ContiTech United Kingdom Limited

Annual Report and Financial Statements

Registered number 1076936

31 December 2021

Contents

Strategic report

The directors present their annual report and financial statements for the year ended 31 December 2021.

Business review

ContiTech United Kingdom Limited is part of the Continental Group of companies. The profit for the year retained by the Company was £5,323,000 (2020: £6,262,000) which was achieved from a turnover of £29,841,000 compared to turnover of £25,897,000 for the previous year. This increase in turnover for the year mainly relates to turnover of £2,675,000 realised after the asset purchase of Merlett Plastics UK Ltd, an existing company within the Continental Group as of 1st July 2021.

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

Its main competitors are Gates, Hutchinson, Megadyne and Optibelt.

Company Objectives and Business Strategy

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

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

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

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

Principal risks and uncertainties

Coronavirus Pandemic (COVID-19)

The impact of COVID-19 to the company's operations is minimal. The Directors are monitoring closely developments relating to the pandemic, looking to mitigate the risk that it may have on the employees, customers and supply chain.

UK exiting the European Union

The decision to leave the E.U following the Brexit referendum has had an impact on the company. However, the Company had prepared itself for the customs procedures required from 1 January 2021 for all imports and exports of goods to and from the EU and this ensured that any disruption experienced was minimised.

Foreign currency risk

Since the Company operates globally there is significant potential for exchange rate risks. The primary currencies in which the Company operates are Sterling and Euros and hence the Company is exposed to foreign currency risk on both purchases and sales. The Company's sales of finished goods to UK and European customers are mainly invoiced in euros, and the majority of purchases of raw materials are from European companies who invoice in euros, helping to offset risk in this area. The Company does not use forward contracts to fix the exchange rate on future transactions.

Strategic report *(continued)*

Key Performance Indicators

The Company considers profit before tax, turnover growth and working capital to be its main financial indicators. The Company has produced a lower than planned like for like profit before tax of £5,263,000 (adjusted for Merlett acquisition) compared to a budget of £7,840,000. This was impacted by general cost increase in core categories of material, freight and labour. The planned sales value was set at £25,869,000 with actual like for like achieved of £27,166,000 (adjusted for Merlett acquisition). The working capital target (calculated as average (sum of inventory, trade receivables-external, and trade payables-external)/revenue) was 3.5% and our like for like achievement for the year 2021 was 2.5% (adjusted for Merlett acquisition).

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

Section 172(1) statement

The Directors of the Company act in a way that considers and promotes the success of the Company in line with the requirements of s172 of the Companies Act 2006. This is done in good faith, to benefit its members as a whole.

Division of responsibilities

Exercising reasonable care, skill and due diligence, the Statutory Directors collectively act to make decisions on behalf of the company. They make the strategic and operational decisions and are responsible for ensuring that the company meets its statutory obligations.

Additionally, the role of the Statutory Directors is to promote the success of the company, giving due regard to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

Our Stakeholders

Our goal is to take a leading position in the global market and in the ContiTech Group. We will create sustainable values and act responsibly to achieve that goal. The satisfaction of our customers (internal/external), employees and society are the benchmark for our actions. It secures our jobs. Our rule is "zero mistakes" because the constant pursuit of accuracy is more efficient than correcting mistakes.

Each employee makes his or her personal contribution by error-free, prudent, and forward-looking actions in the areas of

- quality
- environmental protection
- prevention work-related injury and ill health
- efficient energy use / energy saving

The Company considers the impact it has on the environment, employs a full time Environmental, Safety and Health Manager and has been certified to ISO 14001 in the area of environmental management, and ISO 50001 in the field of energy management. The focus on quality encompasses all aspects of production, from supplier through to customer. The Company is required to have a robust quality management system which is regularly audited by third party auditors, and the Company is certified to ISO/IATF 16949.
Our management promotes the information, motivation, and competence of each individual employee through targeted and planned training and further educational measures.

Strategic report *(continued)*

The management will provide the necessary resources and information to:

- achieve the strategic and operational goals
- further develop the management system
- acquire safe and energy efficient products and services

We commit ourselves to:

- comply with customer requirements
- comply with applicable statutory requirements and other binding obligations
- provide safe and healthy working conditions for the prevention of work-related injury and ill health, to eliminate hazards, to reduce occupational safety and health risks and to consult and to participate the workers or their representatives
- protect the environment i.e., prevent environmental pollution, use resources sparingly, and
- reduce energy consumption

For achieving our corporate goals all our processes and our management system are subject to constant improvement.

This enables us to achieve

- customer satisfaction
- continuous sustainable improvement of environmental performance
- energy related performance as well as health and safety related performance

We identify potential, make decisions, and define measures based on process performance indicators and process results.

We cultivate long-term business relationships for mutual benefit in partnership with our suppliers and service providers. This applies with a simultaneous request for the continuous improvement of the product quality with minimization of environmental influences as well as the adherence of the business partner code of conduct

All our processes are designed to be in line with the objectives of our company, of customers' requirements as well as the relevant requirements of all other interested parties.

On behalf of the board

B Kassens
Director

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

06 April 2023

Directors' report

Proposed Dividend

The directors do not recommend the payment of a dividend *(2020: £nil)*.

Directors

The directors who were in office during the year and up to the date of signing the financial statements were as follows:

I P Jones (resigned 31st March 2021)
F Jung (appointed 1st April 2021, resigned 30th April 2022)
B Kassens (appointed 1st February 2022)
R Arning (appointed 1st May 2022)

Employees

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

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

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

Political and charitable contributions

The company made a donation to charity of £325 *(2020: £nil)* during the year. Political contributions were nil *(2020: £nil)*.

Independent auditors

Following a competitive tender process PricewaterhouseCoopers LLP have been appointed to succeed KPMG LLP. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the Board

B Kassens

B Kassens
Director

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

06 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 also 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.

Directors' confirmations
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of ContiTech United Kingdom Limited

Report on the audit of the financial statements

Opinion

In our opinion, ContiTech United Kingdom Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of Financial Position as at 31 December 2021; Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment and taxation legislations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations;
- Understanding and evaluating the key elements of the company's internal controls related to estimates;
- Reviewing accounting estimates for management bias and validating support behind assumptions and judgements made by management;
- Identifying and testing journal entries relating to unusual account combinations and entries with specific words

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sarah O'Donnell

Sarah O'Donnell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 April 2023

Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	2	29,841	25,897
Cost of sales		(18,732)	(13,730)
Gross profit		11,109	12,167
Other income / (expense)	3	217	(99)
Selling and distribution expenses		(1,456)	(382)
Administrative expenses		(4,179)	(4,386)
Operating profit	6	5,691	7,300
Financial (expense) / income	7	(140)	423
Profit before tax		5,551	7,723
Tax expense	8	(228)	(1,461)
Profit for the year		5,323	6,262
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		5,323	6,262

The notes on pages 12-26 form part of these financial statements.

Statement of Financial Position

at 31 December 2021

	Note	2021 £000	2020 £000
Non- current assets			
Property, plant and equipment	*9(a)*	3,102	3,214
Right-of-use assets	*9(b)*	3,087	3,505
Intangible assets	*10*	451	5
Total non-current assets		6,640	6,724
Current assets			
Inventories	*12*	2,640	1,786
Trade and other receivables	*13*	69,416	65,504
Cash and cash equivalents	*14*	1	1
Total current assets		72,057	66,291
Total assets		78,697	73,015
Current liabilities			
Trade and other payables	*15*	(7,437)	(6,644)
Long term liabilities			
Creditors. Amount due after one year	*17*	(2,953)	(3,387)
Total liabilities		(10,390)	(10,031)
Net assets		68,307	62,984
Equity			
Share capital	*16*	1000	1,000
Retained earnings		67,307	61,984
Total equity		68,307	62,984

The notes on pages 12-26 form part of these financial statements.

These financial statements on pages 9 to 26 were approved by the board of directors on 06 April 2023 and were signed on its behalf by:

B Kassens

B Kassens
Director

Company Number: 1076936

Statement of Changes in Equity
for year ended 31 December 2021

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2020	1,000	55,722	56,722
Total comprehensive income for the year	-	6,262	6,262
Balance at 31 December 2020	1,000	61,984	62,984
Balance at 1 January 2021	1,000	61,984	62,984
Total comprehensive income for the year	-	5,323	5,323
Balance at 31 December 2021	**1,000**	**67,307**	**68,307**

The notes on pages 12-26 form part of these financial statements.

Notes

1. Accounting policies

Statutory information

Contitech UK Limited is a private company, limited by shares, registered in England and Wales. The company's registered number is 1076936 and its registered office address is Hindley Green Business Park, Leigh Road, Hindley Green, Wigna, WN2 4TN.

Basis of preparation

The company has transitioned from preparing financial statements in accordance with IFRS as adopted by the European Union to preparation of financial statements in accordance with the Companies Act 2006, under FRS 101.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Continental AG, includes the Company in its consolidated financial statements. The consolidated financial statements of Continental AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Vahrenwalder Strasse 9, D-30165, Hannover, Germany.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and

As the consolidated financial statements of Continental AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

The financial statements are prepared in Sterling and rounded to the nearest thousand, unless otherwise stated.

Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Notes *(continued)*

1. Accounting policies (continued)

***Accounting estimates and judgements** (continued)*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Recoverability of certain assets/impairment calculations

The Company reviews the carrying value of stocks and debtors to assess whether any impairments are required to bring the carrying value down to net realisable value / recoverable amount.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As noted on page 1 the Company manufactures power transmission belting for automotive, white goods and engineering industries which are used by other members on the Continental Group.

The Company is a member of the UK cash pooling facility managed by Continental UK Group Holdings Limited whereby the cash balance of the Company is swept into an intercompany bank account on a daily basis. To the extent that working capital requirements arise these are met through access to the cash pooling facility. The Company is cash generative and continues to hold an intercompany receivable balance as at the date of approval of these financial statements.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least thirteen months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Foreign currency

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

Property, plant and equipment

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow moving or defective items where appropriate.

Intangible assets

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

Notes *(continued)*

1. **Accounting policies** (continued)

Intangible assets (continued)
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Software development	-	3 years

Financial instruments

Non-derivative financial instruments

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment loss.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Impairment of assets

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

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

Employee benefits

Defined contribution plans

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

Defined benefit plans (Closed as of 5th April 2018)

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

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes *(continued)*

1. Accounting policies *(continued)*

Revenue

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

All revenue is generated from products transferred at a point in time and there is no revenue generated from products transferred over a period of time. The primary geographical market is the European market and all revenue is generated from the sale of component parts of mechanical products.

Expenses

Operating lease payments

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

Finance income and expenses

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

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

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

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Accounting standards adopted during the year

Based on a recent review of all the endorsed IFRS standards and interpretations, there are no standard or interpretation the company has not applied that would materially affect the financial statements for the current year, as well as the comparable balances presented.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

As a lessee

The Company allocates the consideration in the contract to each lease component based on its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

Notes *(continued)*

1. Accounting policies *(continued)*

Leases (continued)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes *(continued)*

2. Revenue

Revenue is attributable to the manufacture and sale of power transmission belts.

By geographical market	**2021** **£000**	2020 £000
United Kingdom	**2,835**	623
Rest of Europe	**23,475**	21,998
Asia	**3,167**	2,601
Americas	**364**	675
	29,841	25,897

3. Other income/(expense)

	2021 **£000**	2020 £000
Equalisation commission	**309**	308
Employer Pension Contribution	**(92)**	(407)
	217	(99)

4. Staff numbers and costs

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

	Number of employees	
	2021	2020
Production	**108**	98
Selling and distribution	**25**	32
Administration	**16**	19
	149	149

The aggregate payroll costs of these persons were as follows:

	2021 **£000**	2020 £000
Wages and salaries	**6,979**	6,069
Social security costs	**505**	499
Other pension costs	**544**	931
	8,028	7,499

Notes *(continued)*

5. Director's Remuneration

	2021 £000	2020 £000
Directors' emoluments	20	249
Pension contributions	5	45
	25	294

The aggregate emoluments of the highest paid director were £20,590 *(2020: £249,000)* and company pension contributions of £4,767 *(2020: £45,000)* were made to a defined benefit scheme on his behalf.

	Number of directors 2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	2

Notes *(continued)*

6. Operating Profit

Operating profit before tax is stated after charging:

	2021 £000	2020 £000
Auditor's remuneration:		
Audit of the Company	63	52
Depreciation of owned tangible fixed assets	631	695
Depreciation of right-of-use assets	418	418
Amortisation of intangible assets	198	3
Hire of other assets – operating leases	13	20
Stock write off	42	18

7. Financial (Expense)/Income

	2021 £000	2020 £000
Interest income on financial assets		
IFRS 16 lease interest	182	236
Net foreign exchange (loss)/gain	(49)	(56)
	(273)	243
	(140)	423

Notes *(continued)*

8. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2020 £000
UK Corporation tax at 19% *(2020:19 %)*:		
Current year	1,052	1,458
Adjustment in respect of prior years	(808)	(23)
Total current tax charge for the year	244	1,435
Deferred tax	(16)	26
Total tax charge	228	1,461

The charge for the year can be reconciled to the profit per the income statement as follows:

	2021 £000	2020 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	5,551	7,723
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% *(2020: 19 %)*	1,055	1,467
Effects of:		
Expenses not deductible for tax	13	3
Adjustment in respect of prior year	(808)	(9)
Tax rate changes	(25)	-
Benefit of Super Deduction	(7)	-
Current tax in income statement	228	1,461

Following the enactment of the Finance Act 2021, the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023. Deferred tax has been recognised at 25%, the rate expected to be in force at the time of reversal of temporary differences for all temporary differences excluding other temporary differences which have been measured at 19% as they are expected to unwind before 1 April 2023.

Notes *(continued)*

9. (a) Property, plant and equipment

	Plant and machinery £000	Fixtures, fittings tools and equipment £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2021	15,382	918	569	16,869
Additions	410	64	45	519
Transfers	229	-	(229)	-
Balance at 31 December 2021	**16,021**	**982**	**385**	**17,388**
Accumulated depreciation				
Balance at 1 January 2021	12,914	741	-	13,655
Charge for the year	532	99	-	631
Balance at 31 December 2021	**13,446**	**840**	**-**	**14,286**
Net book value				
At 31 December 2021	**2,575**	**142**	**385**	**3,102**
At 31 December 2020	**2,468**	**177**	**569**	**3,214**

Notes *(continued)*

9 (b) Right-of-use assets

	Land and buildings £000	Total £000
Cost		
Balance at 1 January 2021	4,289	4,289
Additions	-	-
Balance at 31 December 2021	**4,289**	**4,289**
Accumulated depreciation		
Balance at 1 January 2021	784	784
Charge for the year	418	418
Balance at 31 December 2021	**1,202**	**1,202**
Net book value		
At 31 December 2021	**3,087**	**3,087**
At 31 December 2020	**3,505**	**3,505**

Notes *(continued)*

10. Intangible assets

	Software Development £000	Total £000
Cost		
Balance at 1 January 2021	262	262
Additions	644	644
Balance at 31 December 2021	906	906
Accumulated amortisation		
Balance at 1 January 2021	257	257
Charge for the year	198	198
Balance at 31 December 2021	455	455
Net book value		
At 31 December 2021	**451**	**451**
At 31 December 2020	5	5

11. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Property, plant and equipment	-	-	(35)	(21)	(35)	(21)
Timing differences	38	8		-	38	8
Net tax liabilities/(assets)	38	8	(35)	(21)	3	(13)

Notes *(continued)*

11 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the year

	Balance at 1 January 2021 £000	Recognised in income statement £000	31 December 2021 £000
Property, plant and equipment	(21)	(14)	(35)
Timing differences	8	30	38
	(13)	16	3

Movement in deferred tax during the prior year

	Balance at 1 January 2020 £000	Recognised in income statement £000	31 December 2020 £000
Property, plant and equipment	13	(34)	(21)
Timing differences	-	8	8
	13	(26)	(13)

12. Inventories

	2021 £000	2020 £000
Raw materials and consumables	1,115	1,248
Work in progress	169	135
Finished goods	1,356	403
	2,640	1,786

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

Notes *(continued)*

13. Trade and other receivables

	2021 £000	2020 £000
Receivables due from affiliates	65,452	62,539
Trade receivables net of impairment loss recognised	3,935	1,532
	69,387	64,071
Other receivables	14	383
Prepayments and accrued income	12	50
Deferred tax asset	3	-
	69,416	64,504

Trade receivables are stated after provisions for impairment of £11,820 (2021: £2,487).

14. Cash and cash equivalents

	2021 £000	2020 £000
Bank balances	1	1
	1	1

15. Trade and other payables

	2021 £000	2020 £000
Payables due to affiliates	357	281
Trade payables	2,932	2,499
Corporation tax	2,449	2,206
Deferred tax liability	-	13
Accruals and deferred income	1,233	1,176
Lease liabilities (current)	466	469
	7,437	6,644

Notes *(continued)*

16. Pension plans

ContiTech UK contributions to the defined benefit plan

Pension costs for the defined benefit scheme amounted to £91,000 *(2020: £407,000)* as the scheme is now closed and no further contributions are therefore payable. There were no outstanding contributions at year end.

Defined contribution scheme

Pension costs for the defined contribution scheme amounted to £452,000 *(2020: £931,000)*. There were no outstanding contributions at year end

17. Share Capital

	2021 £000	2020 £000
Authorised, issued and fully paid:		
1,000,000 (2020: 1,000,000) ordinary shares of £1 each	**1,000**	1,000

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

18. Creditors. Amount due after more than 1 year

	2021 £000	2020 £000
Lease liabilities (long-term)	**(2,953)**	(3,387)

19. Contingencies

The Company has entered into a joint agreement with Continental UK Group Holdings Limited to cross guarantee bank overdrafts up to a limit of £5m as part of the UK group cash pooling arrangements.

20. Ultimate parent company and parent company of a larger group

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

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