

Company Registration No. 02407030 (England and Wales)

BERGSTROM (EUROPE) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
2 JANUARY 2021



BERGSTROM (EUROPE) LIMITED

COMPANY INFORMATION

Directors	D Rydell A Potter D Giovannetti N Wilkinson R Thrupp
Secretary	A Potter
Company number	02407030
Registered office	41 Sycamore Close Dyffryn Business Park Ystrad Mynach Mid Glamorgan CF82 7RJ Wales
Auditor	RSM UK Audit LLP Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD

BERGSTROM (EUROPE) LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 2 JANUARY 2021

The directors present the strategic report for the period ended 2 January 2021.

Review of the business

In 2020, the company's revenue decreased by 15% driven by the off-highway and agriculture market reaction to COVID-19 pandemic. As in 2019, our financial performance for 2020 was impacted by changes in commodity prices; copper, aluminum, steel, and oil as well as changes in currency markets (predominately the shift in £ to the \$ and €). Every effort is being made within all aspects of the business to alleviate these impacts and re-establish appropriate margins on our products.

Forecasts from all of the major manufacturers which we supply predict a return to better than pre pandemic levels of activity within our market sector. In addition, many of our customers are experiencing growth in the emerging market regions of the world, such as Brazil, Mexico, India and China. Bergstrom Europe, in conjunction with our parent company Bergstrom Inc, based in Rockford, IL, USA, has continued to invest in activities that ensure our organisation can supply the major original equipment manufacturers within each of these territories.

The business continues to benefit from ongoing business process improvement projects and as such, has seen a year of further improvement in both quality and delivery performance.

Key performance indicators	Target	2020	2019	2018
Annualised sales growth	10%	-15%	-3%	13%
Gross margin	20%	10%	14%	17%
Net profit	10%	5%	5%	4%
Working capital	10%	22%	16%	18%

Notes to key performance indicators:

Annualised sales growth is measured as the annual increase in revenue as a % of revenue from the prior year. Gross margin is measured as gross profit as a % of turnover. Net Profit is measured as net profit as a % of turnover. Working Capital is measured as account receivable plus inventories less accounts payables as a % turnover.

Principal risks and uncertainties facing the company

The principal risks and uncertainties facing the company currently revolve around the future order book prospects, and the ability to balance income with expenditure. As such, all major manufacturers are forecasting a return to pre pandemic level or better activity in 2021. There are still significant pressures on currency and commodities. Any order level improvement will be challenged by price inhibitors resulting in strained financial performance of the business.

The directors have considered these risks, and have put in place appropriate contingency plans in place, as well as identifying natural hedging opportunities that the group structure allows.

At the time of approval of these financial statements the COVID-19 pandemic has given rise to additional risk and uncertainty. The directors have considered these risks, and taken steps and actions they consider appropriate to minimise the associated impact. These include and are not limited to preparation of business continuity plans, including risk assessment and readiness evaluations covering all business functions. Regular communications have been made to staff, and the group's stakeholders to minimise disruption.

On behalf of the board



A Potter

Director

Date: Sept 24, 2021

BERGSTROM (EUROPE) LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 2 JANUARY 2021

The directors present their annual report and financial statements for the period ended 2 January 2021.

Principal activities

The principal activity of the company during the period was the custom design, manufacture, assembly and supply of vehicle heating and air conditioning systems.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

D Rydell
A Potter
D Giovannetti
N Wilkinson
R Thrupp

Results and dividends

The profit for the year, after taxation, amounted to £1,171,844 (2019 - profit £1,274,993). Particulars of dividends paid are detailed in note 9 to the financial statements.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates and credit risk.

The company's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the company's financial instruments can be analysed as follows:

Foreign currency risk

The company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. As the company both buys and sells goods within Europe and the US, and has increased its level of overseas spend the overall risk level has increased. The group manages its exposure to fluctuations in £ to \$ currency exchange rates by the use of forward exchange contracts to eliminate any uncertainty which would otherwise arise under these arrangements.

The main foreign currencies in which the company operates are the Euro and the US dollar.

Credit risk

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a fixed rate. The interest rate on any bank overdraft is at market rate and the company's policy is to keep any overdraft within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows.

BERGSTROM (EUROPE) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 2 JANUARY 2021

Directors' insurance

The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Research and development

The company continues to undertake research and development. Costs of £478,935 (2019 - £220,714) were expensed to the profit and loss account during the year.

Future developments

There are no plans to change the nature of the company's activities in the foreseeable future. As permitted by s414C(11) of the Companies Act 2006, matters relevant to future trading are noted in the Strategic Report.

Auditor

RSM UK Audit LLP has indicated its willingness to continue in office and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Environment

The company's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the company has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Employees

The quality and commitment of our people have played a major role in our business success. This has been demonstrated in many ways, including improvements in customer satisfaction, the development of our product lines and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employees' performance is aligned to company goals through an annual performance review process that is carried out with all employees.

On behalf of the board



A Potter

Director

Sept 24, 2021

BERGSTROM (EUROPE) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 2 JANUARY 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BERGSTROM (EUROPE) LIMITED

Opinion

We have audited the financial statements of Bergstrom (Europe) Limited (the 'company') for the period ended 2 January 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BERGSTROM (EUROPE) LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BERGSTROM (EUROPE) LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and reviewing tax computations prepared by external specialists.

The audit engagement team identified the risk of management override of controls and revenue recognition as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business; testing the recognition of a sample of revenue items with reference to the relevant contractual and shipping documentation, and the testing of controls relevant to the sales process.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Morgan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

27 SEPTEMBER 2021

BERGSTROM (EUROPE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 2 JANUARY 2021

		Period ended 2 January 2021 £	Period ended 28 December 2019 £
Turnover	3	23,555,260	26,669,475
Cost of sales		(20,342,486)	(22,830,017)
Gross profit		<u>3,212,774</u>	<u>3,839,458</u>
Administrative expenses		(2,614,732)	(2,237,479)
Other operating income		880,777	6,994
Operating profit	4	<u>1,478,819</u>	<u>1,608,973</u>
Interest payable and similar expenses	7	(31,615)	(36,541)
Profit before taxation		<u>1,447,204</u>	<u>1,572,432</u>
Tax on profit	8	(275,360)	(297,439)
Profit for the financial period		<u><u>1,171,844</u></u>	<u><u>1,274,993</u></u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

BERGSTROM (EUROPE) LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 2 JANUARY 2021**

	Notes	2021		2019	
		£	£	£	£
Fixed assets					
Tangible assets	11		710,837		860,344
Current assets					
Stocks	12	3,274,808		3,056,832	
Debtors	13	5,992,659		4,826,754	
Cash at bank and in hand		1,661,570		1,737,992	
			10,929,037		9,621,578
Creditors: amounts falling due within one year	14	(5,779,084)		(5,725,988)	
Net current assets			5,149,953		3,895,590
Total assets less current liabilities			5,860,790		4,755,934
Creditors: amounts falling due after more than one year	15		(19,317)		(10,096)
Provisions for liabilities	18		(350,011)		(426,220)
Net assets			5,491,462		4,319,618
Capital and reserves					
Called up share capital	21		200,000		200,000
Profit and loss reserves	22		5,291,462		4,119,618
Total equity			5,491,462		4,319,618

The financial statements were approved by the board of directors and authorised for issue on Sept 24, 2021 and are signed on its behalf by:



A Potter
Director

BERGSTROM (EUROPE) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 2 JANUARY 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 29 December 2018		200,000	3,844,625	4,044,625
Period ended 28 December 2019:				
Profit and total comprehensive income for the period		-	1,274,993	1,274,993
Dividends	9	-	(1,000,000)	(1,000,000)
Balance at 28 December 2019		200,000	4,119,618	4,319,618
Period ended 2 January 2021:				
Profit and total comprehensive income for the period		-	1,171,844	1,171,844
Balance at 2 January 2021		200,000	5,291,462	5,491,462

BERGSTROM (EUROPE) LIMITED

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 2 JANUARY 2021

	Notes	Period from 29 Dec 2019 to 2 Jan 2021		Period from 30 Dec 2018 to 28 Dec 2019	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	23		1,161,188		2,127,393
Interest paid			(31,615)		(36,541)
Income taxes paid			(339,603)		(211,453)
Net cash inflow from operating activities			<u>789,970</u>		<u>1,879,399</u>
Investing activities					
Purchase of tangible fixed assets		(64,958)		(201,341)	
Proceeds on disposal of tangible fixed assets		-		9,781	
Net cash used in investing activities			<u>(64,958)</u>		<u>(191,560)</u>
Financing activities					
Proceeds from/(repayment of) bank loans		(800,000)		200,000	
Payment of finance leases obligations		(1,434)		-	
Dividends paid		-		(1,000,000)	
Net cash used in financing activities			<u>(801,434)</u>		<u>(800,000)</u>
Net (decrease)/increase in cash and cash equivalents			<u>(76,422)</u>		<u>887,839</u>
Cash and cash equivalents at beginning of period			1,737,992		850,153
Cash and cash equivalents at end of period			<u><u>1,661,570</u></u>		<u><u>1,737,992</u></u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 2 JANUARY 2021

1 Accounting policies

Company information

Bergstrom (Europe) Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 41 Sycamore Close, Dyffryn Business Park, Ystrad Mynach, Mid Glamorgan, Wales, CF82 7RJ.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by s390(3) of the Companies Act 2006, the financial statements each year are drawn up to a date not more than seven days before or after the company's accounting reference date (31 December) since this reflects the calendar week basis on which management monitor the business. The length of the current and comparative accounting periods are therefore slightly different. The column headings of the notes to the financial statements referenced as "2021" represents the period from 29 December 2019 to 2 January 2021. The column headings of the notes to the financial statements referenced as "2019" represents the period from 30 December 2018 to 28 December 2019.

Going concern

Bergstrom (Europe) Limited ended the year to 2 January 2021 with net current assets of £5.15m, including cash of £1.66m. The company has a line of credit readily available, of which £2m is earmarked to fund capital requirements of the UK Company (£1m utilised at the year end), which was due for renewal in June 2021 and has been extended to September 2021 before formal renewal.

The company may be adversely affected by the ongoing impact of the COVID-19 outbreak. At the time of approving the financial statements, based on approved forecasts which include assessment of a range of factors, confirmed bank facilities with the directors having no reason to believe they will not be renewed, and existing contractual arrangements, the directors have a reasonable expectation that the company will have adequate resources to support the company's operational existence for the foreseeable future and to enable the company to meet any liabilities as and when they fall due. In common with all companies, in making this assessment, FRS 102 requires the directors to consider a period of not less than twelve months from the date when the financial statements are authorised for issue. The directors are satisfied that this is the case. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Turnover is recognised on despatch of the goods or provision of the services.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

1 Accounting policies (Continued)

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life, and is amortised on a systematic basis over its useful life which is estimated to be 15 years.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	4% to 20% straight line
Plant & machinery	10% to 33% straight line
Office equipment	10% to 33% straight line
Motor vehicles	20% to 30% straight line

Assets in the course of construction are not depreciated. Depreciation commences when the assets are ready for their intended use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JANUARY 2021

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JANUARY 2021

1 Accounting policies (Continued)

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are not taxable or deductible, or that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

1 Accounting policies (Continued)

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to profit or loss over the estimated useful life of the assets to which they relate. Revenue based grants received are credited to profit or loss over the life of the projects to which they relate.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are set out below.

Useful economic lives of tangible assets

The annual depreciation charge is sensitive to any changes in the estimated useful life and residual values of tangible assets. The useful economic lives and residual value is assessed on an annual basis and are amended only when evidence shows a change in the estimated economic lives or residual life. Criteria used to assess the economic life and residual value includes technological advancement, economic utilisation, physical condition of the asset and future investments.

Impairment of stocks

The company's products are subject to changing market demand. It is therefore necessary to consider on a periodic basis the recoverability of the cost of stocks and the associated impairment. Management calculates impairments by considering the nature and condition of the stocks and applies assumptions around anticipated saleability of finished goods and future usage or raw materials, overheads and labour.

Warranty provisions

Warranty provisions are recognised in respect of products sold during the period. The amount provided represents management's best estimate of the future cash outflows in respect of those products that remain within the warranty period at the reporting date. It is based on past experience and costs incurred which are monitored on a regular basis. Movements in warranty provisions are set out in note 18.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021	2019
	£	£
Turnover analysed by class of business		
Custom design, manufacture, assembly and supply of vehicle heating and air conditioning systems	23,555,260	26,669,475
	<u>2021</u>	<u>2019</u>
	£	£
Other revenue		
R&D tax credit receivable	62,529	-
Grants received	818,248	6,994
	<u>818,248</u>	<u>6,994</u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

3 Turnover and other revenue (Continued)

	2021	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	11,446,596	14,424,518
Rest of Europe	7,952,662	9,748,768
Rest of World	4,156,002	2,496,189
	<u>23,555,260</u>	<u>26,669,475</u>

Government grants received in the year relate to the Coronavirus Job Retention Scheme recognised over the period necessary to match with the related wage expense.

Government grants also include amounts received in the year relating to the COVID-19 Economic Resilience Fund provided by the Welsh Government to support businesses with cash flow support.

4 Operating profit

	2021	2019
	£	£
Operating profit for the period is stated after charging/(crediting):		
Exchange losses	12,529	21,184
Research and development costs	478,935	220,714
Government grants	(818,248)	(6,994)
Fees payable to the company's auditor for the audit of the company's financial statements	28,750	25,000
Depreciation of owned tangible fixed assets	235,867	264,234
Profit on disposal of tangible fixed assets	-	(5,000)
(Release)/recognising impairment of stocks	(165,970)	(135,912)
Increase/(decrease) in bad and doubtful debts	(30,324)	(64,603)
Operating lease charges	<u>365,821</u>	<u>360,925</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2021	2019
	Number	Number
Production	95	93
Distribution	15	18
Administrative	37	39
	<u>147</u>	<u>150</u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

5 Employees (Continued)

Their aggregate remuneration comprised:

	2021	2019
	£	£
Wages and salaries	4,291,910	4,377,376
Social security costs	418,903	447,374
Pension costs	155,567	141,575
	<u>4,866,380</u>	<u>4,966,325</u>

6 Directors' remuneration

	2021	2019
	£	£
Remuneration for qualifying services	188,488	190,992
Company pension contributions to defined contribution schemes	8,496	8,086
	<u>196,984</u>	<u>199,078</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

7 Interest payable and similar expenses

	2021	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>31,615</u>	<u>36,541</u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JANUARY 2021

8 Taxation

	2021 £	2019 £
Current tax		
UK corporation tax on profits for the current period	287,882	303,802
Adjustments in respect of prior periods	1,141	(8,615)
Total current tax	<u>289,023</u>	<u>295,187</u>
Deferred tax		
Origination and reversal of timing differences	(22,503)	(8)
Changes in tax rates	9,264	-
Adjustment in respect of prior periods	(424)	2,260
Total deferred tax	<u>(13,663)</u>	<u>2,252</u>
Total tax charge	<u>275,360</u>	<u>297,439</u>

The total tax charge for the period included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2021 £	2019 £
Profit before taxation	<u>1,447,204</u>	<u>1,572,432</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	274,969	298,762
Tax effect of expenses that are not deductible in determining taxable profit	(1,949)	5,030
Adjustments in respect of prior years	1,141	(8,615)
Effect of change in corporation tax rate	9,264	-
Research and development tax credit	(7,641)	-
Deferred tax adjustments in respect of prior years	(424)	2,260
Adjust deferred tax to rate used for this reconciliation	-	2
Taxation charge for the period	<u>275,360</u>	<u>297,439</u>

9 Dividends

	2021 £	2019 £
Interim paid	<u>-</u>	<u>1,000,000</u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

10 Intangible fixed assets

	Goodwill £
Cost	
At 29 December 2019 and 2 January 2021	758,000
Amortisation and impairment	
At 29 December 2019 and 2 January 2021	758,000
Carrying amount	
At 2 January 2021	-
At 28 December 2019	-

11 Tangible fixed assets

	Leasehold improvements £	Assets under construction £	Plant & machinery £	Office equipment £	Motor vehicles £	Total £
Cost						
At 29 December 2019	642,513	52,838	4,459,543	1,073,617	18,330	6,246,841
Additions	16,684	-	43,797	25,879	-	86,360
Transfers	-	(52,838)	52,838	-	-	-
At 2 January 2021	659,197	-	4,556,178	1,099,496	18,330	6,333,201
Depreciation and impairment						
At 29 December 2019	508,731	-	3,858,219	1,002,031	17,516	5,386,497
Depreciation charged in the period	27,910	-	184,952	22,191	814	235,867
At 2 January 2021	536,641	-	4,043,171	1,024,222	18,330	5,622,364
Carrying amount						
At 2 January 2021	122,556	-	513,007	75,274	-	710,837
At 28 December 2019	133,782	52,838	601,324	71,586	814	860,344

12 Stocks

	2021 £	2019 £
Raw materials and consumables	3,007,504	2,661,508
Finished goods and goods for resale	267,304	395,324
	<u>3,274,808</u>	<u>3,056,832</u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JANUARY 2021

12 Stocks (Continued)

Stocks are stated after impairment provisions of £165,970 (2019 - £147,775). Movements in these impairment provisions are recognised in cost of sales.

13 Debtors

Amounts falling due within one year:	2021	2019
	£	£
Trade debtors	4,898,367	3,831,357
Amounts owed by group undertakings	517,180	471,785
Other debtors	176,566	36,924
Prepayments and accrued income	400,546	486,688
	<u>5,992,659</u>	<u>4,826,754</u>

During the year, an allowance for bad and doubtful debts of £62,493 (2019 - £92,817) was recognised in respect of trade receivables due from customers.

14 Creditors: amounts falling due within one year

	Notes	2021	2019
		£	£
Bank loans and overdrafts	16	1,000,000	1,800,000
Obligations under finance leases	17	5,873	-
Trade creditors		2,386,302	1,756,259
Amounts owed to group undertakings		1,462,898	1,605,644
Corporation tax		120,844	171,424
Other taxation and social security		158,992	123,974
Other creditors		162,628	-
Accruals and deferred income		481,547	268,687
		<u>5,779,084</u>	<u>5,725,988</u>

15 Creditors: amounts falling due after more than one year

		2021	2019
		£	£
Obligations under finance leases	17	14,095	-
Government grants		5,222	10,096
		<u>19,317</u>	<u>10,096</u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

16. Borrowings

	2021	2019
	£	£
Bank loans	1,000,000	1,800,000
Payable within one year	1,000,000	1,800,000

Bank loans and overdrafts are secured by a fixed and floating charge over all present and future assets of the company. The loan facility bears interest at 1.5% above LIBOR. It is renewable annually and was due for repayment by June 2021. The current terms have been extended to September 2021.

17 Finance lease obligations

	2021	2019
	£	£
Future minimum lease payments due under finance leases:		
Less than one year	5,873	-
Between one and five years	14,095	-
	19,968	-

Finance lease payments represent rentals payable by the company for certain items of plant and machinery on which the lease is secured. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Provisions for liabilities

	Notes	2021	2019
		£	£
Warranty provision		284,504	347,050
Deferred tax liabilities	19	65,507	79,170
		350,011	426,220

Movements on provisions apart from deferred tax liabilities:

	Warranty provision
	£
At 29 December 2019	347,050
Additional provisions in the period	32,500
Release of provision	80,178
Utilisation of provision	(175,224)
At 2 January 2021	284,504

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

18 Provisions for liabilities (Continued)

The warranty provision is recognised for expected warranty claims on products sold during the last two periods. It is expected that most of these costs will be incurred in the next financial period and all will have been incurred within two periods of the balance sheet date.

19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2021 £	Liabilities 2019 £
Balances:		
Fixed asset timing differences	71,345	81,033
Short-term timing differences	(5,838)	(1,863)
	<u>65,507</u>	<u>79,170</u>
		2021
Movements in the period:		£
Liability at 29 December 2019		79,170
Credit to profit or loss		(13,663)
Liability at 2 January 2021		<u>65,507</u>

It is not possible to estimate with any degree of reliability the extent to which the deferred tax liability set out above will reverse within the next twelve months.

20 Retirement benefit schemes

	2021 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>155,567</u>	<u>141,575</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions of £30,725 (2019 - £30,047) were outstanding at the reporting date and are included in accruals.

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2021

21 Share capital

	2021 £	2019 £
Ordinary share capital		
Issued and fully paid		
200,000 Ordinary shares of £1 each	200,000	200,000
	<u>200,000</u>	<u>200,000</u>

The company's ordinary shares, which carry no right to fixed income, carry the right to one vote at general meetings of the company.

22 Reserves

Profit and loss reserves

Profit and loss reserves reflect cumulative profits and losses net of distributions to owners.

23 Cash generated from operations

	2021 £	2019 £
Profit for the period after tax	1,171,844	1,274,993
Adjustments for:		
Taxation charged	275,360	297,439
Finance costs	31,615	36,541
Gain on disposal of tangible fixed assets	-	(5,000)
Depreciation and impairment of tangible fixed assets	235,867	264,234
(Decrease) in provisions	(62,546)	(211,696)
Movements in working capital:		
(Increase) in stocks	(217,976)	(48,596)
(Increase)/decrease in debtors	(1,165,905)	507,196
Increase in creditors	897,803	17,156
(Decrease) in deferred income	(4,874)	(4,874)
Cash generated from operations	<u>1,161,188</u>	<u>2,127,393</u>

24 Analysis of changes in net funds/(debt)

	28 December 2019 £	Cash flows £	New finance leases £	2 January 2021 £
Cash at bank and in hand	1,737,992	(76,422)	-	1,661,570
Bank loan	(1,800,000)	800,000	-	(1,000,000)
Obligations under finance leases	-	1,434	(21,402)	(19,968)
	<u>(62,008)</u>	<u>725,012</u>	<u>(21,402)</u>	<u>641,602</u>

BERGSTROM (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JANUARY 2021

25 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2019
	£	£
Within one year	338,121	340,257
Between one and five years	303,074	543,665
	<u>641,195</u>	<u>883,922</u>

26 Financial commitments, guarantees and contingent liabilities

The company has entered into cross guarantees for the group's bank in respect of the borrowings of its parent and fellow subsidiary undertakings. At the end of the period the contingent liability in respect of the group borrowings was \$12,157,429 (2019 - \$22,070,179).

27 Related party transactions

Remuneration of key management personnel

The total remuneration of key management personnel including the directors of the company (to the extent their remuneration is borne by the company) is as follows:

	2021	2019
	£	£
Aggregate compensation	<u>224,168</u>	<u>226,551</u>

The company has taken advantage of the exemption available under FRS 102 Section 33 and has not disclosed details of transactions or balances with other wholly-owned group entities. Details of transactions with other related parties are set out below:

During the period, the company recorded sales of £179,380 (2019 - £225,795) to Motherson (India), a 50% joint venture between Samvardhana Motherson Group, India and Bergstrom Inc., the company's ultimate parent company. At the period end, Motherson (India) owed the company £99,539 (2019 - £68,250).

During the period, the company recorded aggregate sales of £33,909 (2019 - £21,159) and aggregate purchases of £5,548,379 (2019 - £4,901,955) with entities in the group headed by Bergstrom China Group Partners LLC in which Bergstrom Inc. has a 50% interest. At the reporting date, these entities in aggregate owed the company £80,087 (2019 - £87,369) in respect of sales, and the company owed these entities in aggregate £1,343,963 (2019 - £1,542,399) in respect of purchases.

28 Ultimate controlling party

The directors regard Bergstrom Inc. of 2390 Blackhawk Road, PO BOX 6007, Rockford, Illinois, 61125, a company registered in the United States of America, as the immediate and ultimate parent company. Bergstrom Inc. has a 100% interest in the equity capital of Bergstrom (Europe) Limited at the end of the period. Bergstrom Inc. heads the largest and smallest group in which the results of the company are consolidated. The financial statements of Bergstrom Inc. are not publicly available. The directors consider that Bergstrom Inc. is controlled by Mr D Rydell.