

Continental U.K. Group Holdings Limited

Annual report and financial statements

Registered number 566118

31 December 2022

Contents

Page

Strategic Report	2
Directors' report	3
Statement of directors' responsibilities	4
Independent Auditors' Report to the members of Continental U.K. Group Holdings Limited	5
Income statement	9
Statements of other comprehensive income	10
Balance sheet	11
Statement of Changes in Equity	12
Notes to the financial statements	13

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2022.

Review of the company's business

The company will continue to offer "arms-length" funding to its UK subsidiaries and UK affiliated Continental Group undertakings. The company is the sponsoring company of the Continental Group Pension and Life Assurance Scheme and holds the pension within its' financial statements. It is expected that funding will be provided to additional entities in 2023 in line with the expansion of the UK Group.

The company made an operating loss of £468,000 (2021: £337,000). Loss before tax for the year was £3,489,000 (2021: loss £1,117,000). The loss for the financial year amounted to £2,834,000 (2021: loss £3,512,000). At 31 December 2022 the company had net assets of £50,407,000 (2021: £53,087,000).

Principal risks and uncertainties

Credit risk is the risk of financial loss to the company if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's affiliated receivables and loans to related parties. Credit risks are actively managed internally, and all affiliated receivables are with companies in the United Kingdom.

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. To counter both liquidity risk and cash flow risk, the company manages, corporate group guidelines, a UK-wide cash pooling arrangement with its clearing bankers within.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. The company has borrowings that incur interest at floating rates and hence is exposed to interest rate risk. Management constantly monitors the floating interest rates so that action can be taken should it be considered necessary. The company does not hedge currencies nor engage in interest rate swaps.

Foreign exchange risk specifically arises from day-to-day transactions with affiliated companies who in turn trade in sterling and foreign currencies. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement. No forward contracts are used to fix the exchange rate on future transactions.

On behalf of the board



M Owen
Director
26 June 2023

Continental House
191 High Street
Yiewsley
West Drayton
Middlesex
UB7 7XW

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022. The company registration number of Continental U.K. Group Holdings Limited is 566118.

Results and dividend

The loss for the year after tax amounted to £2,834,000 (2021: loss of £3,512,000).

Dividend in respect of the current period

There were no dividends proposed or paid for year ended 31 December 2022 (2021: Nil). No dividends were received for the year ended 31 December 2022 (2021: Nil).

Financial risk management

Management of the financial risks have been discussed in the strategic report.

Directors

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

G Bartels
M Owen
D Smith (Resigned 31 March 2022)
T Gorgun (Appointed 31 March 2022)
J Suttmeier (Resigned 1 July 2022)
C Willeke (Appointed 1 July 2022)

These directors have no substantial shareholdings in the company.

Political and charitable contributions

The company made no political donations during the year (2021: Nil).

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

Directors' report (continued)

Statement of directors' responsibilities (continued)

- 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 to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP were auditors during the year and have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



M Owen
Director
26 June 2023

Continental House
191 High Street
Yiewsley
West Drayton
Middlesex
UB7 7XW

Independent auditors' report to the members of Continental U.K. Group Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Continental U.K. Group Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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 and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Income statement, the Statement of other comprehensive expense and the 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.

Independent auditors' report to the members of Continental U.K. Group Holdings Limited (continued)

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 2022 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.

Independent auditors' report to the members of Continental U.K. Group Holdings Limited (continued)

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 legislation and pension legislation, 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 UK taxation legislation and 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:

- Detailed discussions with management and walkthrough procedures to understand and evaluate the controls designed to prevent and detect irregularities and fraud;
- Reviewed legal expenses to identify any inconsistencies with other information provided by management;
- Assessing significant judgements and estimates;
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations and;
- Incorporating elements of unpredictability.

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.

Independent auditors' report to the members of Continental U.K. Group Holdings Limited (continued)

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.

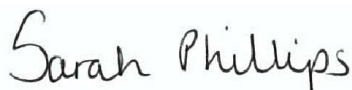
Other required reporting

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 Phillips (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

26 June 2023

Income statement
for the year ended 31 December 2022

	<i>Note</i>	2022	2021
		£000	£000
Administrative expenses	3	(957)	(817)
Other income		489	480
Operating loss	3	(468)	(337)
Income from associated undertakings		-	-
Loss before interest and taxation		(468)	(337)
Finance income	5	3,474	639
Finance expenses	5	(6,495)	(1,419)
Finance expenses - net		(3,021)	(780)
Loss before income tax		(3,489)	(1,117)
Income tax credit/ (charge)	6	654	(2,395)
Loss for the financial year		(2,835)	(3,512)

The notes on pages 13 to 31 form part of the financial statements.

Statement of other comprehensive expense
for the year ended 31 December 2022

	<i>Note</i>	2022	2021
		£000	£000
Loss for the financial year		(2,835)	(3,512)
Other comprehensive income items that will not be reclassified to profit or loss			
Remeasurements on post-employment benefits	12	324	266
Movement on deferred tax relating to pension deficit	12	(60)	2,840
Group defined benefit plan excess contributions offset	12	(109)	(127)
Other comprehensive income for the year, net of tax		155	2,979
Total comprehensive expense for the year		(2,680)	(533)

The notes on pages 13 to 31 form part of the financial statements.

Balance sheet

Registered number: 0566118
as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Right-of-use assets	7	1,601	2,058
Investments in subsidiaries	8	88,198	88,198
Deferred tax asset	12	1,021	1,081
		90,820	91,337
Current assets			
Trade and other receivables	9	184,962	153,637
Cash and cash equivalents		12,044	24,215
		197,006	177,852
Creditors – amounts falling due within one year	10	(232,154)	(210,132)
Net current liabilities		(35,148)	(32,280)
Total assets less current liabilities		55,672	59,057
Creditors – amounts falling due after more than one year	11	(1,181)	(1,644)
Employee benefit obligation	12	(4,084)	(4,326)
Net assets		50,407	53,087
Equity			
Ordinary shares		1	1
Retained earnings		50,406	53,086
Total shareholders' funds		50,407	53,087

The notes on pages 13 to 31 form part of the financial statements.

These financial statements on pages 9 to 31 were approved by the board of directors on 26 June 2023 and signed on its behalf by:



M Owen
Director

Statement of changes in equity

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	1	53,619	53,620
Loss for financial year	-	(3,512)	(3,512)
Movement on pension	-	139	139
Movement on deferred tax on pension liability	-	2,840	2,840
Total comprehensive expense for the year	-	(533)	(533)
Balance at 31 December 2021	1	53,086	53,087
	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	1	53,086	53,087
Loss for financial year	-	(2,835)	(2,835)
Movement on pension	-	215	215
Movement on deferred tax on pension liability	-	(60)	(60)
Total comprehensive expense for the year	-	(2,680)	(2,680)
Balance at 31 December 2022	1	50,406	50,407

The notes on pages 13 to 31 form part of the financial statements.

Notes to the financial statements

1 General information

Continental U.K. Group Holdings Limited (the “company”) is a private company limited by shares incorporated in England and Wales and domiciled in the UK. The address of its registered office is Continental House, 191-195 High Street, Yiewsley, West Drayton, Middlesex UB7 7XW.

The principle activity is the holding company for the main Continental UK subsidiaries.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Continental U.K. Group Holdings Limited have been prepared in accordance with Financial Reporting Standard 101, ‘Reduced Disclosure Framework’ (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2 subsection *Critical accounting estimates and assumptions*.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, ‘Financial instruments: Disclosures’.
- The following paragraphs of IAS 1, ‘Presentation of financial statements’:
 - 134-136 (capital management disclosures).
- IAS 7, ‘Statement of cash flows’.
- Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation).
- The requirements in IAS 24, ‘Related party disclosures’, to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 ‘Business Combinations’, can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The following paragraphs of IAS 1, ‘Presentation of financial statements’:
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and
 - 40A–D (requirements for a third statement of financial position).
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, ‘Impairment of assets’ (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management’s approach to determining these amounts).

Notes to the financial statements *(continued)*

2 Significant accounting policies *(continued)*

Going concern

Notwithstanding net current liabilities of £35,148,000 as at 31 December 2022, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company holds the cash pool facility for all UK entities of the Continental AG group whereby cash balances from all participating entities are swept into the Company's bank account at the end of each day. The day-to-day working capital requirements of the participating entities are met by this cash pool facility.

The company's ultimate parent company Continental AG is not seeking repayment of the amounts currently due to the group, which at 31 December 2022 amounted to £3,918,550, and providing additional financial support during a period of at least 12 months from the date of approval of these financial statements. Continental AG has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by this assessment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

Consolidation

The company is a wholly owned subsidiary of Continental Global Holdings Netherlands B.V and of its ultimate parent Continental AG. It is included in the consolidated financial statements of Continental AG, which are publicly available. Therefore, the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is Continental AG, P.O Box 169, 30001 Hanover, Germany.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. All other foreign exchange gains and losses are presented in the income statement within 'Other (expenses)/income'.

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Notes to the financial statements *(continued)*

2 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.

Share capital

Ordinary shares are classified as equity.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements *(continued)*

2 Significant accounting policies *(continued)*

Employee benefits

Defined benefit plans

For employees in service in Continental Tyre Group Ltd. and ContiTech United Kingdom Limited as at 5 April 2002, the company, as principal employer, provides pension benefits based on the employees years of service and final pensionable pay. This is in the form of a group wide defined benefit pension plan. The assets of the scheme are held separately from those of the group. Each year the Company charges or credits appropriate single line recharges of the net defined benefit cost to the income statement of Continental Tyre Group Ltd. and ContiTech United Kingdom Limited.

The Company's net obligation in respect of the defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Provisions

Provisions are recognised where: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Interest income / (expense)

Interest income/(expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

Leases

The company leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the financial statements *(continued)*

2 Significant accounting policies *(continued)*

Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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:

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 12 for the disclosures of the defined benefit pension scheme.

Notes to the financial statements *(continued)*

3 Operating loss

Loss before taxation is stated after charging/ (crediting)	2022	2021
	£000	£000
Auditor's remuneration:		
Audit fees payable to the company's auditor	18	10
Depreciation of right of use assets	457	457

4 Employees and directors

There are no employees of the company.

No director received any remuneration for their services to Continental U.K. Group Holdings Limited. No emoluments for the directors are shown in these financial statements because their services to the company are minor and an amount in respect of those services cannot realistically be attributed.

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

5 Finance income and expense

	2022	2021
	£000	£000
Interest income group companies	3,399	587
Interest income third parties	75	52
Net foreign exchange gain	-	-
Finance income	3,474	639
Interest expense group companies	(6,073)	(502)
Interest expense third parties	(999)	(66)
Net foreign exchange gain/ (loss)	577	(851)
Finance expense	(6,495)	(1,419)
Net finance cost	(3,021)	(780)

Notes to the financial statements (continued)

6 Income Tax

Recognised in the income statement

	2022 £000	2021 £000
Current tax credit:		
Current year	(654)	(224)
Adjustments for prior year	-	-
	<hr/>	<hr/>
Deferred tax charge:		
Current year	-	-
Effect of changes in tax rates	-	2,619
Adjustments in respect of previous periods	-	-
	<hr/>	<hr/>
Total tax (credit)/ charge in the income statement	<u>(654)</u>	<u>2,395</u>

Reconciliation of effective tax rate:

	2022 £000	2021 £000
Loss before tax	(3,489)	(1,117)
	<hr/>	<hr/>
Tax using the domestic weighted corporation tax rate of 19.00% (2021: 19.00%)	(663)	(212)
Non deductible expenses	-	-
Non Taxable dividend exemption received as per section 931 CTA 2009	-	-
Expenses not deductible	14	-
Tax rate changes	-	2,619
(Over) provided in prior years	-	-
Pension contributions not eligible for deductible	(5)	(12)
Utilisation of unrecognised deferred tax assets	-	-
	<hr/>	<hr/>
Total tax (credit)/ charge in income statement	<u>(654)</u>	<u>2,395</u>

The corporation tax rate applicable to the company for 2022 was 19.00% (2021: 19.00%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is effective from 1 April 2023 which was reaffirmed in Spring Budget announcement on 15 March 2023. Deferred taxes on the balance sheet have been measured at 25% which is already applicable for the purposes of calculating deferred tax under UK GAAP.

Notes to the financial statements *(continued)*

7 Leases

The company has lease contracts for various buildings. The amounts recognised in the financial statements in relation to the leases are as follows:

1. Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases

	2022 £000	2021 £000
Right of use assets		
Land and buildings	1,601	2,058
	1,601	2,058
Lease liabilities		
Current	462	456
Non-current	1,182	1,644
	1,644	2,100

Additions to the right-of-use assets during the financial year were £nil (2021 £nil).

2. Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2022 £000	2021 £000
Depreciation charge of right of use assets		
Land and buildings	457	457
 Interest expense (included in finance cost)	 24	 30

Notes to the financial statements *(continued)*

8 Investments

The Company has the following directly and indirectly held investments:

	<i>Country of Incorporation</i>	<i>Class of shares held</i>	<i>Ownership</i>	
			2022	2021
Continental Tyres Limited 191 High Street, Yiewsley, West Drayton, UB7 7XW	England and Wales	Ordinary	100%	100%
Continental Investment Limited 191 High Street, Yiewsley, West Drayton, UB7 7XW	England and Wales	Ordinary	100%	100%
Viking Tyres (UK) Limited 191 High Street, Yiewsley, West Drayton, UB7 7XW	England and Wales	Ordinary	100%	100%
Continental Tyre Group Ltd. 191 High Street, Yiewsley, West Drayton, UB7 7XW	England and Wales	Ordinary	*100%	*100%
Semperit (U.K.) Limited 191 High Street, Yiewsley, West Drayton, UB7 7XW	England and Wales	Ordinary	*100%	*100%
BV Environmental Limited Gillard Way, Lee Mill Ind. Est., Ivybridge, PL21 9LN	England and Wales	Ordinary	100%	100%
Bandvulc Tyres Ltd Gillard Way, Lee Mill Ind. Est., Ivybridge, PL21 9LN	England and Wales	Ordinary	100%	100%
Tyre Maintenance Limited Gillard Way, Lee Mill Ind. Est., Ivybridge, PL21 9LN	England and Wales	Ordinary	100%	100%
Vanvulc Tyres Limited Gillard Way, Lee Mill Ind. Est., Ivybridge, PL21 9LN	England and Wales	Ordinary	100%	100%
BV FIRST Limited Gillard Way, Lee Mill Ind. Est., Ivybridge, PL21 9LN	England and Wales	Ordinary	100%	100%
Granite Investments Ltd. Gillard Way, Lee Mill Ind. Est., Ivybridge, PL21 9LN	England and Wales	Ordinary	100%	100%
Libra Associates (Properties) Limited Gillard Way, Lee Mill Ind. Est., Ivybridge, PL21 9LN	England and Wales	Ordinary	100%	100%
Kim Holdings Scotland Limited Radleigh House 1 Golf Road, Clarkston, G76 7HU	Scotland	Ordinary	100%	100%
R&J Strang Tyre Services Limited Radleigh House 1 Golf Road, Clarkston, G76 7HU	Scotland	Ordinary	*100%	*100%

*Indirectly held investment shown with effective ownership

Notes to the financial statements *(continued)*

8 Investments *(continued)*

	Investments £000	Total £000
Cost		
Balance at 1 January 2021	241,075	241,075
	<hr/>	<hr/>
Balance at 31 December 2021	241,075	241,075
	<hr/>	<hr/>
Accumulated Impairment		
Balance at 1 January 2021	152,877	152,877
	<hr/>	<hr/>
Balance at 31 December 2021	152,877	152,877
	<hr/>	<hr/>
Net carrying value		
At 1 January 2021	88,198	88,198
	<hr/>	<hr/>
At 31 December 2021	88,198	88,198
	<hr/>	<hr/>

	Investments £000	Total £000
Cost		
Balance at 1 January 2022	241,075	241,075
	<hr/>	<hr/>
Balance at 31 December 2022	241,075	241,075
	<hr/>	<hr/>
Accumulated Impairment		
Balance at 1 January 2022	152,877	152,877
	<hr/>	<hr/>
Balance at 31 December 2022	152,877	152,877
	<hr/>	<hr/>
Net carrying value		
At 1 January 2022	88,198	88,198
	<hr/>	<hr/>
At 31 December 2022	88,198	88,198
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

9 Trade and other receivables

	2022 £000	2021 £000
Amounts owed by group undertakings	170,687	138,325
Other receivables	14,275	15,312
	<u>184,962</u>	<u>153,637</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	59,385	39,872
Amounts owed to group undertakings	171,849	169,591
Lease liabilities	462	456
Other payables	383	123
Accruals	75	90
Creditors: amounts falling due within one year	<u>232,154</u>	<u>210,132</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11 Creditors: amounts falling due more than one year

Amounts falling due after more than one year and less than five years:

	2022 £'000	2021 £'000
Lease liabilities	<u>1,182</u>	<u>1,644</u>

Notes to the financial statements *(continued)*

12 Employee benefit obligation

Defined benefit scheme

The company sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 752 past and present employees as at 5 April 2018. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

This most recent actuarial valuation showed a deficit of £17,119,000. On 25 April 2019 the trustees agreed to secure all the scheme liabilities with Aviva. The assets of the scheme as at that date were enough to secure the buy-in policy and hence for the purposes of the recovery plan the scheme is fully funded. Hence no further contributions will be paid to the scheme in respect of the shortfall as at 5 April 2018.

For the purposes of IAS19 the actuarial valuation as at 5 April 2018, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2022. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

The company has actioned a 'buy in' of the defined benefit scheme in 2019. Investigations are ongoing with regards any possible 'buy out' and there has been no commitment made to 'buy out' the defined benefit scheme at date of signing the Financial Statements.

Notes to the financial statements *(continued)*

12 Employee benefit obligation *(continued)*

	Post-employment benefits ‘£000	Total ‘£000
At 1 January 2022	4,326	4,326
Movement in pension scheme deficit	(242)	(242)
At 31 December 2022	<u>4,084</u>	<u>4,084</u>

Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2022 ‘£000	2021 ‘£000
Deferred tax assets due in more than 12 months	1,021	1,081

Deferred tax assets	Relating to the pension deficit ‘£000	Total ‘£000
At 1 January 2021	860	860
Charged to the income statement	(2,619)	(2,619)
Credited directly to other comprehensive income	2,840	2,840
At 31 December 2021	1,081	1,081
Charged to the income statement	-	-
Credited directly to other comprehensive income	(60)	(60)
At 31 December 2022	<u>1,021</u>	<u>1,021</u>

At the Statement of Financial Position date, the Company also has unused capital losses of £9.2m (2021: £9.2m) available for the offset against future capital profits. No deferred tax asset has been recognised in respect of these losses as the Company does not believe that it is probable that they will be utilised in the foreseeable future.

Notes to the financial statements *(continued)*

12 Employee benefit obligation *(continued)*

Amounts included in the Statement of Financial Position

	2022 £'000	2021 £'000	2020 £'000
Fair value of plan assets	83,732	125,332	134,821
Present value of defined benefit obligations	(87,816)	(129,658)	(139,349)
Deficit in scheme	(4,084)	(4,326)	(4,528)
Impact of asset ceiling	-	-	-
Liability to be recognised	(4,084)	(4,326)	(4,528)
Deferred Tax	1,021	1,081	860
Net liability to be recognised	(3,063)	(3,245)	(3,668)

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

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the plan liabilities, whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In assessing this figure for the purpose of these disclosures, allowance has been made for future statutory revaluation of benefits up to retirement. At the balance sheet date the accumulated benefit obligation was £87,816,000.

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

Notes to the financial statements *(continued)*

12 Employee benefit obligation *(continued)*

The company have reviewed implications of the guidance provided by IFRIC14 and have concluded that it is not necessary to make any adjustments to the IAS19 figures in respect of an asset ceiling or Minimum Funding Requirement as at 31 December 2022.

	2022 £'000	2021 £'000
Defined benefit obligation at start of period	129,658	139,349
Current service cost	-	-
Expenses	183	418
Interest cost	2,425	1,924
Contributions by plan participants	-	-
Actuarial losses/ (gains) due to scheme experiences	5,666	(1,341)
Actuarial gains due to changes in demographic assumptions	(78)	(242)
Actuarial gains due to changes in financial assumptions	(45,801)	(6,129)
Benefit paid, death in service premiums and expenses	(4,237)	(4,321)
Past service costs	-	-
Gains on curtailments	-	-
Defined benefit obligation at end of period	87,816	129,658

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

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	125,332	134,821
Interest income	2,343	1,860
Return on plan assets (excluding amounts included in interest income)	(39,889)	(7,446)
Contributions by the Company	183	418
Contributions by plan participants	-	-
Benefit paid, death in service premiums and expenses	(4,237)	(4,321)
Fair value of plan assets at end of period	83,732	125,332

The actual return on the plan assets over the period ending 31 December 2022 was £37,546,000 (2021: 5,586,000).

Notes to the financial statements *(continued)*

12 Employee benefit obligation *(continued)*

Defined benefit costs recognised in profit or loss

	2022 £'000	2021 £'000
Service cost:		
Current service cost	-	-
Past service costs	-	-
Expenses	183	418
Net interest cost	82	64
	<hr/>	<hr/>
Defined benefit costs recognised in profit or loss	265	482
	<hr/>	<hr/>

Defined benefit costs recognised in other comprehensive income

	2022 £'000	2021 £'000
Return on plan assets (excluding amounts included in interest income) - (loss)	(39,889)	(7,446)
Experience gains and losses arising on the defined benefit obligation - (loss)/ gain	(5,666)	1,341
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	78	242
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	45,801	6,129
	<hr/>	<hr/>
Total actuarial gains	324	266
Effect of the asset ceiling (excluding amounts included in net interest cost) - gain	-	-
	<hr/>	<hr/>
Total amount recognised in other comprehensive - gain	324	266
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

12 Employee benefit obligation *(continued)*

Assets

	2022	2021	2020
	£'000	£'000	£'000
Fixed Income/Debt Securities	-	-	-
Diversified Growth Funds (Equity)	-	-	-
Cash	7,413	8,335	8,777
Growth Assets (absolute return fund)	-	-	-
Insured policies	85,774	126,635	136,100
Loan from company	(9,455)	(9,638)	(10,056)
Total Assets	83,732	125,332	134,821

None of the fair values of the assets shown above include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. A large proportion of the assets of the scheme are unquoted and have now been secured with Aviva.

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

The assets and liabilities are currently matched, to a large extent, by the insured policy held by the trustees of the plan.

The loan from the company will require settlement by the trustees if the defined benefit scheme is converted to a 'buy out'.

Significant actuarial assumptions (expressed as weighted averages):

	2022	2021	2020
Discount rate for liabilities	4.80%	1.90%	1.40%
Rate of increase for pensions in payment and deferred pensions-RPI 5% / CPI 5%	3.35%/2.95%	3.60%/3.10%	3.10%/2.60%

The mortality assumptions adopted at 31 December 2022 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2021 converging to 1.25% p.a. These imply the following life expectancies:

	Life expectancy at age 60 years
Male retiring in 2022	26.4
Female retiring in 2022	28.6
Male retiring in 2042	28.0
Female retiring in 2042	30.2

Notes to the financial statements *(continued)*

12 Employee benefit obligation *(continued)*

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

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.5% p.a.	Increase by 6.4%
Rate of inflation (revaluation and pension increases only)	Increase of 0.5% p.a.	Increase by 3.9%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.5%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease of 1.0%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ended 31 December 2022 is 13 years.

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

The best estimate of contributions to be paid by the company to the scheme for the period commencing 1 January 2022 is nil in respect of deficit contributions.

Pension recharge recognised in the income statement and other comprehensive income

During the year the company charged £155,550 (2021: charged £355,300) to Continental Tyre Group Ltd and ContiTech United Kingdom Limited in respect of the net periodic benefit costs under the group defined benefit scheme.

Notes to the financial statements *(continued)*

13 Contingencies

The company manages and operates within a UK-wide cash pooling arrangement with its clearing bankers. Daily sweeps are made of all member bank accounts during the week into the company managed pooling account. All companies in this arrangement cross-guarantee bank overdrafts up to a limit of £5m.

14 Commitments

There were no capital commitments at the end of the financial year *(2021: £nil)*.

15 Controlling parties

The company's ultimate parent company is Continental AG, a company incorporated in Germany. The company's immediate parent company is Continental Global Holding Netherlands B.V., a company incorporated in the Netherlands.

The largest and smallest group in which the results of the company are consolidated is that headed by Continental AG. The consolidated accounts of these groups are available to the public and may be obtained from the following address: Continental AG, P.O Box 169, 30001 Hanover, Germany.