weighted average grant date fair value $
Outstanding at the beginning of the period:				
—RSUs	*Both plans*	718,269	$	16.20
—PRSUs	*2018 Plan*	248,550		20.07
		966,819	**$**	**17.20**
Granted during the period:				
—RSUs	*2018 Plan*	1,226,544	$	11.79
—PRSUs	*2018 Plan*	365,258		14.41
		1,591,802	**$**	**12.39**
Forfeited during the period:				
—RSUs	*2018 Plan*	(103,034)	$	14.64
—PRSUs	*2018 Plan*	(42,158)		20.07
		(145,192)	**$**	**16.21**
Vested during the period:				
—RSUs	*Both plans*	(257,869)	$	16.27
		(257,869)	$	16.27
Outstanding at the end of the period:				
—RSUs	*2018 Plan*	1,583,910	$	12.88
—PRSUs	*2018 Plan*	571,650		16.45
		2,155,560	$	13.83

As of January 2, 2021, the unrecognized compensation charge relating to nonvested RSUs and PRSUs was $13.2 million, which is expected to be recognized over a weighted average period of 1.8 years, subject, where relevant, to the achievement of the performance conditions described above. The total fair value of RSUs and PRSUs vested during the year ended January 2, 2021 was $3.1 million compared to $0.6 million during the year ended December 28, 2019.

Valuation of awards granted during the period

The grant date fair value of the options and SARs are measured using a Black-Scholes valuation model. RSUs are valued at the share price on the date of grant. The premium-priced options and PRSUs were valued using Monte Carlo simulations. As Gates only has volatility data for its shares for the period since its initial public offering, this volatility has been weighted with the debt-levered volatility of a peer group of public companies in order to determine the expected volatility over the expected option life. The expected option life represents the period of time for which the options are expected to be outstanding and is based on consideration of the contractual life of the option, option vesting period, and historical exercise patterns. The weighted average fair values and relevant assumptions were as follows:

	For the year ended		
	January 2, 2021	December 28, 2019	December 29, 2018
Weighted average grant date fair value:			
—SARs	$ 4.59	$ 5.88	$ 6.44
—Share options	$ 4.78	$ 5.88	$ 7.44
—Premium-priced options	n/a	$ 5.65	n/a
—RSUs	$ 11.79	$ 16.28	$ 16.97
—PRSUs	$ 14.41	$ 20.07	n/a
Inputs to the model:			
—Expected volatility - SARs	37.7 %	31.9 %	38.9 %
—Expected volatility - share options	37.7 %	31.9 %	39.6 %
—Expected volatility - premium-priced options	n/a	31.9 %	n/a
—Expected volatility - PRSUs	40.4 %	32.8 %	n/a
—Expected option life for SARs	6.0	6.0	6.3
—Expected option life for share options	6.0	6.0	6.3
—Expected option life for premium-priced options	n/a	7.0	n/a
—Risk-free interest rate:			
SARs	1.25 %	2.51 %	2.89 %
Share options	1.33 %	2.51 %	2.80 %
Premium-priced options	n/a	2.53 %	n/a
PRSUs	1.29 %	2.48 %	n/a

21. Equity

Movements in the Company's number of shares in issue for the year ended January 2, 2021 and December 28, 2019, respectively, were as follows:

	For the year ended	
(number of shares)	January 2, 2021	December 28, 2019
Balance as of the beginning of the period	290,157,299	289,847,574
Exercise of share options	468,890	270,997
Vesting of restricted stock units, net of withholding taxes	226,878	38,728
Balance as of the end of the period	**290,853,067**	**290,157,299**

The Company has one class of authorized and issued shares, with a par value of $0.01, and each share has equal voting rights.

22. Analysis of accumulated other comprehensive income (loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, were as follows:

(dollars in millions)	Available-for-sale investments	Post-retirement benefit	Cumulative translation adjustment	Cash flow hedges	Accumulated OCI attributable to shareholders	Non-controlling interests	Accumulated OCI
As of December 30, 2017	$ (0.3)	$ 13.2	$ (742.8)	$ (17.5)	$ (747.4)	$ (25.5)	$ (772.9)
Foreign currency translation	—	—	(107.2)	—	**(107.2)**	(17.9)	**(125.1)**
Cash flow hedges movements	—	—	—	5.6	5.6	—	5.6
Post-retirement benefit movements	—	(5.6)	—	—	**(5.6)**	(0.2)	**(5.8)**
Other comprehensive (loss) income	—	(5.6)	(107.2)	5.6	(107.2)	(18.1)	(125.3)
Reclassification to retained earnings on adoption of ASU 2016-01 "Financial Instruments"	0.3	—	—	—	0.3	—	0.3
As of December 29, 2018	—	7.6	(850.0)	(11.9)	(854.3)	(43.6)	(897.9)
Foreign currency translation	—	—	37.7	—	**37.7**	(2.8)	**34.9**
Cash flow hedges movements	—	—	—	(24.9)	(24.9)	—	(24.9)
Post-retirement benefit movements	—	(16.9)	—	—	**(16.9)**	0.4	**(16.5)**
Other comprehensive (loss) income	—	(16.9)	37.7	(24.9)	(4.1)	(2.4)	(6.5)
As of December 28, 2019	**—**	**(9.3)**	**(812.3)**	**(36.8)**	**(858.4)**	**(46.0)**	**(904.4)**
Foreign currency translation	—	1.7	42.1	—	43.8	27.4	71.2
Cash flow hedges movements	—	—	—	(13.3)	(13.3)	—	(13.3)
Post-retirement benefit movements	—	22.5	—	—	22.5	0.5	23.0
Other comprehensive income (loss)	**—**	**24.2**	**42.1**	**(13.3)**	**53.0**	**27.9**	**80.9**
As of January 2, 2021	$ —	$ 14.9	$ (770.2)	$ (50.1)	$ (805.4)	$ (18.1)	$ (823.5)

23. Related party transactions

A. Entities affiliated with Blackstone

In January 2018, Gates and Blackstone Management Partners L.L.C. ("BMP") and Blackstone Tactical Opportunities Advisors L.L.C., each affiliates of our Sponsor (the "Managers"), entered into a Transaction and Monitoring Fee Agreement (the "Monitoring Fee Agreement"). Under this agreement, which terminated in January 2020 upon the second anniversary of the closing date of the initial public offering of Gates, the Company and certain of its direct and indirect subsidiaries (collectively the "Monitoring Service Recipients") engaged the Managers to provide certain monitoring, advisory and consulting services.

In consideration of these oversight services, Gates agreed to pay BMP an annual fee of 1% of a covenant EBITDA measure defined under the agreements governing our senior secured credit facilities. In addition, the Monitoring Service Recipients agreed to reimburse the Managers for any related out-of-pocket expenses incurred by the Managers and their affiliates. During the year ended January 2, 2021, Gates incurred $1.9 million, compared to $6.5 million during Fiscal 2019 and $8.0 million during Fiscal 2018, in respect of these oversight services and out-of-pocket expenses, of which there was no amount owing at January 2, 2021 or December 28, 2019.

In addition, in connection with the initial public offering, we entered into a Support and Services Agreement with BMP, under which the Company and certain of its direct and indirect subsidiaries reimburse BMP for customary support services provided by Blackstone's portfolio operations group to the Company at BMP's direction. BMP will invoice the Company for such services based on the time spent by the relevant personnel providing such services during the applicable period and Blackstone's allocated costs of such personnel. During the periods presented, no amounts were paid or outstanding under this agreement. This agreement terminates on the date our Sponsor beneficially owns less than 5% of our ordinary shares and such shares have a fair market value of less than $25.0 million, or such earlier date as may be chosen by Blackstone.

B. Commercial transactions with sponsor portfolio companies

Our Sponsor and its affiliates have ownership interests in a broad range of companies. We have entered and may in the future enter into commercial transactions in the ordinary course of our business with some of these companies, including the sale of goods and services and the purchase of goods and services.

During the periods presented, our Sponsor held an interest in Custom Truck One Source ("Custom Truck"), a provider of specialized truck and heavy equipment solutions in North America, Stow International ("Stow"), a provider of storage and warehousing services worldwide, and Blue Yonder (formerly, JDA Software), a provider of supply chain software. Net sales by Gates to Custom Truck were $0.2 million during Fiscal 2020, compared to $0.2 million during Fiscal 2019 and $0 million during Fiscal 2018. Net purchases by Gates from Stow were $0.7 million during Fiscal 2020, compared to $0 million during Fiscal 2019 and $0 million during Fiscal 2018. Net purchases by Gates from Blue Yonder were $0.2 million during Fiscal 2020, compared to $0 million during Fiscal 2019 and $0 million during Fiscal 2018.

C. Equity method investees

Sales to and purchases from equity method investees were as follows:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Sales	$ 0.9	$ 1.4	$ 1.6
Purchases	$ (13.8)	$ (15.4)	$ (15.2)

Amounts outstanding in respect of these transactions were payables of $0.6 million as of January 2, 2021, compared to $0.2 million as of December 28, 2019. During the year ended January 2, 2021, we received dividends of $0 million from our equity method investees, compared to $0 million during Fiscal 2019 and $0.4 million during Fiscal 2018.

D. Non-Gates entities controlled by non-controlling shareholders

Sales to and purchases from non-Gates entities controlled by non-controlling shareholders were as follows:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Sales	$ 47.5	$ 51.3	$ 60.6
Purchases	$ (18.5)	$ (20.5)	$ (20.7)

Amounts outstanding in respect of these transactions were as follows:

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Receivables	$ 0.4	$ 4.2
Payables	$ (4.5)	$ (5.9)

E. Majority-owned subsidiaries

In early 2019, we finalized an agreement with the non-controlling interest holder in certain of our consolidated, majority-owned subsidiaries, regarding the scope of business of such subsidiaries, which will result in a smaller share of net income allocated to non-controlling interests. This change is retrospectively effective from the beginning of 2019 and includes a one-time adjustment of $15.0 million, which has been recorded in the first quarter of 2019 in the non-controlling interests line in the consolidated statement of operations.

24. Commitments and contingencies

A. Capital and other commitments

As of January 2, 2021, we had entered into contractual commitments for the purchase of property, plant and equipment amounting to $3.5 million, compared to $5.3 million as of December 28, 2019, and for the purchase of non-integral computer software amounting to $0.6 million, compared to $1.9 million as of December 28, 2019. As of January 2, 2021, we had entered into contractual commitments for non-capital items such as raw materials and supplies amounting to $26.1 million, compared to $33.7 million as of December 28, 2019.

B. Performance bonds, letters of credit and bank guarantees

As of January 2, 2021, letters of credit were outstanding against the asset-backed revolving facility amounting to $28.5 million, compared to $50.1 million as of December 28, 2019. We had additional outstanding performance bonds, letters of credit and bank guarantees amounting to $6.0 million as of January 2, 2021, compared to $4.1 million as of December 28, 2019.

C. Company–owned life insurance policies

Gates is the beneficiary of a number of corporate-owned life insurance policies against which it borrows from the relevant life insurance company. As of January 2, 2021, the surrender value of the policies was $954.9 million, compared to $933.8 million as of December 28, 2019, and the amount outstanding on the related loans was $953.2 million, compared to $932.0 million as of December 28, 2019. For financial reporting purposes, these amounts are offset as a legal right of offset exists and the net receivable of $1.7 million, compared to $1.8 million as of December 28, 2019, is included in other receivables.

D. Contingencies

The Company is, from time to time, party to general legal proceedings and claims, which arise in the ordinary course of business including those relating to environmental obligations, product liability, intellectual property, commercial and contractual disputes, employment matters and other business matters. When appropriate, management consults with legal counsel and other appropriate experts to assess claims. If, in management's opinion, we have incurred a probable loss as set forth by GAAP, an estimate is made of the loss and the appropriate accrual is reflected in our consolidated financial statements. Currently, there are no material amounts accrued. While it is not possible to quantify the financial impact or predict the outcome of all pending claims and litigation, management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will materially affect Gates' financial position, results of operations or cash flows.

E. Allowance for expected credit losses

Movements in our allowance for expected credit losses were as follows:

	For the year ended		
(dollars in millions)	January 2, 2021	December 28, 2019	December 29, 2018
Balance at beginning of year	$ 8.6	$ 7.4	$ 6.8
Current period provision for expected credit losses	0.7	2.4	1.4
Write-offs charged against allowance	(4.3)	(1.3)	(0.5)
Foreign currency translation	0.2	0.1	(0.3)
Balance at end of year	$ 5.2	$ 8.6	$ 7.4

25. Subsequent event

During February 2021, the Company extended the maturity date of its Dollar Term Loan, from March 31, 2024 to March 31, 2027 and the parties also agreed to a reduction in the floor applicable to the loan from 1.00% to 0.75%. In addition, the credit agreement was amended to allow for a 0.25% decrease in the margin on the loan from 2.75% to 2.50%, in the event that the total net leverage ratio (as defined in the credit agreement) is less than or equal to 3.75 times. In connection with this transaction, the Company paid accrued interest up to the date of the amendment of $3.7 million, in addition to fees of approximately $8.6 million, of which $6.9 million qualified for deferral and will be amortized to interest expense over the new remaining term of the loan using the effective interest method.

Gates Industrial Corporation plc

Parent Company Balance Sheets

(dollars in millions)	Notes	As of January 2, 2021	As of December 28, 2019
Non-current assets			
Investments in subsidiaries	3	$ 2,031.1	$ 1,679.8
Trade and other receivables	4	—	3,960.4
Deferred tax assets		0.5	0.1
		2,031.6	5,640.3
Current assets			
Trade and other receivables	4	3,935.2	181.5
Cash and cash equivalents		4.0	1.5
		3,939.2	183.0
Total assets		**5,970.8**	**5,823.3**
Current liabilities			
Income tax liabilities		(10.4)	(1.8)
Trade and other payables	5	(0.5)	(27.8)
Total liabilities		(10.9)	(29.6)
Net assets		**$ 5,959.9**	**$ 5,793.7**
Capital and reserves			
Ordinary share capital	7	$ 2.9	$ 2.9
Share premium	7	3.3	0.2
Merger reserve	8	—	—
Accumulated surplus		5,953.7	5,790.6
Shareholders' equity		$ 5,959.9	$ 5,793.7

Gates Industrial Corporation plc reported a profit for the year ended January 2, 2021 of $143.0 million, compared to a profit of $190.7 million for the year ended December 28, 2019.

The accompanying notes form an integral part of these financial statements.

The financial statements of Gates Industrial Corporation plc (registered number 10980824) were approved by the board of directors and authorized for issue on May 3, 2021. They were signed on its behalf by:

Ivo Jurek
Director and Chief Executive Officer

Gates Industrial Corporation plc

Parent Company Statement of Changes in Equity

(dollars in millions)	Notes	Share capital	Share premium	Merger reserve	Accumulated surplus	Total
Balance as of December 29, 2018		$ 2.9	$ 788.8	$ 4,661.6	$ 133.0	$ 5,586.3
Shares issued on exercise of share options	7	—	1.8	—	—	1.8
Capital reduction	7,8	—	(790.4)	(4,661.6)	5,452.0	—
Profit for the period attributable to equity shareholders		—	—	—	190.7	190.7
Capital contribution to subsidiaries		—	—	—	14.5	14.5
Credit to equity for share-based compensation		—	—	—	0.4	0.4
Balance as of December 28, 2019		2.9	0.2	—	5,790.6	5,793.7
Shares issued on exercise of share options	7	—	3.1	—	—	3.1
Profit for the period attributable to equity shareholders		—	—	—	143.0	143.0
Capital contribution to subsidiaries		—	—	—	19.3	19.3
Credit to equity for share-based compensation, including tax benefit		—	—	—	0.8	0.8
Balance as of January 2, 2021		**$ 2.9**	**$ 3.3**	**$ —**	**$ 5,953.7**	**$ 5,959.9**

Gates Industrial Corporation plc

Notes to the Parent Company Financial Statements

1. Background

Gates Industrial Corporation plc (the "Parent Company") is a public company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006. It is registered in England and Wales and is listed on the New York Stock Exchange. The Parent Company was incorporated on September 25, 2017 and its registered office is 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom. Its registered number is 10980824.

In these financial statements and related notes, all references to the "Company", "Gates", "we", "us", "our" refer, unless the context requires otherwise, to the Parent Company and its subsidiaries.

The nature of the operations and principal activities of Gates are set out in the Strategic Report accompanying these financial statements. The Parent Company's principal activity is to act as a holding company for Gates.

These financial statements are presented in U.S. dollars which is the currency of the primary economic environment in which the Parent Company operates.

2. Principal accounting policies

A. Basis of presentation

The Parent Company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100 "*Application of Financial Reporting Requirements*" issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 "*Reduced Disclosure Framework*".

As permitted by FRS 101, the Parent Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets and share capital, presentation of a cash flow statement, standards not yet effective, the requirements of paragraphs 91 - 99 of IFRS 13 "*Fair Value Measurement*", the requirements of paragraphs 10(d), 10(f) and 134 -136 of IAS 1 "*Presentation of Financial Statements*", impairment of assets and certain related party transactions, including compensation of key management personnel.

Where relevant, equivalent disclosures have been given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

There were no critical accounting judgments that would have a significant effect on the amounts recognized in these financial statements or key sources of estimation uncertainty as of the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Parent Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of International Financial Reporting Standard 2 "*Share-based payment.*"

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the Parent Company. The profit attributable to the Parent Company is disclosed in the footnote to the Parent Company's balance sheet. There were no other gains or losses in the period in other comprehensive income.

B. Accounting periods

The Parent Company prepares its annual financial statements as of the Saturday nearest December 31. Accordingly, the Parent Company balance sheet is presented as of January 2, 2021 and December 28, 2019 and the related statement of changes in equity is presented for the year ended January 2, 2021 and the year ended December 28, 2019.

C. Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Company, its cash-flows, liquidity position and borrowing facilities, the Company's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Parent Company meets its day to day working capital requirements through access to funds from its subsidiaries. The Parent Company's forecasts and projections, including those of its subsidiaries on a consolidated basis, show that it should be able to operate within the level of support available to it. The directors have a reasonable expectation that the Parent Company has adequate resources and support to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis of accounting in preparing these financial statements.

D. Investments in subsidiaries

Investments in subsidiaries represent interests in the Parent Company's subsidiaries that are owned directly by it and are stated at cost less any provision for impairment.

E. Share-based compensation

Share-based compensation has been provided to certain of our employees under share option, bonus and other share award plans. All share-award plans are equity settled.

We recognize compensation expense based on the fair value of the awards, measured using either the share price on the date of grant, a Black-Scholes option-pricing model or a Monte-Carlo valuation model, depending on the nature of the award. Fair value is determined at the date of grant and reflects market and performance conditions and all non-vesting conditions.

Generally, the compensation expense for each separately vesting portion of the award is recognized on a straight-line basis over the vesting period for that portion of the award based on the Parent Company's estimate of equity instruments that will eventually vest. Compensation expense is recognized for awards containing performance conditions only to the extent that it is probable that those performance conditions will be met.

Fair value is not subsequently remeasured unless the conditions on which the award was granted are modified. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions. The impact of revisions to the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The fair value of the compensation given to employees of subsidiaries in the form of awards over the Parent Company's equity instruments is recognized as a capital contribution to those subsidiaries over the vesting period. The capital contribution is reduced by any payments received from the subsidiaries in respect of these share-based payments.

F. Income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted by the balance sheet date.

G. Financial instruments

Financial assets and financial liabilities are recognized in the Parent Company's balance sheet when it becomes a party to the contractual provisions of the instrument.

Equity instruments issued by the Parent Company are recorded at the proceeds received net of direct issue costs.

Financial assets

Financial assets are initially recorded at fair value net of transaction costs. The Parent Company classifies its financial assets as loans and receivables, except for derivative financial instruments which are accounted for at fair value through profit or loss.

Loans and receivables, which comprise trade receivables and other receivables which have fixed or determinable payments, are measured at amortized cost, using the effective interest method, less impairment.

Trade and other receivables are short-term in nature and hence the recognition of interest would be immaterial.

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

All the Parent Company's financial liabilities are classified as other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost, using the effective interest method, with interest expense recognized on an effective yield basis, except where such liabilities are short-term in nature and the recognition of interest would be immaterial.

Interest income and finance costs

Interest income and expense are credited or charged to the profit and loss account, using the effective interest method, during the year in which they are earned or incurred.

3. Investments in subsidiaries

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Cost and net book value		
Balance at beginning of the period	$ 1,679.8	$ 1,669.7
—Additions	351.3	10.1
Balance at the end of the period	**$ 2,031.1**	**$ 1,679.8**

A complete list of the Parent Company's direct and indirect subsidiaries is set out in note 9.

4. Trade and other receivables

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Current assets		
Receivables due from subsidiaries	$ 3,935.2	$ 181.5
Non-current assets		
Receivables due from subsidiaries	—	3,960.4
	$ 3,935.2	**$ 4,141.9**

Receivables due from subsidiaries

The amounts owed by subsidiaries that are classified as non-current assets relate to loan notes that were issued in January 2018 and which are repayable in January 2021. These amounts bear interest at floating rates based on prevailing market interest rates. Early in 2021, these loan notes were refinanced on similar terms, with a maturity date of February 2026.

5. Trade and other payables

(dollars in millions)	As of January 2, 2021	As of December 28, 2019
Current liabilities		
Payables due to subsidiaries	$ (0.2)	$ (27.4)
Accruals and other payables	(0.3)	(0.4)
	$ (0.5)	$ (27.8)

6. Share-based compensation

The Parent Company operates stock-based incentive plans over its shares to provide incentives to Gates' senior executives and other eligible employees. During the year ended January 2, 2021, the total compensation cost for share-based arrangements recognized by the Parent Company was $0.5 million, compared with $0.4 million during the prior period.

Awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan (the "2014 Plan")

Gates has a number of awards issued under the 2014 Plan, which was assumed by the Parent Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with our initial public offering in January 2018. No new awards have been granted under this plan since 2017. The options are split equally into four tiers, each with specific vesting conditions. The Parent Company's non-executive directors were issued only Tier I options, which vest evenly over 5 years from the grant date, subject to the participant continuing to provide service to Gates on the vesting date. No Tier II, III or IV awards were issued to or are held by the Parent Company's employees or directors in their capacity as directors. All the options granted under this plan expire ten years after the date of grant. During the period ended January 2, 2021, there were no changes in the number of awards issued under the 2014 Plan. Details of options granted under this plan in previous periods are set out in the table below.

Awards issued under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (the "2018 Plan")

In conjunction with the initial public offering in January 2018, Gates adopted a new equity-based compensation plan, which is a market-based long-term incentive program that allows for the issue of a variety of equity-based and cash-based awards, including stock options, performance awards and restricted stock units ("RSUs").

The RSUs issued under this plan to the Parent Company's non-executive directors vest one year from the date of grant, subject to the participant continuing to serve in their position through to the applicable vesting date. RSUs are valued at the share price on the date of grant.

New awards and movements in existing awards granted under the 2018 Plan to the Parent Company's non-executive directors are summarized in the tables below.

Summary of movements in options outstanding

	For the year ended January 2, 2021			For the year ended December 28, 2019		
	Number of options	Weighted average exercise price $		Number of options	Weighted average exercise price $	
Outstanding at the beginning and end of the period:						
—Tier I	152,586	$	6.56	152,586	$	6.56
	152,586	$	6.56	152,586	$	6.56
Exercisable at the end of the period	137,327	$	6.56	122,068	$	6.56
Vested and expected to vest at the end of the period	152,586	$	6.56	152,586	$	6.56

As of January 2, 2021, the aggregate intrinsic value of options that were vested or expected to vest was $1.0 million and these options had a weighted-average remaining contractual term of 4.7 years. As of January 2, 2021, the aggregate intrinsic value of options that were exercisable was $0.9 million and these options had a weighted-average remaining contractual term of 4.6 years.

As of January 2, 2021, the unrecognized compensation relating to the nonvested options was $0 million, which is expected to be recognized over a weighted-average period of 0.4 years.

Summary of movements in RSUs outstanding

	For the year ended January 2, 2021			For the period ended December 28, 2019		
	Number of awards	Weighted average grant date fair value $		Number of awards	Weighted average grant date fair value $	
Outstanding at the beginning of the period	18,361	$	16.34	23,380	$	17.11
Granted during the period	60,281	$	10.37	30,511	$	16.39
Forfeited during the period	—	$	—	(11,718)	$	17.07
Vested during the period	(18,361)	$	16.34	(23,812)	$	16.80
Outstanding at the end of the period	60,281	$	10.37	18,361	$	16.34

As of January 2, 2021, the unrecognized compensation relating to nonvested RSUs was $0.1 million, which is expected to be recognized over a weighted average period of 0.2 years. The total fair value of RSUs vested during the year ended January 2, 2021 was $0.3 million, compared to $0.4 million during the year ended December 28, 2019.

7. Equity

The Parent Company has one class of authorized and issued shares, with a par value of $0.01 and each share has equal voting rights but carry no right to fixed income. Total authorized share capital as of January 2, 2021 was 3,000,000,000 with a nominal value of $30,000,000.

During August 2019, the High Court of Justice in London sanctioned a reduction in the Parent Company's statutory capital for the purpose of creating distributable reserves by approving the cancellation of deferred shares that were issued out of the merger reserve, and the cancellation of the entire amount standing to the credit of the Parent Company's share premium account at the time, creating $5.5 billion of distributable reserves.

Movements in the Parent Company's number of fully paid shares outstanding, share capital and share premium for the period from incorporation to January 2, 2021 were as follows:

(dollars in millions except share numbers)	Number of ordinary shares	Ordinary share capital	Share premium	Total
Balance as of December 29, 2018	289,847,574	$ 2.9	$ 788.8	$ 791.7
Exercise of share options	270,997	—	1.8	1.8
Vesting of restricted stock units	38,728	—	—	—
Capital reduction	—	—	(790.4)	(790.4)
Balance as of December 28, 2019	290,157,299	2.9	0.2	3.1
Exercise of share options	468,890	—	3.1	3.1
Vesting of restricted stock units	226,878	—	—	—
Balance as of January 2, 2021	**290,853,067**	**$ 2.9**	**$ 3.3**	**$ 6.2**

8. Other reserves

(dollars in millions)	Merger reserve	Accumulated surplus
Balance as of December 29, 2018	$ 4,661.6	$ 133.0
Profit for the period attributable to equity shareholders	—	190.7
Capital reduction	(4,661.6)	5,452.0
Capital contribution to subsidiaries	—	14.5
Credit to equity for share-based compensation	—	0.4
Balance as of December 28, 2019	—	**5,790.6**
Profit for the period attributable to equity shareholders	—	143.0
Capital contribution to subsidiaries	—	19.3
Credit to equity for share-based compensation, including tax benefit	—	0.8
Balance as of January 2, 2021	**$ —**	**$ 5,953.7**

As described further in note 7, during August 2019, the Company cancelled deferred shares that were issued out of the merger reserve in order to create distributable reserves.

9. Listing of subsidiaries and associates

The following entities are included in the consolidated financial statements of the Company as of January 2, 2021. There are no subsidiaries excluded from consolidation. All entities listed below are indirectly held, with the exception of Gates Industrial Holdco Limited.

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Gates Argentina S.A.	100%	Argentina	Sales office and warehouse	Cecilia Grierson 255, Floor 6 City of Buenos Aires Argentina, C1107CPE
Gates Australia Pty, Limited	100%	Australia	Wholesaler of industrial and automotive hose, belts and fittings	1-15 Hydrive Close Dandenong South Victoria 3175
Gates Engineering & Services Australia Pty Ltd	100%	Australia	Wholesaler of industrial and automotive hose, belts and fittings	LINK MARKET SERVICES LIMITED Qv1 Building Level 12, 250 St. George Tce, PERTH WA 6000
Gates E&S Bahrain WLL	49% *	Bahrain	Repair and sale of machinery, equipment and parts	Flat 1, Street 1638, Building 2141, Block 116, Hidd, Bahrain
Gates Distribution Centre N.V.	100%	Belgium	Distribution center	Korte Keppesstraat 21/51 9320 Erembodegem-Aalst Oost-Vlaanderen

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Gates do Brasil Industria e Commercio Ltda	100%	Brazil	Manufacturer and distributor of Power Transmission and Fluid Power products	1703, Florida Street - 11th Floor Sao Paolo Brazil 04565-909
Gates Fleximak Ltd	100%	British Virgin Islands	Holding company	c/o Intertrust BVI 171 Main Street Road Town Tortola VG1110
Atlas Hydraulics Inc.	100%	Canada	Design, manufacture and supply of hydraulic tube and hose assemblies	66 Wellington Street W., Suite 5300, Toronto, ON M5K 1E6
Gates Canada Inc.	100%	Canada	Power Transmission product manufacturing and distribution	4000-421 7th Avenue SW Calgary Alberta T2P4K9 Canada
Gates Industrial Canada Ltd	100%	Canada	Corporate functions	66 Wellington Street W., Suite 5300, Toronto, ON M5K 1E6
Gates Cayman Finance Ltd.	100%	Cayman Islands	Treasury company	190 Elgin Avenue, George Town, Grand Cayman KY1-9005
Omaha Topco Ltd	100%	Cayman Islands	Corporate functions	190 Elgin Avenue, George Town, Grand Cayman KY1-9005
Gates Auto Parts (Suzhou) Co., Ltd	100%	China	Power Transmission product manufacturing and distribution	No. 155 Qian Ren Street, Weiting Town, Suzhou Industrial Park Suzhou, China
Gates Fluid Power Technologies (Changzhou) Co., Ltd	100%	China	Manufacturer and distributor of Power Transmission and Fluid Power products	#11 Kohler Road Changzhou JiangSu 213022
Gates Trading (Shanghai) Co., Ltd.	100%	China	Corporate offices and distribution	Room 2215 No.28 Jiafeng Road, Waigaoqiao Free Trade Zone, Shanghai
Gates Unitta Power Transmission (Shanghai) Limited	51%	China	Power Transmission product manufacturing	Apartment A, 233 Huashen Road, China (Shanghai) Pilot Free Trade Zone Shanghai, China
Gates Unitta Power Transmission (Suzhou) Limited	51%	China	Corporate functions and Power Transmission product manufacturing and distribution	No. 15 Hai Tang Street Suzhou Industrial Park Suzhou 215021
Gates Winhere Automotive Pump Products (Yantai) Co. Ltd	60%	China	Manufacture of automotive water pumps and accessories	51 Jialingjiang Road Yantai ETDZ, 264006 Shandong
Gates Hydraulics s.r.o	100%	Czech Republic	Manufacture and supply of couplings, hose and tube assemblies	Detmarovicka 409/1 Karvina 733 01
Gates France S.a.r.l.	100%	France	Sales/service center	12 Rue de la Briqueterie Zone Industrielle Louvres F-95380 Louvres
Gates S.A.S.	100%	France	Manufacture of belts	12 Rue de la Briqueterie Zone Industrielle Louvres F-95380 Louvres
Gates Service Center S.A.S.	100%	France	Distribution of belts and metal parts	21 Boulevard Monge F-69330 Meyzieu Lyon
Gates Tube Fittings GmbH	100%	Germany	Manufacture of hydraulic fittings	Kolumbusstrasse 54 Euskirchen NRW D-53881
Gates GmbH	100%	Germany	Sales office and technical center	Eisenbahnweg 50 D-52068 Aachen

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Gates Holding GmbH	100%	Germany	Holding company	Kolumbusstrasse 54 Euskirchen NRW D-53881
Gates TPU Gmbh	100%	Germany	Manufacture of polyurethane belts	Werner von Siemens Strasse 2 Pfungstadt , Germany 64319
Gates India Private Limited	100%	India	Manufacture and assembly of industrial and hydraulic hose and assembly	Village Sarsani Lalru Ambala-Chandigarh Highway Lalru District Patiala (Punjab) 140501
Gates Unitta India Company Private Limited	51%	India	Manufacture and distribution of Power Transmission products	F-19, Sipcot Industrial Park Sriperumbudur Chennai 602105
PT Gates Industrial Indonesia	100%	Indonesia	Dormant company	Jl. T.B. Simatupang Kav 23-24, Alamanda Tower PT Karya Central Bisnis, M15, Floor 25, Indonesia
Gates Irish Finance UC	100%	Ireland	Treasury company	1-2 Victoria Buildings, 2nd Floor, Haddington Road Dublin 4 D04 XN32, Ireland
Tomkins Insurance Limited	100%	Isle of Man	Captive insurance company	Suite 2, 4th Floor Peveril Buildings Loch Promenade Douglas IM1 2BS
Gates S.r.l.	100%	Italy	Sales office	Via Senigalia 18 I-20161 Milano
Gates Japan KK	100%	Japan	Sales office	20-9, Akatsukashinmachi 3-chome Itabashi-ku Tokyo
Gates Unitta Asia Company (aka Gates Unitta Asia Kabushikikaisha)	51%	Japan	Manufacture of belts, tensioners and associated products	4-26 Sakuragawa 4-chome Naniwa-ku Osaka 556-002
Gates Korea Company, Limited	51%	Korea	Manufacture and distribution of belts and tensioners	523, Nongong-ro, Nongong-eup, Dalsung-gun Daegu, Republic of Korea
Gates Unitta Korea Co., Ltd.	51%	Korea	Sales office	1006-71, Doksan-dong Keumcheon-gu Seoul
Pyung Hwa CMB Co. Limited **	21%	Korea	Manufacturer of industrial non-hardening rubber products	29-11, Bonri-Ri, Nongong-Eup Dalseong-Gun Daegu, Korea, Republic of, Republic of Korea
Gates Holding Luxembourg SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Industrial Europe SARL	100%	Luxembourg	Holding company and European corporate center	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Investments SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Luxembourg SARL	100%	Luxembourg	Treasury company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Worldwide SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Worldwide Holdings SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Industrial & Automotive (Malaysia) SDN. BHD.	100%	Malaysia	Distribution center	Level 19-1, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Wilayah Persekutuan, Kuala Lumpur, Malaysia 50490
Industrias Atlas Hydraulics S de RL de CV	100%	Mexico	Design, manufacture and supply of hydraulic tube and hose assemblies	Paseo de Tamarindos 150-PB Bosques de las Lomas Cuajimalpa de Morelos México, D.F. 05120 Mexico

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Lerma Hose Plant S.A. de C.V.	100%	Mexico	Manufacture and sale of industrial hoses	Blvd. Aeropuerto Miguel Aleman Nro. 164 Zona Industrial Lerma 50200 Mexico D.F.
Gates de Mexico, S.A. de C.V.	100%	Mexico	Manufacture and sale of hoses, connectors and other industrial and automotive products	Av. Vasco de Quiroga No. 3200, Piso 1. Centro Ciudad Santa Fe, Mexico, D.F. 01210 Mexico
Gates de Mexico Services, S. de R.L. de C.V.	100%	Mexico	Marketing shared service center	Av. Vasco de Quiroga No. 3200, Piso 1. Centro Ciudad Santa Fe, Mexico, D.F. 01210 Mexico
Gates E&S Mexico, S.A. de C.V.	100%	Mexico	Sale of oil & gas products and engineering services	Carretera Reforma Dos Bocas KM 17+920, Circuito Tabasco Sur M2, L4, 5, 6,Tabasco, Mexico, Mexico
Servicios IAHS S de RL de CV	100%	Mexico	Design, manufacture and supply of hydraulic tube and hose assemblies	Paseo de Tamarindos 150-PB Bosques de las Lomas Cuajimalpa de Morelos México, D.F. 05120 Mexico
Tomkins Poly Belt Mexicana SA de CV	100%	Mexico	Design, manufacture and supply of hydraulic tube and hose assemblies	Km 96.5, Carretera Mexico-Cuautla #133, Fracc. Los Faroles, Tetelcingo, Cuautla Morelos, Mexico 62571
Gates Engineering & Services (Muscat) LLC	70%	Oman	Sale and maintenance of hose and accessory products	P.O. Box 68 Madinat Sultan Qaboos Postal Code 115 Muscat Sultanate of Oman
Gates Business Services Europe sp. z o.o.	100%	Poland	Corporate functions	ul. Fabryczna 6 52-007 Wroclaw
Gates Polska Sp. z o.o.	100%	Poland	Manufacture of hose products	ul. Jaworzynska 301 59-220 Legnica
Gates CIS LLC	100%	Russian Federation	Wholesale and distribution	Kosmodamianskaya Nab., 52, Bld. 4, 6th Floor Moscow 115054
Gates Engineering & Services Co. Closed Joint Stock Company	75%	Saudi Arabia	Manufacture of tensioners and other Power Transmission products	CR No. 2051043879 PO Box 4258, Al Khobar Kingdom of Saudi Arabia
Gates Engineering & Services PTE Limited	100%	Singapore	Oil & Gas Engineering & Services	3A International Business Park #10-01/05 ICON@IBP, Tower A
Gates Industrial Singapore PTE. LTD.	100%	Singapore	Holding company and corporate offices	3A International Business Park #10-01/05 ICON@IBP, Tower A
Gates Rubber Company (S) Pte Limited	100%	Singapore	Distribution center	3A International Business Park #10-01/05 ICON@IBP, Tower A
Gates Unitta Asia Trading Company Pte Ltd	51%	Singapore	Marketing and sales support for other Gates entities	3A International Business Park #10-01/05 ICON@IBP, Tower A
Gates PT Spain SA	100%	Spain	Manufacture of Power Transmission products	Pol.Ind. les Malloles, s/n Balsareny Barcelona
Gates (Thailand) Co., Ltd.	100%	Thailand	Corporate functions	64/86 Moo 4 Eastern Seaboard Industrial Estate (Rayong), Pluakdaeng, Rayong, 21140
Gates Unitta (Thailand) Co., Ltd	51%	Thailand	Manufacture of industrial and automotive Power Transmission belts	64/86 Moo 4 Eastern Seaboard Industrial Estate (Rayong), Pluakdaeng, Rayong, 21140
Gates Güç Aktarim Sistemleri Dagitim Sanayi Ve Ticaret Limited Şirketi	100%	Turkey	Sales office and technical center	Fatih Mahallesi Yakacik Cad. No. 38 Sancaktepe Istanbul

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Gates Endüstriyel Metal Kauçuk Sanayi ve Ticaret Anonim Şirketi	100%	Turkey	Manufacture of tensioners and other Power Transmission products	Ege Serbest Bölgesi Zafer SB Mah. Yalçın Yolu No:21 35410 Gaziemir-İZMİR TURKEY
Gates Hortum Sanayi ve Ticaret Limited Şirketi	100%	Turkey	Manufacture of Fluid Power products	Adiye Koyu Bilecik Yolu Uzeri Nul Koy Sokagi No: 51 Arfiye Sakarya
Rapro Kauçuk ve Plastik Ürünleri İthalat Ihracat Mümessillik Pazarlama Ticaret Limited Şirketi	100%	Turkey	Sales of molded and branched hoses and other Fluid Power products	Ankara Asfalti 26. Km Kuyucak Yolu Kumeevler No. 226 Kemalpasa O.S.B. Kemalpasa, Izmir
Rapro Kimya Turizm Bilişim Sanayi ve Ticaret Anonim Şirketi	100%	Turkey	Manufacture and sales of molded and branched hoses and other Fluid Power products	Kemalpaþa OSB Mahallesi Kuyucak Yolu, Dýþ Kapý No:226 Kemalpaþa,Izmir, Izmir, Turkey
Gates Engineering & Services Hamriyah FZE	100%	UAE	Manufacture and assembly of industrial belts and hoses	Plot No. 2M-10 PO Box 49047 Hamriyah Free Zone, Sharjah, UAE
Gates Engineering & Services Co. LLC	49% *	UAE	Selling filters, cartridges and pumps, renting and service of hydraulic pumps and machines	Al Leyah P.O. Box 21327 Port Khalid, Sharjah, UAE
Gates E&S Industries LLC	49% *	UAE	Assembly of pipes and hoses	Dubai Real Estate Al Quoz Industrial No. 4 Bur Dubai PO Box 12973 Dubai, UAE
Gates Engineering & Services FZCO	100%	UAE	Manufacture and support for oil & gas field equipment, and hose assembly	MENA Headquarters Jebel Ali Free Zone (South) P.O. Box 61046 Dubai, Jebel Ali Free Zone Authority, UAE
Gates E&S Trading LLC	49% *	UAE	Sale of heavy equipment and machinery, and spare parts	Dubai Real Estate Al Quoz Industrial No. 4 Bur Dubai PO Box 12973 Dubai, UAE
Gates Fleximak Oilfield Services Establishment	0% *	UAE	Oil & gas field services, and sale of hoses and related accessories	Mussafah Industrial Area 20 P.O. Box 8543 Abu Dhabi, UAE
Finco Omaha Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Acquisitions Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Auto Parts Holdings China Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates (U.K.) Limited	100%	UK	Research, development, manufacture and sales of synchronous timing belts and assembly of hydraulic hose fitments.	Tinwald Downs Road Heathhall Dumfries DG1 1TS Scotland
Gates Engineering & Services Global Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Engineering & Services UK Holdings Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Engineering & Services UK Limited	100%	UK	Design, manufacture and assembly of rubber hose products for use in the oil & gas industry	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Gates Finance Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Fluid Power Technologies Investments Ltd	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Holdings Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Industrial Holdco Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Brazilian Real) Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (TRY) Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Canadian Dollar) Company	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Dollar) Company	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Euro) Company	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates UK Pension Trustees Limited †	100%	UK	Pension company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Worldwide Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Tomkins BP UK Holdings Limited ‡	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Tomkins Engineering Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Tomkins Investments Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Tomkins Overseas Investments Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates UK Finance Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Atlas Hydraulics, Inc.	100%	South Dakota, U.S.	Design, manufacture and supply of hydraulic tube and hose assemblies	C T Corporation System 319 South Coteau Street Pierre, South Dakota 57501
Gates Nitta Belt Company, LLC	51%	Colorado, U.S.	Holding company	7700 East Arapahoe Rd Suite 220 Centennial, CO 80112
Gates Administration Corp.	100%	Delaware, U.S.	Corporate functions	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates Corporation	100%	Delaware, U.S.	Corporate offices, and research, development, manufacture, distribution and sale of Power Transmission and Fluid Power products	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates E&S North America, Inc.	100%	Delaware, U.S.	Sale of Fluid Power products	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates Global Co.	100%	Delaware, U.S.	Holding company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates Global LLC	100%	Delaware, U.S.	Holding company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates Holdings 1 LLC	100%	Delaware, U.S.	Treasury company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates International Holdings LLC	100%	Colorado, U.S.	Holding company	7700 East Arapahoe Rd, Suite 220 Centennial, CO 80112
Gates Investments, LLC	100%	Delaware, U.S.	Treasury company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates TPU, Inc.	100%	Delaware, U.S.	Manufacture and sale of thermoplastic polyurethane belt products	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Gates Winhere LLC	60%	Delaware, U.S.	Manufacture and sale of water pumps	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Omaha Acquisition Inc.	100%	Delaware, U.S.	Holding company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Omaha Holdings LLC	100%	Delaware, U.S.	Holding company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Philips Holding Corporation	100%	Delaware, U.S.	Holding company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Tomkins BP US Holding Corporation	100%	Delaware, U.S.	Holding company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Colinx LLC **	20%	Delaware, U.S.	Provider of e-commerce and logistics services	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
Du-Tex Properties, LLC	100%	Texas, U.S.	Real estate company	1209 Orange Street Corporation Trust Center Wilmington, DE 19801

* These entities are subsidiary undertakings and are consolidated by the Company on the basis that it has the right to exercise a dominant influence over the undertaking by virtue of a control contract whereby it has exercises control over it

** Associate

† No financial statements are required to be prepared for these U.K. companies

‡ These are dormant U.K. companies whose financial statements are not required to be audited