

Continental Automotive Trading UK Ltd

**Directors' report and financial
statements**

**Registered number 965702
For the 15 month period ended 31
December 2008**



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Directors' report

The directors present their report and the audited financial statements for the 15 month period ended 31 December 2008.

Business review and principal activities

During the 15 month period ended 31 December 2008, the Company was sold, as part of a divisional restructuring by Siemens AG, to Continental AG. The Company is now a wholly-owned subsidiary of Continental Automotive Holdings UK Ltd and operates as part of its automotive division. The Company has moved its accountancy reference date to align with its now ultimate parent company.

The Company's principal activities are the sale and service of automotive components in the UK and Ireland. The company also undertakes small scale manufacturing and remanufacturing of products, primarily for sale to UK customers but also for some small volume sales to Germany. In addition to that the company is providing bus monitoring systems for bus operators in the UK.

As shown in the Company's profit and loss account on page 6, the Company's turnover on continuing operations has increased by 57% over the prior year and profit after tax has decreased by 44%. The major factor in this increase was the full period of installation on the London Bus contract serviced by the company. The major drivers for the decrease in profit after tax are lower gross margins because of a change in business mix and the loss on the termination of the Aftermarket Infotainment business.

The balance sheet on page 8 of the financial statements shows that the Company's financial position at the year-end.

During the period a profit was recorded on a section 75 debt payment by Siemens PLC to the Mannesmann defined benefit pension scheme. This is held in a designated bank account and will be used to offset any future debt being served on Siemens PLC because of their cessation in participating in this scheme. There was also a settlement gain on the company's share of the Siemens benefits scheme which the company has now ceased to participate in.

Continental Automotive Trading UK Limited manages its operations on a segment basis. The main key performance indicators (KPI's) are the sales, gross margin and return on sales of the different segments with this data being compared to the budget for the year as well as a comparison on the previous year.

The business is split into the following key business areas:

Tachograph

Within this business the company supplies tachographs and the related hardware and software systems.

Control Systems and Instrumentation

Control systems supplies various sensors and senders as well as electronic control systems for engine and vehicles speed control.

Independent Aftermarket

This business area is responsible for the sale of replacement vehicle components including Fuel systems, sensors for engine management and central locking actuators.

Public Transport

The Public Transport business supplies services and installs bus monitoring systems in the UK.

Directors' report *(continued)*

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

The Company buys products into the UK market in Euros and it is therefore exposed to currency movements on these purchases. The company does reduce this risk where appropriate by selling some of the products and services to UK customers in Euros.

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

Environment

Continental Automotive Trading UK Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Continental Automotive Trading UK Limited policies. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Profit, dividends and appropriations

The results for the year are shown in the profit and loss account on page 6.

The director do not recommend the payment of a dividend (2007: £Nil).

Directors and directors' interests

The director of the company who served during the year as recorded in the register of directors' interests were as follows:

JM Nozeran
N Homans (resigned 1 July 2008)
BJ Glew (resigned 31 March 2008)

Disclosure of information to auditors

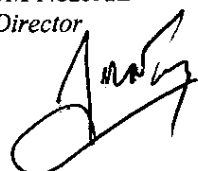
The directors who held office at the date of approval of this directors' report confirm that so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and he has taken all steps that ought to have been taken as director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit PLC will therefore continue in office.

On behalf of the board

JM Nozeran
Director



36 Gravelly Industrial Park
Birmingham
B24 8TA

22 October 2009

Statement of directors' responsibilities in respect of the Directors' report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Continental Automotive Trading UK Ltd

We have audited the financial statements of Continental Automotive Trading UK Ltd (formerly Siemens VDO Trading Limited) for the 15 month period ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Continental Automotive Trading UK Ltd (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' report is consistent with the financial statements.

Wah Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

22 October 2009

Profit and loss account
for the 15 month period ended 31 December 2008

	Note	15 months ended 31 December 2008			Year ended 30 September 2007		
		Continuing operations £000	Discontinued operations £000	£000	Continuing operations £000	Discontinued operations £000	£000
Turnover	2	70,741	3,722	74,463	44,944	13,654	58,598
Cost of sales		(57,326)	(2,786)	(60,112)	(34,394)	(9,222)	(43,616)
Gross profit		13,415	936	14,351	10,550	4,432	14,982
Distribution costs		(409)	(21)	(430)	(232)	(123)	(355)
Administrative expenses before pension settlements		(10,302)	(1,041)	(11,343)	(4,941)	(4,546)	(9,487)
Settlement of defined benefit pension liability	19	5,311	-	5,311	4,937	-	4,937
Curtailment of defined benefit pension liability	19	48	-	48	550	-	550
Administrative expenses		(4,943)	(1,041)	(5,984)	546	(4,546)	(4,000)
Operating profit/(loss)		8,063	(126)	7,937	10,864	(237)	10,627
(Loss)/profit on a termination/sale of a discontinued operation	3			(1,047)			2,101
Profit before interest and tax				6,890			12,728
Interest receivable and similar income	7			3,119			1,032
Interest payable and similar charges	8			(3,289)			(834)
Profit on ordinary activities before taxation	6			6,720			12,926
Tax on profit on ordinary activities	9			(1,510)			(3,672)
Profit for the financial year				5,210			9,254

There is no difference between the results as disclosed in the profit and loss account and the results on an historical cost basis.

Statement of total recognised gains and losses
for the 15 month period ended 31 December 2008

	15 months ended 31 December 2008 £000	Year ended 30 September 2007 £000
Profit for the financial year	5,210	9,254
Actuarial loss recognised in the pension schemes	(4,456)	(3,270)
Deferred tax arising on gains in the pension schemes	1,248	916
Deferred tax on pension contributions dealt with through equity	(69)	(274)
Effect of change in tax rate	-	(72)
Total recognised gains and losses relating to the financial period	1,933	6,554

Balance sheet
at 31 December 2008

	<i>Note</i>	31 December 2008		30 September 2007	
		£000	£000	£000	£000
Fixed assets					
Intangible fixed assets	<i>10</i>		611		1,319
Tangible fixed assets	<i>11</i>		370		184
			<hr/>		<hr/>
			981		1,503
 Current assets					
Stocks	<i>12</i>	2,550		4,985	
Debtors (including £138,000 (2007: £152,000) due after more than one year)	<i>13</i>	16,630		12,798	
Cash at bank and in hand		4,478		1,937	
		<hr/>		<hr/>	
		23,658		19,720	
 Creditors: amounts falling due within one year	<i>14</i>	(10,266)		(8,254)	
		<hr/>		<hr/>	
Net current assets			13,392		11,466
			<hr/>		<hr/>
Total assets less current liabilities			14,373		12,969
 Provisions for liabilities and charges	<i>15</i>	(1,174)		(943)	
		<hr/>		<hr/>	
Net assets excluding net pension liability			13,199		12,026
 Pension liability	<i>19</i>	-		(760)	
		<hr/>		<hr/>	
Net assets including net pension liability			13,199		11,266
			<hr/>		<hr/>
 Capital and reserves					
Called up share capital	<i>16</i>	-		-	
Profit and loss account	<i>17</i>	13,199		11,266	
		<hr/>		<hr/>	
Shareholders' funds	<i>18</i>	13,199		11,266	
		<hr/>		<hr/>	

These financial statements were approved by the board of directors on 22 October 2009 and were signed on its behalf by:

JM Nozeran
 Director

Co no: 965702



Notes

(forming part of the financial statements)

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year except as noted below, is set out below:

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Continental AG and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of Continental AG, the company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Group financial statements

These financial statements present information about the company as an individual undertaking and not about its Group. The company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group financial statements.

Turnover

Turnover is recognised for product sales when title passes, the risks and rewards of ownership have been transferred to the customer, the fee is fixed or determinable, and collection of the related receivable is probable. If product sales are subject to customer acceptance, revenues are not recognised until the customer acceptance occurs. Revenues from long-term construction-type projects are generally recognised in line with the stage of completion, based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. Revenues from service transactions are recognised as services are performed. For long-term service contracts, revenues are recognised as the services are provided.

Depreciation

The cost of fixed assets is written off by equal annual instalments over their expected useful lives as follows:

Plant and equipment other than network equipment	-	3-10 years
Network equipment	-	15 years
Motor vehicles	-	5 years

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible fixed assets and amortisation

Intangible fixed assets purchased outside of a business acquisition are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Intangible fixed assets are amortised by equal annual instalments over their expected useful lives as follows:

Development costs - 4 years

Goodwill

Goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised.

Goodwill is amortised to nil by equal annual instalments over its estimated useful life. Any impairment charge is included within operating profits.

Stocks

Stocks have been valued at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items.

Contract work in progress is stated at costs incurred less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Leasing

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Research costs

Research expenditure is written off as incurred.

Warranty costs

Provision is made in respect of warranties in the year of sale of the product on which a warranty is offered.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Where there are related or matching forward contracts in respect of trading transactions, the rates of exchange specified in those contracts are used.

All exchange differences thus arising are dealt with in the profit and loss account.

Pension cost

Defined contribution plan

The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the company's liability.

Notes (continued)

1 Accounting policies (continued)

Pension cost (continued)

Defined benefit plans

Pension scheme assets are measured using market values. For quoted securities the current-bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return. Details of the pension scheme are provided in note 19.

The pension scheme surplus (or deficit) is recognised in full to the extent that it is available to the company. The movement in the scheme surplus or deficit is split between operating charges and finance items, which are charged to the profit and loss account, and actuarial gains and losses, which are charged to the statement of total recognised gains and losses.

The company participated in the Siemens Benefits Scheme until December 2007 and continues to participate in the Mannesmann UK Pension Scheme, which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Financial Reporting Standard No 17 (FRS 17) has been followed throughout the financial statements.

The amendment to FRS 17 'Retirement Benefits' has been adopted in these financial statements and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS 17 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

2 Turnover

An analysis of turnover by geographical market is given below:

	2008			2007		
	Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
United Kingdom	67,689	3,457	71,146	42,487	13,140	55,627
Other EU countries	2,677	265	2,942	2,410	372	2,782
Rest of the world	375	-	375	47	142	189
	<u>70,741</u>	<u>3,722</u>	<u>74,463</u>	<u>44,944</u>	<u>13,654</u>	<u>58,598</u>

3 Discontinued operations

During the year the company terminated the trade of its Aftermarket Infotainment business. The results of the business up to the point of disposal, and for the prior year are disclosed in the profit and loss account. The loss on termination is calculated as follows:

	2008 £000
Redundancy costs	(274)
Inventory written off	(204)
Disposal of related goodwill	(569)
	<u>(1,047)</u>

During the previous year, the company disposed of the trade and related assets of its Datatrack business. The profit on disposal was £2,101,000.

Notes (continued)

4 Staff numbers and costs

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

	Number of employees	
	2008	2007
Manufacturing	29	33
Selling	25	42
Other	46	78
	<hr/>	<hr/>
	100	153
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	3,734	4,637
Social security costs	384	440
Other pension costs (excluding settlements and curtailments)	618	736
	<hr/>	<hr/>
	4,736	5,813
	<hr/>	<hr/>

5 Directors' emoluments

	2008	2007
	£000	£000
Emoluments	-	130
Compensation for loss of office	-	217
Pension contribution	-	20
	<hr/>	<hr/>
	-	367
	<hr/>	<hr/>

Retirement benefits are accruing to £Nil (2007: £Nil) directors under a final salary pension plan.

The emoluments of the highest paid director were £Nil (2007: £218,000)

The emoluments of the director is paid for by another group company.

Notes (continued)

6 Profit on ordinary activities before taxation

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Amortisation of intangible fixed assets	139	486
Depreciation of owned tangible fixed assets	115	160
Operating lease rentals:		
Plant and machinery	22	15
Land and buildings	239	311
Research and development expenditure	22	127
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements pursuant to legislation	34	40
Auditors remuneration for other services	9	-
	<hr/>	<hr/>

7 Interest receivable

	2008 £000	2007 £000
Interest receivable from group undertakings	146	297
Expected return on plan assets	2,973	697
Bank interest	-	38
	<hr/>	<hr/>
	3,119	1,032
	<hr/>	<hr/>

8 Interest payable and similar charges

	2008 £000	2007 £000
Interest payable on group loans	545	123
Interest cost in relation to defined benefit pension scheme	2,744	682
Other	-	29
	<hr/>	<hr/>
	3,289	834
	<hr/>	<hr/>

Notes (continued)

9 Taxation

a) Analysis of charge in period

	2008	2007
	£000	£000
Current tax		
UK corporation tax on profits of the period	551	2,179
Adjustment in respect of previous period	(531)	-
Total current tax (note 9(b))	20	2,179
Deferred tax (see note 14)		
Origination/reversal of timing differences	6	125
Adjustment in respect of prior years	8	-
Decrease in FRS 17 provisions	1,476	1,348
Effect of rate charge	-	20
Total deferred tax	1,490	1,493
Tax charge on profit on ordinary activities	1,510	3,672

b) Factors affecting the tax charge for the current period

The difference between the current tax charge for the period of £20,000 (2007: £2,179,000) and the standard rate of corporation tax in the UK 28.8% (2007: 30%) are explained below.

	2008	2007
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,720	12,926
Current tax charge at 28.8% (2007: 30%)	1,935	3,878
<i>Effects of:</i>		
Expenses not deductible for tax purposes and non taxable income	209	52
Capital allowances for period less depreciation	(24)	(13)
Other timing differences	(1,569)	(1,738)
Adjustments to tax charge in respect of previous periods	(531)	-
Total current tax charge for the period (note 9 (a))	20	2,179

Notes (continued)

10 Intangible fixed assets

	Goodwill £000	Development costs £000	Total £000
Cost			
At beginning of period	2,172	216	2,388
Disposals	(913)	(216)	(1,129)
	<hr/>	<hr/>	<hr/>
At end of period	1,259	-	1,259
	<hr/>	<hr/>	<hr/>
Amortisation			
At beginning of period	853	216	1,069
Charge for period	139	-	139
Disposals	(344)	(216)	(560)
	<hr/>	<hr/>	<hr/>
At end of year	648	-	648
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2008	611	-	611
	<hr/>	<hr/>	<hr/>
At 30 September 2007	1,319	-	1,319
	<hr/>	<hr/>	<hr/>

The goodwill is being amortised on a straight line basis over twenty years, being the estimated useful economic life.

11 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
Cost	
At beginning of period	971
Additions	301
	<hr/>
At end of period	1,272
	<hr/>
Depreciation	
At beginning of period	787
Charge for period	115
	<hr/>
At end of period	902
	<hr/>
Net book value	
At 31 December 2008	370
	<hr/>
At 30 September 2007	184
	<hr/>

Notes (continued)

12 Stocks

	2008 £000	2008 £000	2007 £000	2007 £000
Work in progress		-		5
Finished goods and goods for resale		2,550		3,763
Long term contract balances				
Net costs less foreseeable losses	-		242	
Applicable payments on account	-		975	
		-		1,217
		2,550		4,985

The replacement cost of stocks is not materially different from the balance sheet value.

13 Debtors

	2008 £000	2007 £000
Trade debtors	8,716	12,415
Amounts owed by group undertakings	7,171	-
Prepayments and accrued income	344	221
Other debtors	261	10
Deferred tax asset (see below)	138	152
	16,630	12,798

The intercompany loans are unsecured, bear interest at LIBOR + 0.35% and are repayable on demand.

Debtors include deferred tax assets of £138,000 (2007: £152,000) due after more than one year.

Deferred taxation

The total deferred tax asset, calculated at a rate of 28% (2007: 28%), is as follows:

	2008 £000	2007 £000
Accelerated capital allowances	121	152
Others	17	-
	138	152
		£000
As at 1 October 2007		152
Charge to profit and loss account in year		(14)
As at 31 December 2008		138

Notes (continued)

13 Debtors (continued)

A deferred tax asset is recognised on the pension scheme as set out in note 19. The movement on this account is as follows:

	£000
At beginning of year	297
Profit and loss account	(1,476)
Arising on actuarial gain in year	1,248
Arising on pension contributions dealt with in equity	(69)
	<u>-</u>

14 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	3,808	1,461
Amounts owed to group undertakings	-	1,081
Other creditors including taxation and social security	138	997
Corporation tax	1,735	2,180
Accruals and deferred income	4,585	2,535
	<u>10,266</u>	<u>8,254</u>

The intercompany loans are unsecured, bear interest at LIBOR + 0.35% and are repayable on demand.

15 Provisions for liabilities and charges

	Warranty provision £000	Dilapidation costs £000	Total £000
At beginning of period	487	456	943
Credited during the period	212	19	231
	<u>699</u>	<u>475</u>	<u>1,174</u>

The warranty provision covers future product warranty costs arising in the normal course of business from sales within the past three years. The credit in the current period relates primarily to the Aftermarket Infotainment business during the year. The dilapidation provision comprises the anticipated costs of dilapidations on the leasehold property which will be incurred on expiry of the lease. The credit in the current period relates to anticipated additional costs to be incurred.

16 Called up share capital

	2008 £	2007 £
Authorised:		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes (continued)

17 Reserves

	Profit and loss account £000
Balance brought forward	11,266
Profit for the financial period	5,210
Other recognised losses in the period (net)	(3,277)
	<hr/>
Balance carried forward	13,199
	<hr/>

18 Reconciliation of movement in shareholders' funds

	2008 £000	2007 £000
Profit for the financial period	5,210	9,254
Other recognised losses in the period (net)	(3,277)	(2,700)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,933	6,554
Opening shareholders' funds	11,266	4,712
	<hr/>	<hr/>
Closing shareholders' funds	13,199	11,266
	<hr/>	<hr/>

19 Pension commitments

The company contributes to two defined benefit schemes, the Siemens Benefit Scheme and the Mannesmann UK Pension Scheme.

Siemens Benefits Scheme

Defined contribution plan

The company commenced a defined contribution pension plan from 1 January 2003. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £72,000 (2007: £52,000).

Defined benefit plan

The company participates in the scheme which provides benefits based on final pensionable pay.

The company was a member of two defined benefit pension schemes at 1 October 2007, the Siemens Benefit Scheme and the Mannesmann UK Pension Scheme.

Following the disposal of the VDO subgroup, of which this company is a part, by Siemens AG to Continental AG in December 2007, the following transactions occurred in the defined benefit pension schemes.

As part of the transaction, the company's share of the Siemens Benefit Scheme defined benefit scheme was transferred to a Siemens holding company. From 3 December 2007, the company ceased to be a part of this scheme and the company's share of scheme assets and liabilities were settled with Siemens. The resulting settlement gain to the company has been credited to the company's profit and loss account for the year.

A settlement gain on the Mannesman defined benefit pension scheme, resulted from a section 75 payment made by Siemens plc into the Mannesman defined benefit pension scheme when a company responsible for a share of the assets and liabilities of this scheme was sold by the Group.

Notes (continued)

19 Pension commitments (continued)

Defined benefit plan (continued)

The section 75 payment was measured using a 'buy out' valuation of the share of the pension obligation allocated to the former group company.

This valuation basis resulted in a higher section 75 payment than the accounting deficit of the share of the assets and liabilities allocated to the company that has left the group, generating a prepayment in the scheme.

The company's share of the scheme is analysed below:

Movement in the company's share of the funded status during the period:

	2008 £000
Company's share of the funded status of the scheme at beginning of period	(1,055)
Current service cost	(110)
Other finance cost	10
Actuarial gain	100
Settlements	1,055
	<hr/>
Company's share of the funded status of the scheme at the end of the period	-
Less associated deferred tax	-
	<hr/>
	-
	<hr/>

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

	31 December 2008 % p.a.	30 September 2007 %p.a.
Main financial assumptions		
Inflation	n/a	3.1
Rate of general long-term increase in salaries	n/a	4.0
Rate of increase to pensions in payment		
Inflation capped at 5%	n/a	3.1
Inflation capped at 3%	n/a	2.6
Discount rate for scheme liabilities	n/a	6.0

Mortality Assumptions

The post-retirement mortality assumptions used in valuing the liabilities of the Siemens Benefits Scheme were based on the standard tables PMA92 and PFA 92 for males and females respectively as published by the Institute and Faculty of Actuaries. These were then adjusted by projecting them forward for calendar year 2026 (for future pensioners) and 2016 (for current pensioners) with an allowance for medium cohort improvement factors. On this basis, the life expectancy assumed at 30 September 2007 for a male pensioner then aged 65 was expected to be about 21.6 years, and for a female pensioner then aged 65 about 24.5 years. Based on the assumed mortality improvements, the life expectancy for a future male pensioner aged 65 is expected to have increased to 22.3 years and for a female aged 65 years is expected to have increased to 25.1 years.

Notes (continued)

19 Pension commitments (continued)

Expected return on assets

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Equities	n/a	2,048
Bonds	n/a	1,534
Other	n/a	888
	<hr/>	<hr/>
Total market value of assets	n/a	4,470
	<hr/>	<hr/>

Reconciliation of funded status to balance sheet

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Fair value of scheme assets	-	4,470
Present value of funded defined benefit obligations	-	(5,525)
	<hr/>	<hr/>
Gross liability recognised on the balance sheet	-	(1,055)
	<hr/>	<hr/>

Analysis of profit and loss charge

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Current service cost	110	306
Settlements	(1,055)	-
Interest cost	95	234
Expected return on plan assets	(105)	(255)
	<hr/>	<hr/>
Expense recognised in profit and loss	(955)	285
	<hr/>	<hr/>

The expense is recognised in the following line items in the profit and loss account

	31 December 2008 £000	30 September 2007 £000
Administrative expenses	(945)	306
Other interest receivable and similar income	(105)	(255)
Interest payable and similar charges	95	234
	<hr/>	<hr/>
Income recognised in the profit and loss account	(955)	285
	<hr/>	<hr/>

Notes (continued)

19 Pension commitments (continued)

Changes to the present value of the defined benefit obligation during the year

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Opening defined benefit obligation/present value of scheme liabilities	5,525	4,550
Current service cost	110	306
Interest cost	95	234
Plan participants' contributions	-	69
Actuarial (gains)/losses on scheme liabilities	(100)	422
Net benefits paid out	-	(56)
Settlements	(5,630)	-
	<hr/>	<hr/>
Closing defined benefit obligations/present value of scheme liabilities	-	5,525
	<hr/>	<hr/>

Changes to the fair value of scheme assets during the year

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Opening fair value of scheme assets	4,470	3,625
Expected return on assets	105	255
Actuarial losses on scheme assets	-	(4)
Contributions by the employer	-	581
Plan participants' contributions	-	69
Net benefits paid out	-	(56)
Settlements	(4,575)	-
	<hr/>	<hr/>
Closing fair value of scheme assets	-	4,470
	<hr/>	<hr/>

Actual return on plan assets

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Expected return on scheme assets	105	255
Actuarial loss on scheme assets	-	(4)
	<hr/>	<hr/>
Actual return on scheme assets	105	251
	<hr/>	<hr/>

Notes (continued)

19 Pension commitments (continued)

Analysis of amounts recognised in Statement of total recognised gains and losses

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Total actuarial gains/(losses)	100	(426)
Cumulative amount of losses recognised in Statement of total recognised gains and losses	(1,251)	(1,351)

History of asset values, Defined benefit obligation and surplus/deficit in Scheme

	Value at 31 December 2008 £000	Value at 31 September 2007 £000	Value at 31 September 2006 £000	Value at 31 September 2005 £000	Value at 31 September 2004 £000
Fair value of Scheme assets	-	4,470	3,625	-	-
Defined benefit obligation	-	(5,525)	(4,550)	-	-
Deficit in Scheme	-	(1,055)	(925)	-	-

Mannesmann UK Pension Scheme

The company participates in this scheme which provides benefits based on final pensionable pay.

The company's share of the scheme is analysed below:

Movement in the company's share of the funded status during the period

	2007 £000
Company's share of the funded status of the scheme at beginning of period	-
Current service cost	(219)
Contributions paid	247
Age related National Insurance rebates	5
Other finance cost	219
Settlements	4,256
Curtailments	48
Actuarial loss	(4,556)
Company's share of the funded status of the scheme	-

The movement in the funded position of the scheme is split between operating charges and finance items, which are charged to the statement of income, and actuarial gains and losses, which are charged to the statement of recognised income and expense.

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the Scheme at 31 December 2008. The Scheme's assets are stated at their market values at 31 December 2008. Under the amendment to FRS17 quoted securities have used the current bid-price as the market value for both the current and comparative period. A prior year adjustment has not been made to the previous year's pension asset because there was no difference in the two valuation methods.

Notes (continued)

19 Pension commitments (continued)

Regular employer contributions to the DB section of the Scheme in 2009 are estimated to be £358,000.

During the prior year, as the Siemens VDO sub-group, of which has entity is a part, was carved out of the Siemens AG group in preparation for disposal, the section 75 prepayment was allocated to this company. In accordance with FRS 17 "Retirement benefits", this allocation has been recognised in the profit and loss account.

The curtailment gain resulted from the restriction of future accrual of benefits for 8 long serving scheme members who left the scheme during the period.

A proportion of the employee contributions are made via a salary sacrifice arrangement. For the purposes of these disclosures, these notional employee contributions have been excluded from the service cost. They have also been excluded from the estimate of next year's employer contributions set out above. An allowance for scheme expenses and PPF levies is made in the service cost prior to 30 September 2007 after which this will be offset against the expected return on assets.

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Mannesmann UK Pension Scheme as at 31 December 2008. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the profit and loss account), through the Statement of Total Recognised Gains and Losses (STRGL).

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Accrual assumptions

	31 December 2008 % p.a.	30 September 2007 %p.a.
Main financial assumptions		
Inflation	3.2	3.1
Rate of general long-term increase in salaries*	4.1	4.0
Rate of increase to pensions in payment		
Inflation capped at 5%	3.1	3.1
Inflation capped at 3%	2.5	2.6
Discount rate for scheme liabilities	6.5	6.0

*There is a promotional scale on top of this assumption.

Mortality Assumptions

The post-retirement mortality assumptions used in valuing the liabilities of the Mannesmann UK Pension Scheme were based on the standard tables PMA92 and PFA 92 for males and females respectively as published by the Institute and Faculty of Actuaries. These were then adjusted by projecting them forward for calendar year 2026 (for future pensioners) and 2016 (for current pensioners) with an allowance for medium cohort improvement factors. On this basis, the life expectancy assumed at 30 September 2007 for a male pensioner then aged 65 was expected to be about 21.6 years, and for a female pensioner then aged 65 about 24.5 years. Based on the assumed mortality improvements, the life expectancy for a future male pensioner aged 65 is expected to have increased to 22.3 years and for a female aged 65 years is expected to have increased to 25.1 years.

Notes (continued)

19 Pension commitments (continued)

Expected return on assets

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Equities	3,951	4,525
Bonds	8,417	6,983
Other	502	314
	<hr/>	<hr/>
Total market value of assets	12,870	11,822
Effect of asset ceiling	(10,644)	(8,600)
	<hr/>	<hr/>
Total value of asset recognised in scheme	2,226	3,222
	<hr/>	<hr/>

At 31 December 2008, none of the fair value of scheme assets related to self-investment.

Siemens employs a building block approach in determining the rate of return on the Mannesmann UK Pension Scheme pension assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation. The total overall expected rate of return for 2008 and 2007 was 6.3% per annum.

Reconciliation of funded status to balance sheet

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Fair value of scheme assets	12,870	11,822
Present value of funded defined benefit obligations	(2,226)	(3,222)
	<hr/>	<hr/>
	10,644	8,600
Effects due to asset ceiling	(10,644)	(8,600)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Notes (continued)

19 Pension commitments (continued)

Analysis of profit and loss charge

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Current service cost	219	378
Age related National Insurance rebates	(5)	-
Interest cost	2,649	448
Expected return on plan assets	(2,868)	(442)
Curtailments	(48)	(550)
Settlements	(4,256)	(4,937)
	<hr/>	<hr/>
Income recognised in profit and loss	(4,309)	(5,103)
	<hr/>	<hr/>

The expense is recognised in the following line items in the profit and loss account

	31 December 2008 £000	30 September 2007 £000
Administrative expenses	(4,090)	(5,109)
Other interest receivable and similar income	(2,868)	(442)
Interest payable and similar charges	2,649	448
	<hr/>	<hr/>
Income recognised in the profit and loss account	(4,309)	(5,103)
	<hr/>	<hr/>

Changes to the present value of the defined benefit obligation during the period

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Opening defined benefit obligation/present value of scheme liabilities	3,222	9,026
Current service cost	219	378
Interest cost	2,649	448
Curtailments	(48)	(550)
Plan participants' contributions	94	85
Actuarial gains on scheme liabilities	(2,282)	(5,678)
Net benefits paid out	(1,628)	(487)
	<hr/>	<hr/>
Closing defined benefit obligations/present value of scheme liabilities	2,226	3,222
	<hr/>	<hr/>

Notes (continued)

19 Pension commitments (continued)

Changes to the fair value of scheme assets during the period

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Opening fair value of scheme assets	11,822	6,371
Expected return on assets	2,868	442
Actuarial (losses)/gains on scheme assets	(4,794)	78
Contributions by the employer	247	396
Age related National Insurance rebates	5	-
Plan participants' contributions	94	85
Settlements	4,256	4,937
Net benefits paid out	(1,628)	(487)
	<hr/>	<hr/>
Closing fair value of scheme assets	12,870	11,822
	<hr/>	<hr/>
Effect of asset ceiling restriction recognised as actuarial loss in statement of total recognised gains and losses	(10,644)	(8,600)
	<hr/>	<hr/>
	2,226	3,222
	<hr/>	<hr/>

Movement in asset ceiling restriction

	£000
Asset ceiling at 1 October 2007	(8,600)
Amount charged to Statement of total recognised gains and losses	(2,044)
	<hr/>
Asset ceiling at 31 December 2008	(10,644)
	<hr/>

Actual return on plan assets

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Expected return on scheme assets	2,868	442
Actuarial gain on scheme assets	(4,794)	78
	<hr/>	<hr/>
Actual return on scheme assets	(1,926)	520
	<hr/>	<hr/>

Notes (continued)

19 Pension commitments (continued)

Analysis of amounts recognised in Statement of total recognised gains and losses

	Value at 31 December 2008 £000	Value at 30 September 2007 £000
Total actuarial (losses)/gains	(2,512)	5,756
Cumulative amount of gains recognised in Statement of total recognised gains and losses	589	3,101

History of asset values, Defined benefit obligation and surplus/deficit in Scheme

	Value at 31 December 2008 £000	Value at 31 September 2007 £000	Value at 31 September 2006 £000	Value at 31 September 2005 £000	Value at 31 September 2004 £000
Fair value of Scheme assets	12,870	11,822	6,371	-	-
Defined benefit obligation	2,226	3,222	9,026	-	-
Effect of asset ceiling restriction recognised as actuarial loss in Statement of total recognised gains and losses	(10,644)	(8,600)	-	-	-
Deficit in Scheme	-	-	(2,655)	-	-

20 Capital and leasing commitments

(a) Capital

The company had contracted capital commitments of £Nil (2007: £Nil).

(b) Leasing

The annual commitments under operating leases at 31 December 2008 analysed by the unexpired period of the leases are as follows:

	2008		2007	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	6	-	6
Within two to five years	191	6	191	1
	191	12	191	7

21 Related party transactions

The company's transactions with Siemens AG in the period to 3 December 2007 when the company was acquired by Continental AG were sales and interest receipts of £279,000 and purchases and interest payments of £5,069,000. Any related party transactions involving directors of the company are set out in note 5.

Notes *(continued)*

22 Parent undertaking

The company is controlled by Continental Automotive Holdings UK Limited (formerly VDO Holdings Limited), its immediate parent company. The ultimate controlling party and parent company is Continental AG, incorporated in Germany.

The largest and smallest group in which the results of the company are consolidated was that headed by Continental AG. Copies of the group accounts in which these results are consolidated can be obtained from:

Continental AG
Vahrenwalder Strasse 9
D-30165 Hanover
Germany