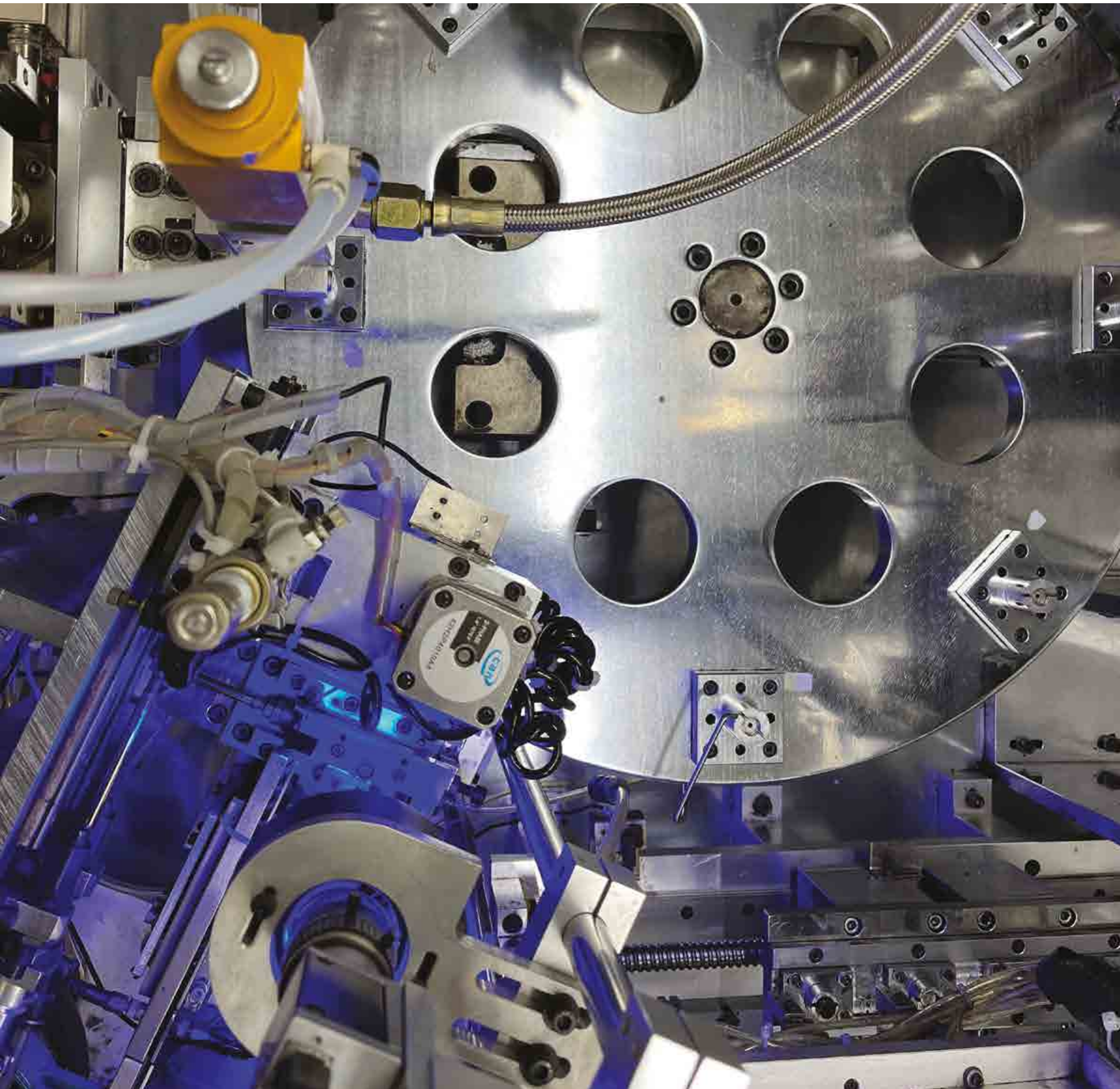
DEFINED BY INNOVATION

CT AUTOMOTIVE

ANNUAL REPORT AND
FINANCIAL STATEMENTS 2021



OUR PURPOSE

Driving innovative design and engineering solutions to help shape the future of the automotive industry.

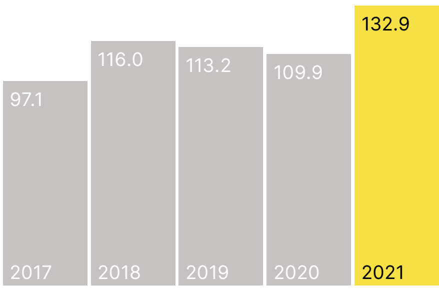
OUR MISSION

- To continue our track record of growing profitability and improving stakeholder returns.
- To drive continual innovation and operational efficiencies to maintain our position as an industry leader.
- To maintain our reputation for design excellence and innovation across our chosen markets.
- To build our global presence in response to market trends.

2021 HIGHLIGHTS

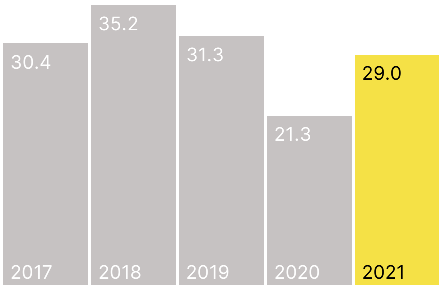
2021 REVENUE ($m)

$132.9m
+20.9%



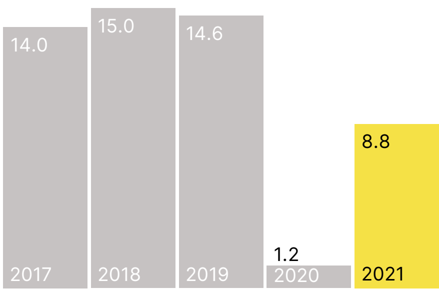
2021 GROSS PROFIT ($m)

$29.0m
Margin 21.8%



2021 EBITDA ($m) (BEFORE NON-RECURRING ITEMS)

$8.8m
Margin 6.6%



- New manufacturing facility in Mexico planned to be operational from July 2022
- 17% of revenue generated from EVs – ahead of the market average
- Embedded relationships with growing blue chip client base; expanding share of wallet
- Chip shortages impacting automotive industry, particularly H2 2021 and H1 2022, as expected
- Typical production contracts of 6-7 years
- Growth potential operating within niche market with huge opportunities

Overview

Strategic Report

Governance

Financial Statements

Further investor information
Investor presentations, news and other shareholder information can be found on our website.

For more information visit ct-automotive.net,/investors

AT A GLANCE

CT offers two principal services:

- **Engineering, design and development of automotive components and associated production tooling; and**
- **The serial production of such parts, with end supply to a growing number of the global original equipment manufacturers (OEMs).**

These services are delivered through our three business areas below:

Watch our video here: **ct-automotive.net**

PRODUCTS

Driven by innovation and powered by creativity, CT designs, builds, assembles, manufactures and delivers the highest quality automotive products on the market today. All the items we produce are unique and utterly unrivalled in terms of quality and functionality.

SERVICES

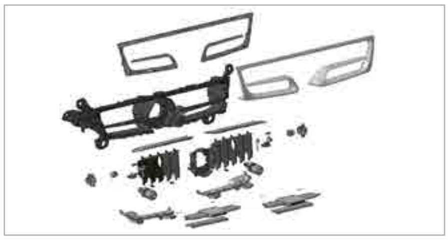
CT is focused on delivering the very best products through utilisation of cost-effective and advanced control measures:

- manufacturing
- tooling
- component maturation
- product validation

DESIGN AND DEVELOPMENT

Our highly skilled engineering design and development team is led from our Shenzhen facility, and reaches out globally with a satellite office in Pune and design and development engineers based at our facilities and on site with customers as residents.

- product design
- engineering development
- product development
- design for manufacture
- innovation

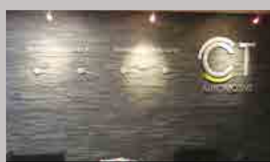


OUR GLOBAL FOOTPRINT

The Group has an international manufacturing footprint, with the majority of production across three sites in China, and additional sites in the UK, the Czech Republic and Turkey. Our operating model combines Western design and engineering expertise with lower cost manufacturing capabilities, to provide an integrated design through to production service.

9
MANUFACTURING SITES

2
INNOVATION AND DESIGN CENTRES



2
SALES OFFICES

7
DISTRIBUTION HUBS

WE ARE THE ALL-ROUND INTERIOR TRIM SUPPLIER

1 Air registers
From high-volume, multi-global platform supply to premium brand prestigious models, CT not only designs and develops the product but executes the pinnacle of manufacturing excellence to support our global supply.

2 Wrapped assemblies
Through extensive research and development of specialist techniques, CT's vast tailoring and trim department caters for and provides the very highest-quality wrapped trim panels, shifter assemblies and consoles, with no limiting factors on globally available coverings.

3 Decorative finishes
CT's in-house chrome plating, painting and finishing divisions allow for a full range of high-quality finishing techniques that span across many different styles and applications, allowing us to support all our customers' requirements and high standards.

4 Mechanical assemblies
CT also produces a wide range of kinematic assemblies, to complement our portfolio of interior trim product with the supply of deployable cup holders, docking stations and storage bins.

5 Light guides
Ambient light guides supplied by CT's class 10,000 clean room facility can be incorporated into our trim panel supply or provided as individual assemblies, to provide the enhanced interior experience and unrestricted design ambitions of customer and end user.

6 HVAC
CT specialises in 2k tooling manufacture and production supply of cabin comfort system components, including a broad range of HVAC doors and assemblies.

WE HAVE EMBEDDED CLIENT RELATIONSHIPS

OEMs

Volume brands

GM, SEAT, PSA, Ford, VW, ŠKODA, STELLANTIS, RENAULT NISSAN MITSUBISHI

Premium brands

Audi, Lotus, Lamborghini, BENTLEY

Electric vehicles

LUCID

Tier 1 suppliers

>15 years

MARELLI, IAC International Automotive Components, MAGNA

>10 years

faurecia

>5 years

Yanfeng, DRÄXLMAIER

New customers

Kasai, SMRC

TIMELINE

20 YEARS OF INNOVATION AND GROWTH

THE BEGINNING

2000–2007

Challenged European development tooling industry status quo with a new low-cost, high-speed model.

CT became a major development tooling company in Europe within 5 years of inception.

ESTABLISHING POSITION

2007–2014

CT scaled the barriers to entry and began supply of first kinematic components systems.

Deployed the same innovative low-cost model used in tooling.

CT established as a provider of full systems.

2000
CT founded

CT AUTOMOTIVE

2005
CT Shenzhen opens

2006
Marelli – first client win

MARELLI

2008
CT North America established

2009
CT UK established

2012
CT Turkey opens

2013
CT Guangzhou established

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

Customer win
Corporate event

GROWTH

2014–2020

Modular low cost factory footprint established in China, with local assembly facilities in Europe and planned facility in Mexico.

Full vertical integration of design and tooling achieved.

Product portfolio established focussed on new customer acquisition and organic growth within established base.

ACCELERATION

2021 →

Embed and expand

— More parts per model

— More models per manufacturer

— More geographical markets

— New OEM Tier 1 partnerships

— Strategic acquisitions

97% of 2022 revenue and 91% of 2023 revenue already visible

2007-2021 REVENUE GROWTH
Narrative about IPO and growth projections for 2022 and beyond

See growth strategy → page 11

2014 VW client win

2014 Audi client win

2015 Major EV OEM client win

2015 Second plant opens in Guangzhou

2015 Chrome plant opens in Shenzhen

2016 Skoda client win

2018 Top 5 OEM client win

2018 Seat client win

2019 CT India and CT Czech established

2019 Lamborghini client win

2019 Bentley client win

2021 Lucid client win

2021 Lotus client win

2022 CT Mexico opening planned

2014 2015 2016 2017 2018 2019 2020 2021 2022 →

STATUS AT 31.12.2021

45 MODELS

17 OEMS

4m SYSTEMS

SHAPING THE FUTURE OF THE AUTOMOTIVE INDUSTRY

I am delighted to present CT's first set of results as a listed company. This has been one of the most exciting and challenging years at CT, concluding with the successful listing in late December. I am proud of what we have achieved and the position that the Group now holds.

Simon Phillips
Founder and Executive Chairman

Introduction
We achieved record revenues, despite the well-documented challenges in our end markets, and, with the funding from the IPO, are well placed to capitalise on the growth opportunities ahead as global vehicle production volumes recover in 2022 and beyond.

This would not have been possible without the resilience and collaboration shown by our people in such an extraordinary year. They have consistently risen to whatever challenges they face which fills me with confidence for the future of CT.

As part of the listing, we have strengthened our Board, and I would like to welcome Tracey James, Francesca Ecsery and Ray Bench, our three new non-executive directors. In the short time working with us, they have already added strong insight and improved direction to our Board, so I am excited to see this develop over the coming years.

Finally, I'd like to again thank and welcome our new investors who supported us at IPO. With their backing, we look forward to continuing to build on our growth track record.

Business Overview
2021 was a year of two halves. The first six months continued the strong recovery trend which started at the end of 2020 following the end of most COVID-related lockdowns, precipitating the ramping up of light vehicle production. However, during this period, automotive supply chain shortages started to arise, most notably semiconductors. Although this didn't directly impact our supply chain, it caused automotive production lines to slow down and, at times, come to a halt. Original equipment manufacturers (OEMs) have consequently become more selective about which models to produce to maximise available resources, typically favouring electric vehicles (EVs). Due to our customer mix and the vehicle models we are nominated on, these supply chain issues most significantly impacted the second six months of trading for CT. Nonetheless, we were still able to deliver record revenues ahead of our expectations set out at listing, with revenue of $132.9m, up from $109.9m in 2020.

The listing has allowed the Group to repay various credit facilities, including the term loan which arose from the previous management buy-out in 2016. We have maintained our existing working capital facilities in the form of invoice finance and import trade loan facilities. The Group's balance sheet has therefore been significantly strengthened to position the business perfectly for the next phase of growth.

Dividend
As outlined at our listing in late December, our focus will be on continuing to invest in the business for future growth, including the set-up of the new plant in Mexico. As a result, the Board is recommending no dividend for the 2021 financial year.

This is in line with our capital allocation policy and reflects our confidence in the growth opportunities we see ahead.

Regulatory and governance
As part of the listing, the Board adopted the QCA Corporate Governance Code and will actively monitor the effectiveness of our governance processes. Details of this are found within page 35.

As a result of the pandemic and related travel restrictions, all Board meetings continue to be held remotely. Although this has not impacted the effectiveness of the Board, we are hopeful that in-person Board meetings will be possible at some point in 2022. The first evaluation of effectiveness for the Board and committees will be completed in late 2022, following a full year of adoption.

Supporting our people
People and culture remains a core focus at CT. Our growth to this point is driven by the strength and commitment of our people.

Keeping our people safe is a top priority for CT. Health and safety is paramount at all sites, with strict guidelines and regular external audits to ensure best practice processes. Our health and safety KPIs have been presented in the Sustainability Report and S172 statement on page 14.

The Board is also in the process of implementing a group-wide employee engagement surveys to ensure honest and regular feedback on any issues or concerns or recommendations. As we strive to constantly innovate and improve, we value the input from our people to achieve this.

Our market
The thoughts of everyone at CT are with the people of Ukraine at this time. We continue to monitor the situation closely, which has impacted the European automotive industry. Most notably, some automakers source wire harnesses from Ukraine and have been forced to halt production whilst they re-source supply. For CT, this only impacted one customer for which production restarted within four weeks and is expected to recover the lost volumes across 2022. The short-term impact on global volumes was also offset by increased volumes in the US during that four- week period.

Looking ahead

This is a very exciting time for CT. As the global supply chain issues continue to ease through 2022, there is unprecedented, pent-up consumer demand within the automotive industry. The supply chain issues within the industry are primarily impacting our customers, rather than our direct supply chain, as we continue to be able to source our required raw materials. Although there is inflationary pressure mounting, the Group primarily utilises open book pricing models, and hence there are mechanisms in place to pass costs through to customers. To support this and the future development of the Group, we employed Stuart Lorraine as our Global Supply Chain and Commercial Director in March 2022. Stuart has a wealth of experience within the industry, including previously working at OEMs, and has already helped mitigate any margin compression.

In addition, we have already achieved a number of significant new business wins in 2022 and are well progressed in setting up the new plant in Puebla, Mexico, with production on track to commence in H2 2022. This progress has been detailed further within the Chief Executive Officer's review.

These factors along with our strong track record of growth, client relationships and manufacturing excellence fill me with confidence that we are well positioned for a strong and extended period of growth.

Simon Phillips
Founder and Executive Chairman

INVESTMENT CASE

The automotive interior components market is a niche sector supplying specialist components that are required to meet exacting technical and safety standards, and are integrated into vehicle designs from the earliest development stages. With three main global competitors to CT, the market is characterised by high barriers to entry as a result of customers' stringent supplier onboarding requirements and risk aversion resulting from the significant costs that could arise due to production line stoppages in the event that components were not delivered to the requisite quality standards and on time.

$6.5bn
ANNUAL VALUE OF THE AUTOMOTIVE INTERIOR COMPONENTS MARKET

40%
EXISTING CUSTOMERS REPRESENT OVER 40% OF THE AUTOMOTIVE MARKET. WE ARE ONBOARDING ANOTHER 25%

30%
OVER THE LAST 10 YEARS SERIAL PRODUCTION REVENUE GREW AT A CAGR OF 30%

KEY ATTRIBUTES:

— EXPERIENCED MANAGEMENT TEAM
BOARD OF DIRECTORS → PAGE 36

— NICHE MARKET WITH HIGH BARRIERS TO ENTRY
NICHE MARKET → PAGE 12

— INNOVATIVE BUSINESS MODEL
SEE OUR BUSINESS MODEL → PAGE 10

— EMBEDDED RELATIONSHIPS WITH GROWING BLUE CHIP CLIENT BASE; EXPANDING SHARE OF WALLET
SEE OUR KEY TRADING RELATIONSHIPS → PAGE 13

— TRACK RECORD OF PROFITABLE GROWTH WITH FORWARD VISIBILITY OF REVENUES

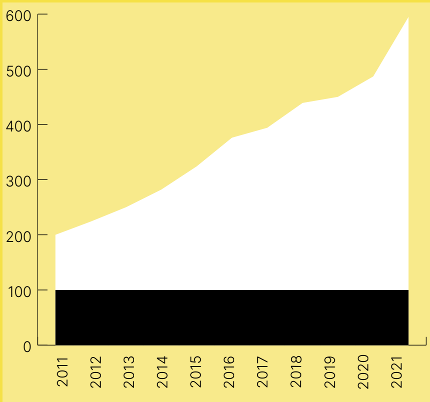
— MULTIPLE DRIVERS OF GROWTH ACCELERATION
SEE OUR BUSINESS → PAGE 11

— MULTIPLE NEW CLIENT WINS AND MAJOR STRATEGIC ALLIANCES IN DEVELOPMENT

— CAPITAL ACCESS WILL ENABLE COST REDUCTIONS AND SUPPORT ACCELERATED EXPANSION

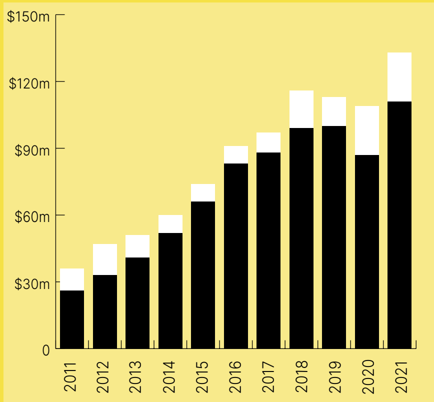
MARKET GROWTH VS CT GROWTH

US & EU UNITS (REBASED TO 100)
CT RELATIVE SALES GROWTH



REVENUE GROWTH $M (LTM IS TO JUNE 2021)

PRODUCTION
TOOLING



MANUFACTURING EXCELLENCE DEFINED BY INNOVATION

2021 was a landmark year for the Group, as we successfully navigated a challenging market backdrop, while completing our AIM listing in December and achieving record sales.

Scott McKenzie
Chief Executive Officer

Introduction
The automotive industry has historically been demand-led and hence the just-in-time production processes facilitated the alignment of production schedules with raw materials and parts orders. The pandemic and related lockdowns have caused supply-side issues which re-shaped the global automotive market in 2021 and look set to continue through at least the first half of 2022.

With the pressure to build-back by OEMs around the world mounting, and supply chain issues easing to a degree, the industry is set for a significant bounceback.

Operations – production trading
The supply chain issues in 2021, most notably the shortages of semiconductors, caused significant volatility for OEM. This resulted in a number of customer temporary shutdowns (for example, two weeks without production) and also reduced output across the industry.

Global light vehicle production amounted to 73.4 million vehicles in 2021, up only 3.8% on 2020. So far in 2022, there have been some pandemic-related lockdowns in China, however these have been restricted to certain areas, primarily Shanghai, and hence our operations have not seen any significant disruptions other than resourcing activities which have been completed quickly to ensure continuity of supply.

The Group optimised operations through 2020 and 2021 to better deal with the unpredictable customer production schedules. However, in line with the experience of manufacturers across the global automotive sector, the 'stop-start' production impacted efficiency and created some additional quality costs.

Customer schedules, although still at reduced levels, have started to become more consistent and reliable in Q1 2022, with reduced in-month order cancellations. Such cancellations were most disruptive in Q3 2021, with in-month order reductions running at c.37%. This improved slightly in Q4 2021 to c.27% and has further improved to c.17% in Q1 2022, as expected. There were numerous headwinds impacting light vehicle production across the industry in Q3 2021, most notably the semiconductor shortages and disrupted shipping schedules. These shipping schedules in 2022 have become noticeably more stable.

The nature of our production cycle relies on customer schedules being upheld. This is particularly important for production completed in China and then shipped to the UK, US and Europe. In 2021, there was an increased level of in-month order cancellations due to customer supply chain issues. As a result, this caused issues with overstocking certain product lines in our UK and US distribution centres. In 2022, this has improved as noted above, and hence our stock levels are more balanced across the Group and our various locations.

37% > **27%** > **17%**
Q3 Q4 Q1

SEVERE SUPPLY CHAIN-RELATED DISRUPTION WITH IN-MONTH ORDER CANCELLATIONS RUNNING AT 20-25% VS A NORMAL LEVEL OF C.1%

UPDATED FIGURES FOR THIS SHOWS IMPROVEMENT IN 2022

Operations – production tooling
Our in-house toolroom in Shenzhen had a very busy year, running at maximum capacity on new programmes for a variety of products. We are particularly pleased as this reflects the efforts made to increase utilisation of our in-house tooling capabilities, rather than outsourcing.

Development has been broadly isolated from supply chain issues in 2021, and progress has been able to largely continue irrespective of customer shutdowns. The main impact has been a small number of delayed vehicle launches causing minor delays to tooling approvals.

Agility
Agility is one of our core values and has been more important than ever through the last two years. As a high-growth business, there are always multiple challenges and fast changes impacting the business. Our people have adopted a culture to: Assess, Adjust, Act – allowing us to respond appropriately to challenges as they arise.

There are many examples of this agility over the last two years, most notably in our working practices, including how many of our people have transitioned to working from home, and how we have maintained strong communication and relationships with significantly reduced travel (previously a key element in our global business).

This agility is crucial as we continue to adapt to capitalise on market trends, such as EVs, or design trends, such as hidden IP vents, or addressing the impact of tax changes such as the US S301 tariffs.

Expanding in the EV sector
Our design expertise and track record has allowed us to maintain our market position as a supplier for EVs. This can be seen in our customer mix and the vehicles we are nominated on which include both established EV manufacturers and new entrants to the markets. This is supported by our recent nominations on EV cars, including the Nissan Ariya and e.Go Mobile.

The growth in EVs is also driving an increase in the potential value of interior components that the Group can supply per model. In addition, technology advances in autonomous driving have been most prevalent across EVs, resulting in more 'hands-off' time and interaction with a vehicle's interior. EV marques, including Lucid and a major global EV OEM, have focused particular attention on their vehicles' interior design, with the Group's highest value of supplied components per vehicle being that within the new Lucid Air.

The trend towards EVs continues to gain momentum across the globe. This has been further enhanced in 2021 with the multiple commitments from OEMs towards full electrification (largely following the COP 26 event in November 2021). We have also seen a trend of customers prioritising EV production lines when chip availability has been restricted. Within the automotive sector, EV sales reached 6.75 million globally in 2021, up 108% on 2020.

Trading performance in Q3 and Q4 2021 was challenging due to the supply chain conditions, and reflected by the global light vehicle production, however we attribute our slight overall outperformance of the global market to the Group's significant exposure to EVs. The Group has above average exposure to the EV segment, with 17% of revenue derived from EV platforms, compared to EVs overall market share by volume of 8%.

Setting up new plant in Puebla, Mexico
Following the introduction of additional import tariffs by the Trump administration on certain goods arriving from China into the USA, it has become less economical for the Group to supply components to US-based customers directly from China. While the Group has entered into cost sharing agreements with some of its existing customers to mitigate the impact of the tariffs, the Directors do not believe that they would be able to competitively bid for new contracts supplied directly by the Group's Chinese plants while the tariffs remain in force.

In order to continue to supply to customers, including a major EV company in the US without the imposition of the China Tariffs, the Group is setting up a new manufacturing site in Mexico from which it will export to the US. The plant has been identified with a new lease signed and a number of new staff on site from May 2022. This site has in place the required infrastructure, including appropriate energy connections, to allow the Group to rapidly deploy machinery. Industrialisation of the plant, including shipping the tools from China, will proceed across May and July with production on track to start in H2 2022.

CT has developed a low-cost modular factory design (inclusive of fixtures, quality gauges and capital equipment), with production lines to be built and tested in China prior to shipment, resulting in substantial reductions in capital expenditure. The Directors estimate that capital expenditure of c.$2.5 million will be required to prepare the site for first production. The Group has followed a demand-led expansion program and has secured contracts for delivery from the Mexico plant such that it is expected to be revenue generating immediately upon completion. This new site will allow us to remain competitive, and expand, in the North American market without tariffs, and continues to be well received by our customers.

Outlook
The semiconductor shortages have continued to impact the industry in early 2022, with further short-term disruption also caused by the Ukraine invasion in Europe. Our customer schedules are however becoming more consistent which allows the Group to more effectively plan production schedules and better manage stock levels across the globe. We continue to expect a recovery in global production across 2022, most significantly in H2 2022, as supply issues ease. This recovery timing is largely aligned with public statements made by a number of OEMs and Tier One suppliers.

The current customer trend towards prioritising key models, due to chip restrictions, is leading to EVs and larger models typically being favoured. Although our mix of programmes is powertrain agnostic and includes a mixture of model sizes, this trend typically favours CT with our above-average exposure to EV compared to the market. This is aligned with the existing direction of travel of continued increased demand for EVs and the commitments towards achieving full electrification on new models made by a number of OEMs.

As a result of existing nominations, we anticipate the Group to benefit from increased serial production revenues in 2022 as the OEMs seek to meet the pent-up consumer demand for cars, with the full effect of new launches in 2021 contributing to further growth for CT. Accordingly, we have seen production volumes start to recover in early 2022, and expect this to continue ahead of automotive supply chain issues resolving fully in 2023.

The Group is positioned to recover strongly, with c.97% of anticipated revenue in 2022 and c.91% of anticipated revenue in 2023 expected to come from projects which are currently underway or on which the Group is already the nominated supplier. This will be further supported once the new plant in Mexico is operational, allowing us to be more competitive in the North American markets.

Scott McKenzie
Chief Executive Officer

SUPPORTED BY OUR VALUES

Our values at CT underpin our culture: while priorities may change, the values are firmly embedded in who we are and give direction to everything we do. They are aspirational and allow us to focus on delivering our purpose, being sustainable and drive innovation. They create a shared understanding of what we thinkis important to deliver success.

People & culture
Growth driven by the strength and commitment of our people, constantly striving for improvement and innovation.

Trust
Building trust in our brand and capabilities, with new OEMs and Tier 1 suppliers.

Collaboration
Working closely with our customers and suppliers to ensure modern, innovative designs.

Operational excellence
Striving for continuous efficiency and quality improvements, to achieve the highest standard solutions for our customers.

Sustainability
Achieving growth responsibly, with a careful consideration for our wider impact and our social, environmental and ethical responsibilities.

Agility
Remaining agile and fast to react/adapt to market trends.

SECTION 172 STATEMENT

The Directors take their responsibilities to shareholders and stakeholders very seriously. In addition to having regard to the interests of the Group's stakeholders, Directors also consider the impact of the Group's activities on the communities within which it operates, the environment and the Group's reputation. The Directors seek to act in good faith, in the way most likely to promote the success of the Group, for the benefit of its shareholders in the long term and to act fairly between all of the Company's shareholders. Through the Board and its Committees, Directors have taken action to promote and support these objectives across the Group, details of which can be found within the Sustainability report and S172 statement.
For more information on S172 → page 14

MAXIMUM VALUE FROM CONCEPT TO DISTRIBUTION

EXTERNAL SUPPLIERS

Polymer (mostly raw, some regrind)

Raw Materials: PVC and leather

On behalf of CTCZ, CTUK rent a site for the provision of Czech Republic operations.

c.95% of purchases in Turkey are made locally, which are mostly polymers. Any additional raw materials are purchased from Shenzhen.

GROUP OPERATIONS

China: Production, design, finance, management and sales

- The main plant is in Shenzhen, which is predominantly tooling and the location of head office, the design office (for parts and tool), a tool room, finance function and key senior management.

India: Design

- Design centre only, feeding directly into Shenzhen.

BUSINESS MODEL

Combining western engineering expertise with emerging economy low-cost structures.

Low-cost production base

CT's wages and associated costs for skilled engineers, tool makers and operators are c.70% lower than developed market standards.

CT's plant, equipment and robotics fixtures are up to 40% less expensive than developed market prices.

In-house tooling & design

CT offers the full engineering, development and design package from concept to reality.

Its competitors, who continue to produce largely in Europe, US and Japan, tend to outsource tooling and design subcontractors which increase costs and lead times, and reduces flexibility in response to client requests.

World class quality standards

Owning the full supply chain from design, prototyping, tooling, validation testing to full manufacturing and distribution substantially improves margins.

CT's WOFEs are led by c.50 ex-pat senior engineers supported by the local labour force.

This enables the business to maintain quality standards whilst delivering cost and speed advantages.

MARKETS

Hong Kong Distribution

- Hong Kong also have significant tooling operations.

UK Distribution

US Distribution

Tooling

- The majority of tooling is undertaken for internal projects for use on production parts.

UK Production

Czech Republic Production

Turkey Production

End Market

- Existing customers represent over 40% of the automotive market.
- CT is in the onboarding phase, with customers representing a further 25%.
- CT enlarges the range of products, vehicle models and geographies for each OEM whilst adding new OEMs.

GROWTH STRATEGY

The route to market varies by OEM, with the Group supplying components both direct to the OEM and via Tier One suppliers. The organic growth strategy can be summarised across:

1. **Increasing penetration of existing OEM and Tier One customers**

   The group has strong, established, relationships with a number of Tier 1 suppliers and OEMs, including Marelli, Faurecia, VAG and Lucid. Maintaining strategic relationships with all customers is critical to ensure ongoing nomination on future vehicle platforms with each customer and also increasing content per vehicle.

   Through the combination of long-standing customer relationships and the integration of the Group's products into the vehicle design, the Group aims to become embedded within customer supply chains and product development, progressively expanding the range of products supplied.

   While the value of components on a vehicle will vary depending on the materials and cockpit design, the Directors estimate that on average the total value of components that could be supplied by the Group per vehicle is approximately $75.

2. **Development of new customer relationships**

   The majority of global vehicle production is undertaken by 23 manufacturers which collectively account for approximately 91%. of total annual vehicle production. Of these 23 manufacturers, the Group currently supplies components, either directly or indirectly, to 13 which collectively represent 66% of total annual vehicle production.

   Through CT's proven track record of delivering quality components to all segments of the automotive market, i.e. both volume producers, such as Nissan, and premium brands, such as Bentley and Lamborghini, the Group is constantly striving to develop new customer relationships.

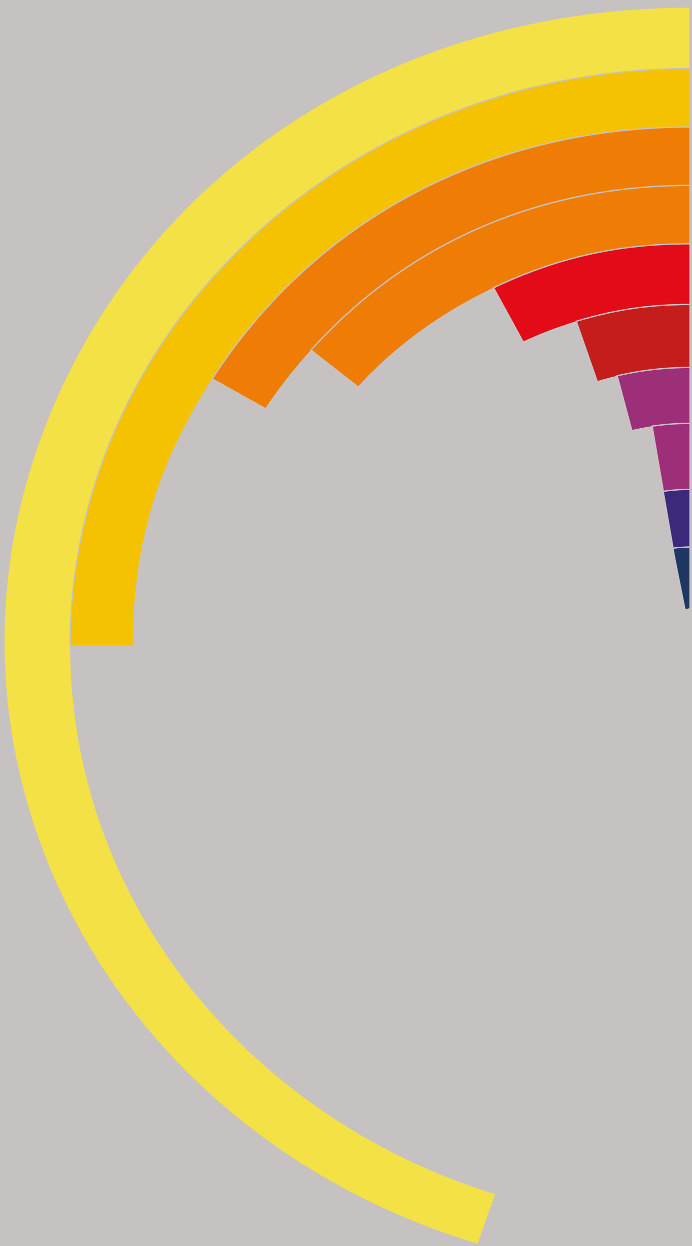
3. **Maximising the potential of a recently signed strategic partnership with a global Tier One automotive supplier**

   The Group has recently signed a strategic agreement with a global Tier One supplier, through which it is intended that the Group could become the exclusive supplier of air vents to that Tier One supplier's entire client base in Europe and North America over time. The Tier One supplier and the Group have jointly identified a number of opportunities where the two groups can work together on upcoming tenders. CT estimate that the Tier One supplier currently subcontracts approximately $100 million of air vents annually. Given typical vehicle production cycles, this collaboration is expected to take five to ten years for the total value to be fully realised.

A NICHE MARKET...

CT AUTOMOTIVE SERIAL PRODUCTION REVENUE BY OEM

FY 2021



Nissan	36%
Skoda	20%
Top 5 OEM	11%
VW	6%
Seat	4%
Chevrolet	3%
Major EV OEM	2%
Audi	2%
Renault	2%
Lamborghini	1%

ESTIMATED MARKET FOR THE INTERIOR COMPONENTS CATEGORIES SUPPLIED BY CT

$6.5bn

EXISTING CUSTOMERS' SHARE OF THE AUTOMOTIVE MARKET

40%

REVENUE OF MARELLI/NISSAN ACROSS C. 18 PLATFORMS

$39m

...WITH HUGE OPPORTUNITIES

NICHE

The automotive interior components market is a niche sector, supplying specialist components that are required to meet exacting technical and safety standards, and are integrated into vehicle designs from the earliest development stages.

The competitor set is so limited because there are only a handful of suppliers in the world that have the design, validation and testing capabilities to meet the demands of carmakers on a global basis.

The market is characterised by high barriers to entry as a result of customers' stringent supplier onboarding requirements and risk aversion resulting from the significant costs that could arise due to production line stoppages in the event that components were not delivered to the requisite quality standards and on time.

No significant new entrants to the market, other than CT, in the last 20 years.

OPPORTUNITIES

Interiors are increasingly important to perceptions of quality and are a key selling point.

Despite the rate of growth to date, there remains a huge opportunity with the less mature element of CT's customer base. The Group has a track record of winning new clients and expanding its relationships to progressively supply an increasing number of components on successive contracts with each customer. On average, the Group currently supplies $20 of components per car, with the potential to increase the value of components as the relationship expands. The Directors believe that there is potential to increase the average value per car to approximately $75 as it aims to replicate the spending pattern of its longest-standing clients across an expanded customer base.

GROWING EV SECTOR

Context

The growth in EVs has resulted in an increase in the potential value of interior components that the Group could supply per model. In addition, technology advances in autonomous driving have been most prevalent across EVs, resulting in more 'hands-off' time and interaction with a vehicle's interior. EV marques, including Lucid and a major global EV OEM, have focused particular attention on their vehicles' interior design, with the Group's highest value of supplied components per vehicle being that within the new Lucid Air.

Exposure

The Group has above average exposure to the EV segment, with 17% of the revenue for the 12 months to 30 June 2021 derived from EV platforms, compared to EVs overall market share by volume of 8%. Increased use of added-value finishes and bespoke trims result in higher value and density of components supplied, and the Directors believe that the Group is well positioned to continue to benefit from these trends as customers' requirements evolve. The Directors expect these trends to continue. Furthermore, the Directors consider that the Group's track record with EV focused OEMs and its drive train agnostic products leave the Group well placed to benefit from these continuing trends.

Customer relationships

OEMs suffer significant losses from any production line interruptions and are therefore risk averse in the selection of suppliers. The process to establishing embedded customers can therefore take many years. The Group can categorise its relationships as follows:

No relationship yet – CT is trying to engage with these manufacturers but they typically already have embedded supplier relationships and have not encountered any issues to prompt resupply

Onboarding – CT will often be communicating with manufacturers for a number of years before any nominations are awarded. The supplier-base for new models is also set during the design and development phase, and is hence at least 12 months prior to launch of the vehicle

Initial programme launches / Growing relationship – new programme nominations have been achieved, often on an initial programme or with relatively low content value. CT is therefore proving that they can deliver the high-quality supply in line with volume requirements, typically before additional programme or content nominations are awarded. These relationships are well-established, however the manufacturer also works with other suppliers across their range of models

Embedded – a strong relationship has been developed over time, with CT supplying across a significant proportion of potential contracts and being the 'go-to' supplier for our components.

TOP 23 GLOBAL CAR MANUFACTURERS*

Manufacturer	OEM market shares	Status
Toyota	11%	Initial programme launches / Growing relationship
Volkswagon	11%	Initial programme launches / Growing relationship
Daimler	3%	No relationship yet
Ford Motor	7%	Initial programme launches / Growing relationship
Honda	5%	Onboarding
General Motors	7%	Initial programme launches / Growing relationship
BMW		No relationship yet
SAIC	3%	No relationship yet
FAW Group		No relationship yet
Hyundai	8%	No relationship yet
DongFeng Motor	2%	No relationship yet
Nissan		Embedded supplier
BAIC Group		No relationship yet
GAC Group		No relationship yet
Kia		No relationship yet
Renault	4%	Initial programme launches / Growing relationship
Geely	2%	Initial programme launches / Growing relationship
Volvo		No relationship yet
Tata		No relationship yet
Tesla		Initial programme launches / Growing relationship
Suzuki	3%	Onboarding
Mazda	2%	Onboarding
Suburu		No relationship yet

EMBEDDED SUPPLIER · INITIAL PROGRAMME LAUNCHES / GROWING RELATIONSHIP · ONBOARDING · NO RELATIONSHIP YET

BASED ON 2021 REVENUE
*SOURCE: FORTUNE.COM/GLOBAL500

RESPONSIBILITY

ENVIRONMENT

- Environmental impact
- Emissions

SOCIAL

- Our people
- Supplier and customer relationships
- Community

GOVERNANCE

- Health and safety
- Wellbeing
- Investors

As our first Annual Report and first Sustainability Report, we have combined this with our considerations and reporting on S172. As such, we have reviewed all the key stakeholders to the Group and considered our impact for each in regards our sustainability pillars: Environment, Social and Governance (ESG).

Introduction and Section 172 statement
In addition to having regard to the interests of the Group's key stakeholders, the Directors also consider the impact of the Group's activities on the communities within which it operates, the environment and the Group's reputation. As explained in the Chief Executive Officer's report, this is underpinned by our values.

- People & Culture
- Trust
- Collaboration
- Operational excellence
- Sustainability
- Agility

CT's focus on a leadership strategy co-exists with a strong commitment to the safety and welfare of our people, a sustainable approach to environmental practices, and a strong governance framework.

As part of this, the Group has aligned our direction against the UN's Sustainable Development Goals. Within these goals, the Board has chosen to focus our resources and attention on three primary goals as follows:

- Gender equality – empower women and girls and ensure their equal rights.
- Decent work and economic growth – create job opportunities for youth.
- Reduced inequalities – support the marginalised and disadvantaged.

In addition, we plan to make future actions, as explained within this Sustainability report, to address the following goal:

- Life on land – plant a tree and help protect the environment.

The Board considered the interests of and the impact on all stakeholders when making a number of key decisions during the year, as demonstrated by the following examples:

DECISION	STAKEHOLDERS IMPACTED AND CONSIDERATIONS MADE
Decision to list on AIM market	Shareholders – decision made through consultation amongst shareholders with a common goal to recapitalise the Group's balance sheet and position CT for future growth. Our people – creating the opportunity to invest in our future growth both privately and through future share options schemes. Debt providers – reduce leverage of the Group and allow full repayment of certain debt facilities.
Decision to set up a new plant in Mexico	Customers – our correspondence with US customers indicated strong preference to set up as soon as possible. Our people – we were able to relocate certain South American staff previously based in China. Environment – the decision reduces air and sea transport between China and the US, and hence reduces emissions. Investors – the new plant allows us to bid competitively for more US projects and hence grow the Group's profitability.
Decision to divest our Scomadi minority share	Shareholders – the ongoing financial support required for Scomadi would have utilised funds which were required by the Group. Investors – the decision protects investors by allowing the Management team to fully focus on core activities of the CT Group.

OUR VALUES

People & culture
Growth driven by the strength and commitment of our people, constantly striving for improvement and innovation.

Trust
Building trust in our brand and capabilities with new OEMs and Tier 1 suppliers.

Collaboration
Working closely with our customers and suppliers to ensure modern, innovative designs.

Operational excellence
Striving for continuous efficiency and quality improvements to achieve the highest standard solutions for our customers.

Sustainability
Achieving growth responsibly, with a careful consideration for our wider impact and our social, environmental and ethical responsibilities.

Agility
Remaining agile and fast to react/adapt to market trends.

ESG considerations and reporting are a key area of focus for the Board as explained within this Annual Report. There are however currently no clearly defined ESG reporting requirements for AIM listed entities, therefore we are evolving our strategy and plan to apply best practice. The Board is also keeping up to date with the two new IFRS standards proposed in March 2022 in relation to ESG strategy, accounting and sustainability. In reference to ensuring future applicability for the Group, Management have engaged EcoVadis to undertake a full sustainability report of the Group's operations. This is currently ongoing, although progress is slightly delayed due to travel restrictions in China preventing on-site workshops.

SECTION 172
AND OUR PEOPLE

Our People (values: People & Culture / Collaboration / Trust / Agility)
The continued growth of the Group is driven by the strength and commitment of our people, constantly striving for improvement and innovation. The entrepreneurial foundations of the business have continued to drive the culture – the flexibility and agility in exploiting new opportunities have differentiated the Group from its larger competitors and contributed to the growth in market share since formation. The Board is grateful to the ongoing support shown by our people and is focused on supporting them.

The safety and protection of our people is the Board's key focus. To support this, various policies have been reapproved and circulated to all staff during the year. These include;

- Anti-corruption and bribery policy;
- Anti-slavery and human trafficking policy –supported by specific additional training for individuals in key procurement and employment roles to ensure zero tolerance for modern slavery within our operations; and
- Whistleblowing policy – zero whistleblowing incidents have been reported in 2021.

To further support our people and promote our core values, the Group operates a number of initiatives, including:

- Repaying travel costs for overseas foreign colleagues to travel home once per year (the Board recognises that these opportunities have been limited during the year due to travel restrictions, particularly in China);
- Supporting numerous training and development programmes – within the finance function, this includes supporting both AAT and ACCA studies for members of staff;
- Supporting homeworking (where possible) for greater flexibility – this is particularly important for our colleagues with families to support;
- Regular benchmarking of salaries at each role to ensure fair remuneration and competitiveness; and
- Implementing performance-related pay schemes to reward our people for the pursuit and achievements of the Group's objectives.

In addition to these initiatives, the Group has additional plans to further support our people as follows:

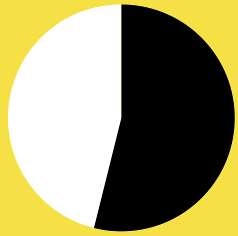
- Setting up a wider employee share options scheme in 2022, allowing our people to benefit from the growth of the Group that they contribute so significantly towards;
- Introducing a group-wide staff engagement survey and setting target response rates, to gain invaluable direct feedback and address any issues in order to protect our existing culture; and
- Introducing a group-wide peer recognition scheme for our people to highlight outstanding performance of their colleagues with quarterly rewards given.

Diversity and inclusion (values: People & Culture / Trust / Agility/Collaboration)
At CT there is a diverse range of staff, with all ages, genders, ethnicities and religions being employed; all working together as one big team. This is part of CT's make-up and at the heart of all operations due to the multi-national nature of the Group's operations. Needless to say, all employment applications are considered in a fair and balanced way, based on capabilities, skills and experience.

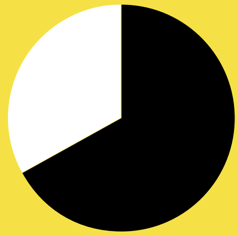
EMPLOYEE GENDER SPLIT

We are proud of our gender split (as at 31 December 2021):

TOTAL



BOARD



UK

34% FEMALE — 66% MALE

US

50% FEMALE — 50% MALE

TURKEY

63% FEMALE — 37% MALE

SZ

40% FEMALE — 60% MALE

GZ

48% FEMALE — 52% MALE

CT Automotive's focus on a leadership strategy coexists with a strong commitment to the safety and welfare of staff, a sustainable approach to environmental practices, and a strong governance framework.

OUR RELATIONSHIPS AND RESPONSIBILITIES

Supplier and customer relationships (values: Collaboration / Operational excellence / Trust / Sustainability)
Building and maintaining relationships with suppliers and customers is essential for the ongoing success of the Group. A large emphasis is placed on working closely with both suppliers and customers, to ensure our activities are productive and efficient for all parties involved. This has been critical in building long-standing relationships with existing suppliers/customers and also begin working with new suppliers/customers. The strength of these relationships has helped the Group throughout the disruptions caused by the pandemic and related supply chain issues over the last two years.

Our customer relationships are developed over many years to build trust prior to nomination, each managed by dedicated key account managers. CT collaborate with customers for continuous improvements and innovation both in terms of design and operational efficiencies, ensuring that both CT and our customer remain competitive. This is supported by regular customer audits and surveys, including tours of our production facilities and assembly lines.

Similarly, the Group has worked with much of its supply chain for a number of years to establish trust and ensure reliability. Any new suppliers are subject to a detailed vendor onboarding process, to ensure the Group continues to only work with responsible suppliers and protect all parties from fraud. As part of this, our colleagues responsible for procurement are provided with regular training, including anti-corruption and bribery and anti-slavery and human trafficking. Our UK and Turkey operations are also certified under ISO27001 standards regarding data security, including personal data for GDPR. Although our other sites are not certified, IT security is managed centrally in the UK, and hence subject to the same processes and controls. The Group has also recently appointed a new Global Purchasing and Supply Chain Director to continue driving improvement and consistency across our supply chain and maintain strong communication with suppliers.

Community (values: Collaboration / Trust / Sustainability)
CT is also a proud sponsor of three youth football teams; both Wyvern Under 9 teams and Blyth Town Under 13 team, providing the equipment that the teams need to train and play. As well as sponsoring the teams, at weekends CT's CFO, David Wilkinson, coaches one of the Wyvern teams. With grassroots football being such a big part of the local community, and so many of its teamworking skills and values resonating with CT, it is something the Group takes great pride in being a part of.

In an effort to further give back to our local communities, the Group will be introducing a "Giving Back Days" scheme. This will allow our people one day of paid leave each calendar year to volunteer as they choose. We hope that this scheme will have both a positive impact on our local communities but also the wellbeing of our people.

GIVING BACK DAYS

Mission Christmas: Cash for Kids
Our plant in Sunderland raise money every Christmas for a local charity, TFM Cash for Kids, who support local children in care with presents at Christmas.

Great North Run
CT supported our UK HR Manager, Jo, to run the Great North twice in recent years, also in aid of TFM Cash for Kids.

Charity Dog Run
CT supported our UK Stock Controller, Kate, in a charity dog run in aid of Battersea Dog and Cat Rescue.

Donating school supplies
Our Chinese plants donate school supplies for a remote school in Guangdong province.

Investors (values: Trust / Collaboration)
Following Admission to AIM in December 2021, the Board is working hard to establish strong communication channels with both existing shareholders and potential investors. The Board feel that it is important to provide fair, balanced and understandable information to investors and analysts, to ensure they fully understand the strategic objectives and risk management environment. The feedback gathered from investors and analysts also helps steer the future direction of the Group.

This will include the annual reports, interim and full-year financial statements, trading updates, investor presentations/roadshows, annual general meetings and maintaining the investor relations website (eg "RNS News").

David Wilkinson will be the primary contact for shareholders, and there is a dedicated e-mail address (media@ct-automotive.net) for shareholder questions and comments. The Board has also appointed Engine MHP as Financial PR consultants to support with engaging with shareholders/investors.

The QCA Code for Corporate Governance has also been adopted to provide investors assurance of the sound control environment in place. The Board considers the Group to be compliant with all ten of the core principles within the QCA Code.

The Group has always taken health and safety extremely seriously, particularly our manufacturing locations where the risks are inherently greater.

Health, safety and wellbeing (values: People & Culture / Collaboration / Operational excellence)
The Group has always taken health and safety extremely seriously, particularly our manufacturing locations where the risks are inherently greater. The Group works to ensure best practices are maintained in relation to health and safety, to allow our people to work in a safe environment.

This is also a topic discussed at every Board meeting, to ensure it continues to be correctly considered across all our business operations.

This is primarily achieved through regular independent third party audits completed at all production facilities. These audits highlight recommendations to align with best practices which are immediately addressed by the Group's dedicated health and safety staff at each site. These individuals also provide on-site training continuously to ensure the high standards are maintained. Our facilities in China and Turkey also have on-site doctors and medical staff to support our people.

Additional safety procedures were introduced at all sites to ensure adequate health and safety following the pandemic. This includes on-site testing facilities at certain sites in line with local government guidance.

HEALTH AND SAFETY KPIs

CHINA PLANTS 2021

ZERO
FATALITIES

ZERO
SEVERE INCIDENTS

2
MEDIUM INCIDENTS (ONE MOTORBIKE ACCIDENT ON COMMUTE TO WORK / ONE HAND INJURY)

20
MINOR INCIDENTS

TURKEY PLANT 2021

ZERO
SEVERE INCIDENTS

1
MEDIUM INCIDENTS (ONE HAND INJURY)

30
MINOR INCIDENTS

UK PLANT 2021

ZERO
SEVERE INCIDENTS

ZERO
MEDIUM INCIDENTS

10
MINOR INCIDENTS

EMISSIONS REPORTING AND INVESTORS

EMISSIONS KPIs

UK EMISSIONS (KWH)

+16%

2021	1,113.525
2020	956,539

UK EMISSIONS (TONNES CO_2)

+16%

2021	208
2020	187

CHINA EMISSIONS (TONNES CO_2)

-10%

2021	7,695
2020	8,470

REST OF WORLD EMISSIONS (TONNES CO_2)

-17%

2021	1,017
2020	1,184

TOTAL GLOBAL EMISSIONS (TONNES CO_2)

-10%

2021	8,920
2020	9,841

TOTAL CO_2 EQUIVALENT PER EMPLOYEE (TONNES CO_2)

-0.5%

2021	3.28
2020	3.65

Emissions reporting (values: Sustainability / Operational excellence)

The Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018 only require emission reporting for large UK companies that consume more than 40,000 kWh of energy annually. The only subsidiary which meets these criteria is Chinatool UK Limited.

The Directors' have however collated the required disclosure information to cover all companies within the Group, so that they can begin to measure our total consumption (under scope 1 – there are no scope 2 emissions in either 2021 or 2020) and hence make steps to address our impact. The Directors' are pleased to have reduced total associated greenhouse emissions in 2021 by 921 tonnes CO_2 equivalent, compared to 2020. It is estimated that this equates to over 1,000 sea freight trips between China and the UK.

The figures at left were calculated from usage data for electricity with use of fuel conversion factors taken from Climate Transparency reports for each geographical location of the Group. We monitor our emissions against our full-time equivalent employees in order to track progress fairly and globally. The actions taken by Management to reduce emissions are shown to the right within Environmental impact.

Environmental impact (values: Sustainability / Operational excellence)

CT is aware of its impact on the environment and is striving to reduce it at all levels of the business. A few of the key initiatives currently in place include:

- Maximising recycling procedures at all sites, including regrinding production materials, to become a more circular business.
- Offering remote working (where possible) to reduce emissions produced through daily commuting.
- Promoting shared commuting to reduce emissions, including providing staff bus services at our largest sites.
- Changing to an energy provider with 50% renewable energy (above the UK average).
- Encouraging video conferencing (where possible) to reduce unnecessary travel.

The Group has also identified certain new initiatives which are planned to be implemented as noted below. This will be further supported by the full Sustainability report currently being undertaken of the Group's operations be EcoVadis. Our environmental impact is also a Board monitored topic which is discussed regularly to ensure continuous improvement.

- Identifying and switching to a 100% renewable energy provider in the UK. The Group will also seek similar energy suppliers for other group sites.
- Investigating carbon offsetting measures, such as planting trees to offset the CO_2 emissions. For example, the Board recognises that the sea and air freight required by the operations of the Group are necessary but have a negative environmental impact. As such, this cannot be neutralised but can be offset.

STRATEGY IN ACTION
CT SHENZHEN, CHINA

In order to give it direct ownership and control over all operations in China, CT Automotive's operations within the country are conducted through a WFOE, giving the Group full operational control without the need for mainland Chinese shareholders. By maintaining full control over the entire process, the Directors believe that the Group is able to ensure high-quality standards whilst offering customers faster product development and greater flexibility and reliability than its key competitors.

Manufacturing
The Group has an international manufacturing footprint, with the majority of the production across three sites in China, and additional sites in the UK, the Czech Republic and Turkey, as well as an engineering design office in India.

Competitive advantage
Since its formation, the Group has been dedicated to developing a lower cost alternative to longer established and high cost developed economy-based competitors. The core manufacturing and design operations are based in China, where the Group is able to benefit from lower cost production processes, labour and plant hardware, and has over 50 senior Western-trained specialist engineers.

CT Automotive's integrated model further allows the Group to reduce the use of subcontractors, lowering costs and development lead times and increasing flexibility. This lower cost operating model results in a lower total landed cost of components compared to competitors and provides a competitive advantage over the Group's main competitors, which are highly invested in developed economies.

Modular thinking
In addition to expanding the facilities in China and furthering the Group's vertical integration, the Group is investing in new facilities in Mexico and expanding existing capacity in the Czech Republic in order to enable local production and assembly, and thereby continue to grow the range of systems it supplies to its European and North American clients. Ergo, the Group has developed a modular factory system that allows complete modular production cells (inclusive of fixtures, quality gauges and capital equipment) and production lines to be built and tested in China prior to shipment to new production sites. This results in substantial reductions in capital expenditure when establishing new production sites, including the planned new site in Mexico.

OPERATIONS OVERVIEW

Vertically integrated operations
CT was established to capitalise on lower operating costs in China and to disrupt a predominately developed economy focused automotive supply chain. Building on these foundations, CT has gone on to expand its operations within China whilst establishing additional assembly sites in other low-cost geographies with equally high-quality labour forces.

SHENZHEN CAPABILITIES:

— Tool room
— Chrome plant (plating CR6 and CR3)
— Programme Management
— Product design
— Tooling/gauge/fixture manufacture
— Complex/high-tech assembly
— Injection molding
— Hydrographics

2005

CT SHENZHEN OPENS. NOW WITH THREE SITES.

1,100

STAFF INCLUDING OVER 50 SENIOR WESTERN-TRAINED SPECIALIST ENGINEERS.

WFOE

WHOLLY FOREIGN-OWNED ENTERPRISE. THE GROUP IS ABLE TO BENEFIT FROM THIS STRUCTURE IN CHINA THROUGH LOWER COST PRODUCTION PROCESSES, LABOUR AND PLANT HARDWARE.

Supported by our values

Operational excellence

Collaboration

FOR

THE RISE OF ELECTRIC VEHICLES

With an increasing popularity, global market share of electric vehicles more than doubled in 2021.

It is estimated that by 2030 there will be some 250 million electric vehicles on the road.

As technological progress in the electrification of two/three-wheelers, buses and trucks advances, and the market for them grows, electric vehicles are expanding significantly. Ambitious policy announcements have been critical in stimulating the electric-vehicle rollout in major vehicle markets in recent years. In 2019, indications of a continuing shift from direct subsidies to policy approaches that rely more on regulatory and other structural measures – including zero-emission vehicles mandates and fuel economy standards – have set clear, long-term signals to the auto industry and consumers that support the transition in an economically sustainable manner for governments.

There is common understanding that government support for electric vehicle purchases can only be transitional, as sale volumes increase. In the near term, a point will be reached when technology learning and economies of scale will have driven down the purchase cost of electric vehicles and mass-market adoption is triggered.

To date, 17 countries have announced 100% zero-emission vehicle targets or the phase-out of internal combustion engine vehicles through 2050.

The growth in EVs has also resulted in an increase in the potential value of interior components that the Group could supply per model. In addition, technology advances in autonomous driving have been most prevalent across EVs, resulting in more 'hands-off' time and interaction with a vehicle's interior. EV marques, including Lucid and a major global EV OEM, have focused particular attention on their vehicles' interior design, with the Group's highest value of supplied components per vehicle being that within the new Lucid Air.

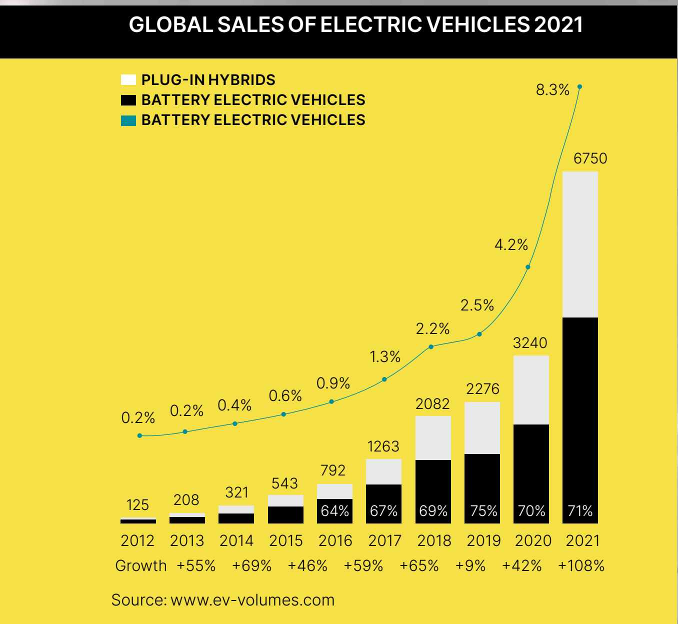
While demand for interior trim elements is generally power train agnostic, we believe that we may benefit from the trend towards the electrification of the power train as EVs are expected to have more focus on interior design trim elements. Increased use of added-value finishes and bespoke trims result in higher value and density of components supplied.

Ergo, the Group is well positioned to continue to benefit from these trends as customers' requirements evolve. We expect these trends to continue. Furthermore, we consider that our track record with EV-focused OEMs and their drive train agnostic products leave us well placed to benefit from these continuing trends, and we have recently secured new nominations on EV cars, including the Nissan Ariya and e.Go Mobile.

17%
The Group has above average exposure to the EV segment, with 17% of the revenue for 2021 derived from EV platforms, compared to EVs overall market share by volume of 8%

8.3%
The global share of EVs (BEV & PHEV) in global light vehicle sales was 8.3% compared to 4.2% in 2020

6.6m
Global electric car sales reached 6.6m in 2021, compared to 3.0m in 2020 and 2.2m in 2019


GLOBAL SALES OF ELECTRIC VEHICLES 2021
PLUG-IN HYBRIDS
BATTERY ELECTRIC VEHICLES
BATTERY ELECTRIC VEHICLES
0.2% 0.2% 0.4% 0.6% 0.9% 1.3% 2.2% 2.5% 4.2% 8.3%
125 208 321 543 792 1263 2082 2276 3240 6750
64% 67% 69% 75% 70% 71%
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Growth +55% +69% +46% +59% +65% +9% +42% +108%
Source: www.ev-volumes.com

RACING WTH

REACHING FURTHER EVERYDAY THROUGH OPERATIONAL EXCELLENCE

Our existing manufacturing facilities and highly skilled people fill me with confidence that we can continue to exceed our customer expectations and return to strong growth.

David Wilkinson
Chief Financial Officer

Trading Overview

There was a significant drop in global vehicle production in 2020 as a result of the COVID-19 pandemic and the preventative measures that were implemented globally, including national lockdowns that led to factory shutdowns.

Global vehicle production recovered strongly during the latter half of 2020 and this continued into 2021, with significant demand for new vehicles. Accordingly, as global vehicle production recovered, the Group performed strongly, generating revenues of $74.7 million in H1 2021, in spite of some disruption to production caused by a global shortage of semiconductors.

However, in the second half of 2021, the semiconductor shortage increasingly impacted global vehicle production, which ended up being significantly below prior expectations for 2021. While the semiconductor shortage has impacted OEMs unevenly and they have sought to preserve production on key models, the extent of the shortage led to the Group experiencing a significant trading slowdown in the second half of 2021 in line with wider automotive production declines and as reported at the time of the AIM listing.

As we continue through 2022, production schedules have stabilised, but we have yet to see any significant improvements. That said, our key customers are all anticipating higher production volumes later in the year which we hope will be the start of a longer term recovery.

Revenue increased up 21.0% compared to 2020, driven by the completion of some Engineering, Design and Development programmes in the final quarter of 2021, as well an improved performance in serial production.

Gross margins improved slightly from 2020 but remained lower than expected as a result of lower production volumes in China in Q4, with the completion of some de-stocking also impacting production efficiency. The ongoing disruption being caused mainly by the shortage of semiconductors continues to impact margins and remain below the Group's target margins in normal trading conditions.

Distribution costs have also increased due to a full 12-month period of increased freight charges following the pandemic and related logistic issues. This has resulted in freight container costs exceeding the container rates quoted to customers. We continue to expect this to normalise over time, and have hence negotiated to recover the excess freight costs from customers as much as possible.

These irrecoverable excess freight costs have been classified as non-recurring items for the purpose of alternative performance measures (APMs). Non-recurring items in 2021 also include AIM listing fees, Turkish foreign exchange losses and impacted charges following the divestment of Scomadi. Further details are shown in Note 5.

USE OF SHARE ISSUE PROCEEDS	TIMING	VALUE ($m)
Repay HSBC term loan	Dec-21	**11.7**
Repay HSBC tooling overdraft facility	Dec-21	**4.5**
Repay CLBILS loan	Dec-21	**5.6**
Repay Great Best International Loan	Jan-22	**2.8**
Repay HSBC pre-ship trade facility	Dec-21	**3.0**
Listing fees	Dec-21	**1.9**
Working capital injection	Dec-21	**13.0**
TOTAL		**42.5**

Administrative expenses (adjusted for non-recurring items) have remained largely flat compared to 2020, reflecting the fact that CT has already scaled up for the growth that was forecast with significant new programme launches, prior to the pandemic.

These factors have resulted in adjusted EBITDA of $8.8m and adjusted operating profit of $3.2m, which are both significantly improved from 2020, but margins remain below the levels achievable forecast once the supply chain issues are resolved.

Financing
The financing position of the Group has changed significantly over the last 12 months, most notably from the admission to AIM in December 2021. We continued to utilise the Government-backed CLBILS loan obtained in 2020 and also obtained a further short-term loan for $2.5m in January 2021.

Following the decision to list on AIM, the Group raised pre-IPO funding in the form of convertible loan notes for $5.6m, which converted to ordinary shares on the date of listing.

The AIM listing in December 2021 raised share issue proceeds of $42.5m which allowed us to pay down multiple credit facilities and inject working capital into the Group to set up for the next phase of growth.

The Board previously highlighted the following plans:

GROWTH PLAN	CURRENT STATUS
Enlarging the Group's production facilities in Europe and opening a new facility in Mexico	The Mexico facility set-up is underway, with local staff currently being recruited and production planned to commence by July 2022. We are currently looking for new premises within the Czech Republic to expand our operations.
Taking on a larger number of new programmes	A number of new programmes have been secured since listing to commence in 2023 and 2024. The working capital of the Group is expected to increase over time in 2022 as the reduction in debt servicing costs is realised compared to 2021.
Reducing supplier costs by up to c.5%	A number of negotiations have already been successfully completed, particularly in China. Further negotiations are awaiting re-rating from credit agencies which will follow the publication of this Annual Report. These negotiations have been primarily led by the new Global Supply Chain and Commercial Director.
Entry into more strategic partnerships	This continues to be planned across 2022 and 2023.
Increasing research and development expenditure to enhance competitive advantage	This continues to be planned across 2022 and 2023.

The global automotive market remains challenging following the impact of COVID-19 and the global shortage of semiconductors, but demand remains strong and having completed the AIM listing, CT is now well placed to capitalise on the recovery when it comes and return to historic growth and profitability.

David Wilkinson
Chief Financial Officer

Admission to AIM
I am delighted that we achieved a successful listing in December 2021. I am pleased that our new investors recognised our track record for growth prior to listing and the significant opportunity for future growth as the automotive industry recovers and CT delivers on the existing nominated programmes.

Organic growth
The past two years have been challenging, with extreme disruption across the business. The robust nature of our business and low-cost operating model has allowed us to continue throughout to meet all of our customer requirements. The business is now perfectly positioned to capitalise on the recovery of the automotive market in the coming years and achieve our growth ambitions. Our existing manufacturing facilities and highly skilled people fill me with confidence that we can continue to exceed our customer expectations and return to strong growth.

This is further supported by the ongoing set-up of our new plant in Mexico which will further increase our appeal to customers in both North America and South America.

Aquisitions
The Group has consolidated its focus on automotive components in 2021 which included the divestment of our Scomadi minority share. The Scomadi business needed additional investment following the impacts of the pandemic, and the Board concluded that our resources were better focused on our own growth.

Following the listing and strengthening of the balance sheet, we are open to acquisition opportunities that may arise. We have significant in-house corporate finance expertise along with trusted advisers who continue to search for businesses that meet our strict acquisition criteria and would be a good strategic fit with our Group.

Post listing actions
The proceeds from listing were intended to provide the Group with capital to execute our growth plans. Most notably, the proceeds have allowed us to fully repay our term loan, CLBILS loan along with other debt within the Group. This strengthened balance sheet position is critical as the Group can now realise the full growth potential and move away from the previously significant debt servicing commitments. Over time, this is expected to unlock free cash flow to fund our growth plans.

David Wilkinson
Chief Financial Officer

FINANCIAL KPIs

REVENUE ($m)

$132.9m

	$m
2021	132.9
2020	109.9
2019	113.2

OPERATING PROFIT/(LOSS) ($m)

($2.4m)

	$m
2021	(2.4)
2020	(5.2)
2019	5.3

ADJUSTED EBITDA ($m)

$8.8m

	$m
2021	8.8
2020	1.2
2019	9.9

ADJUSTED OPERATING PROFIT/(LOSS) ($m)

$3.2m

	$m
2021	3.2
2020	(3.3)
2019	5.3

PROFIT/(LOSS) BEFORE TAX ($m)

($7.4m)

	$m
2021	(7.4)
2020	(9.7)
2019	0.4

Adjustments made to calculate adjusted EBITDA and adjusted Operating profit/(loss) are explained in Note 28.

NON-FINANCIAL KPIs

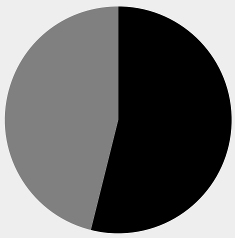
NUMBER OF EMPLOYEES

2,721

2021	2,721
2020	2,698
2019	2,849

GENDER SPLIT

46%
FEMALE



54%
MALE

LEVEL OF COMMITTED WORK

c.97%

OF ANTICIPATED REVENUE IN 2022

c.91%

OF ANTICIPATED REVENUE IN 2023

Expected to come from projects which are currently underway.

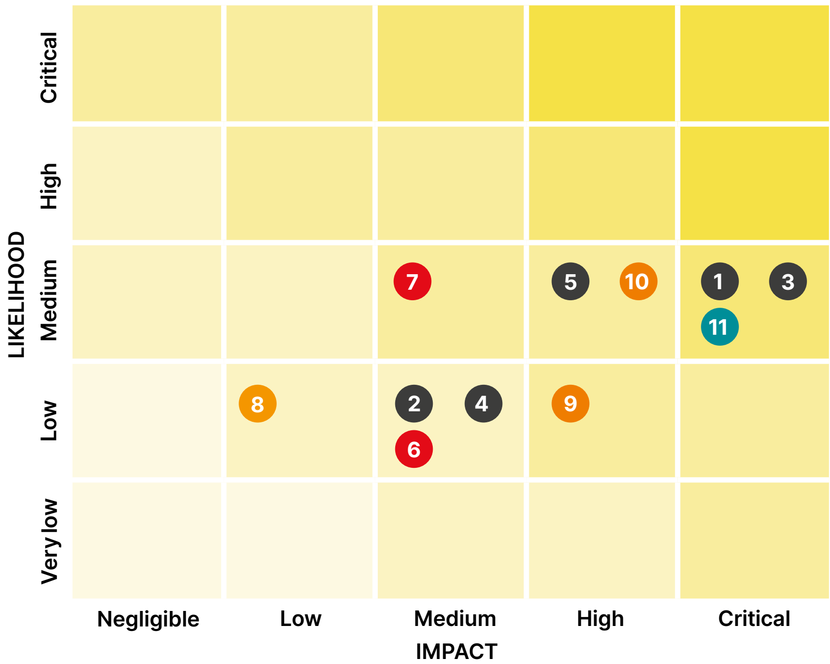
AN ANALYSIS OF OUR KEY RISKS AND MITIGATION MEASURES

The Board have identified the following risk factors set out below.

The table is not exhaustive and is subject to change as risks which are considered immaterial today may evolve to be more important in the future. The Group's principal risks are presented in categories (strategic and external, operational, financial and compliance) for ease of reference.

The graph below shows each of our principal risks on a residual basis according to the likelihood of occurrence and potential impact on a residual basis, after the application of the key controls and mitigations (which, together with the description of each risk and the potential impact of the risk materialising, are set out in the table to the right).

RISK HEAT MAP



Strategic and external	1. Covid-19 2. Manufacturing in China 3. Semiconductor shortages 4. Global operations 5. Tariffs
Operational	6. Quality 7. Retention of staff
Financial	8. Fluctuation input prices 9. Changes in labour costs 10. Foreign exchange
Compliance	11. Environment

HEAT MAP	RISK	DESCRIPTION AND IMPACT	KEY CONTROLS AND MITIGATIONS
STRATEGIC & EXTERNAL			
1	**COVID-19**	Operations and financial results have been negatively impacted by the COVID-19 pandemic. As a designer, developer and supplier of interior components to the global automotive industry, the Group is exposed to substantial risks associated with the performance of the global economy. The global economy has recently been particularly affected by the outbreak of COVID-19, which caused extreme market volatility in the automotive industry since the beginning of 2020.	The Group has adapted to the uncertainty in customer schedules that still exists, with larger buffer stocks and allowance for the ongoing impact of shipping disruptions. Trading has started to stabilise, and assuming we do not see a significant deterioration from the impact caused by COVID-19 (e.g. another wave which causes global shutdowns), there is no immediate threat to the future of CT.
2	**Manufacturing in China**	The Group principally manufactures in China which exposes it to certain risks. The political, legal and economic climate both within China and in relation to China's foreign economic policy can be unpredictable and subject to change. The Group is also reliant on international shipping from China to its customers' manufacturing facilities. Any disruption to international trade routes or increases in freight costs could require the Group to utilise higher cost freight options, including air freight, in order to ensure continuous supply to its customers.	The Group has operated in China for nearly 20 years and is well versed in the associated challenges. We have an experienced management team which includes a mix of both Western and local members in China, ensuring we combine the requirements of the international customer base with cultural and operational understanding in China. We engage reputable specialist advisers to ensure compliance with laws and regulations. All operations are also overseen by the CEO who is based in China. We utilise reputable, long-term partners to provide freight services, and maintaining buffer stocks in key locations to ensure we do not stock out providing any delays are within a certain tolerance.
3	**Semiconductor shortages**	A disruption in the Group's or its customers' supply or delivery chains, in particular semiconductor shortages, could cause one or more of the Group's customers to halt production. The Group and its customers rely on complex supply and delivery chains with short lead times and frequent deliveries, which make the logistics process in the automotive industry vulnerable to disruptions.	The impact of the semiconductor shortage on schedules continues to be a concern for the short and medium term growth of CT. We maintain open dialogue with key customers, aiming to understand and plan around their expected demand. We also monitor industry data to give us the best possible visibility over when the shortage is expected to ease. Despite the various supply chain issues, there remains substantial, pent-up customer demand, and therefore OEMs continue to build as many cars as possible.
4	**Global operations**	The Group currently has operations in various jurisdictions, including the UK, China, Hong Kong, the US, India, the Czech Republic, Japan and Turkey. Each of these jurisdictions has different regulatory, tax and legal environments that could change in the future and impact on how the Group conducts its business in these countries.	The Group combines local management representatives and reputable local advisers to ensure compliance with local laws and regulations. Any findings of non-compliance, as highlighted on a periodic basis, would be addressed by the Board to adapt the business appropriately.
5	**Tariffs**	The imposition of tariffs or non-tariff trade barriers on automobiles and other goods could have a material adverse effect on the Group. At the beginning of 2018, the US administration announced a series of potential measures relating to international trade, which, individually or in aggregate, could have a material adverse impact on the global economy, international trade or the automotive industry.	Tariffs remain a threat to CT, as is evidenced by the US Tariffs on Chinese products which have impacted the business since 2018. That said, the continued drive to diversify our global footprint, including the latest plant in Mexico, provides some mitigation to the ongoing risk of further tariffs elsewhere.

AN ANALYSIS OF OUR KEY RISKS AND MITIGATION MEASURES CONTINUED

HEAT MAP	RISK	DESCRIPTION AND IMPACT	KEY CONTROLS AND MITIGATIONS
OPERATIONAL			
6	**Quality**	The Group's business success depends on its ability to maintain high-quality products and processes. As a designer, developer and supplier of interior components to the global automotive industry, a determining factor for the Group's customers in purchasing CT's products is the quality of its products and manufacturing processes. A decrease in the actual or perceived quality of its products and processes could damage the Group's image and reputation, as well as those of the products.	The Group has a substantial quality team, led by the Quality Director, in order to manage and improve our manufacturing processes and firewall activities in order to minimise the risk of quality issues. High-risk parts are often 100% inspected before delivery.
7	**Retention of staff**	The Group's success depends on attracting and retaining Managing Directors, executive officers, senior management, key employees and other skilled and unskilled personnel. The loss of Directors, executives, key employees and other skilled personnel could have a material adverse effect on the Group's market position. The Group also relies on Western-trained specialist engineers to manage its overseas operations, which, should these people leave or become materially more expensive, could undermine the continued productivity of the Group's overseas operations. The manufacture of many of the Group's products requires significant technical skills and expertise. The success of its operations and growth strategy will therefore also depend on attracting and retaining skilled and qualified personnel, maintaining its high-quality standards and implementing the Group's standardised process and quality management globally.	Key staff are motivated by market rate remuneration packages which are benchmarked with local recruitment experts on a periodic basis. The Group does not operate "bands", to ensure we have the ability to remunerate roles appropriately for both the role and the individual. Direct staff rates of pay are reviewed against local competition. A wider management share option scheme is in the process of being set up to further incentivise our key people. This is supported by a remuneration consultant in reference to the key staff identified by the Board.
FINANCIAL			
8	**Fluctuation in input prices**	Prices of certain raw materials and the energy the Group relies on are linked to commodity markets and thus subject to fluctuation. The primary raw materials and components used in the Group's products are polymers, leathers, paints, glues and chrome. The prices of such raw materials have fluctuated significantly in recent years and increased in the recent past. In addition, CT uses substantial amounts of energy in its manufacturing process, the price of which is also subject to significant volatility. In addition, supply shortages or delays in delivery of raw materials, components or energy can also result in increased costs of manufacturing the Group's products. The Group has historically utilised an open book pricing model with its customers, whereby the customer is able to view to view the data and financial information relating to costs incurred by CT on a confidential basis. Although the Directors are of the view that this approach has helped mitigate margin compression caused by increases historically, there is no guarantee that this will continue to be a success going forward.	CT operates open book pricing with its customers which means, subject to negotiation, rises in input prices can be passed on. That said, it is important that input prices are monitored so increases can be reflected in pricing models and the increases passed on. The new Global Purchasing and Supply Chain Director is implementing a formal system to ensure this is done regularly, particularly during this period of high inflation.

HEAT MAP	RISK	DESCRIPTION AND IMPACT	KEY CONTROLS AND MITIGATIONS
9	**Changes in labour costs**	An increase in labour and employee benefit costs in certain low-cost countries in which the Group operates such as China, India, Turkey, and the Czech Republic may adversely affect the Group's operating costs and compromise CT's competitiveness. A shortage in the labour pool or other general inflationary pressures or changes will also increase the Group's labour costs.	Labour costs are outside CT's control, but by driving efficiency in existing plants and seeking new competitive locations, we can manage the overall impact on margins.
10	**Foreign exchange**	The Group trades with suppliers internationally and therefore incurs costs in foreign currencies. As a result, the Group is exposed to exchange rate risk on purchases, primarily in Chinese Yuan and US dollars. Although the Group hedges its exposure, it still retains a level of exposure to fluctuations in exchange rates.	There is an element of natural hedging within the business through the mixture of customer receipts matching the currencies of supplier spend where possible. The remaining foreign exchange exposure is addressed via the following: • GBP exposure is currently hedged using forwards with Investec. • TRY exposure is supported by a pricing mechanism with Turkish customers which matches movements in TRY to EUR movements (being the currency of customer receipts). • The Group is currently exploring CNY hedging options.
COMPLIANCE			
11	**Environment**	The Group's manufacturing operations requires using, managing, storing and safely disposing of hazardous substances, wastes and other regulated materials. As such, the Group is responsible for making sure that these materials are appropriately managed and failure to comply with these regulations could lead to fines and other penalties, as well as negative publicity which could damage the Group's reputation.	The Group uses local management and reputable professional advisers to ensure compliance with local laws and regulations. Environmental issues are becoming more and more of a focus in the industry, so increased focus will be required. Any instances of non-compliance will be highlighted to the Board on a periodic basis and appropriate changes made to the Group's operations.

The Strategic Report which includes the Sustainability report and S172 statement have been approved by the Board on 18 May 2022.

On behalf of the Board

Scott McKenzie
Chief Executive Officer

David Wilkinson
Chief Financial Officer

COMMITTED TO TRANSPARENCY
ACCOUNTABILITY AND OWNERSHIP

I am pleased to present the Board Annual Report on Corporate Governance. The year ahead for 2022 presents a number of new challenges and opportunities. The Board remain committed to improving our environmental, social and governance impact across all of our activities. There are a number of new initiatives, either already in place or planned for 2022, and I look forward to demonstrating our progress in our annual reports each year going forward.

The Board recognises the importance of sound corporate governance, and have therefore adopted the QCA's Code which is deemed most appropriate for the Company's size, board structure, stage of development and resources.

Following the listing, I have continued in my role as Executive Chairman, focused on driving the strategy and growth of the Group. The Board understands this is contrary to the QCA Code, and hence Tracey James has been appointed as a senior independent director (SID) to deal with shareholder or other Board members' related matters where necessary.

As required by AIM rules, our website (https://ct-automotive.net/) sets out our compliance with QCA Code principles along with the extent of any non-compliance. This coincides with the S172 statement within the Sustainability report which demonstrates the importance of our engagement with stakeholders.

Simon Phillips
Founder and Executive Chairman

GOVERNANCE STRUCTURE

The Board has established two sub-committees upon Admission to AIM:

MAIN BOARD
full report on page 36 and 37

AUDIT AND RISK COMMITTEE
full report on pages 39 to 41

REMUNERATION COMMITTEE
full report on pages 42 and 43

SENIOR LEADERSHIP TEAM
full report on page 38

The terms of reference for both committees will be formally reviewed annually and are set out on the Company's website: https://ct-automotive.net.

Key Areas of focus
The Board's key areas of focus are:

- Engagement with key stakeholders.
- Formulating, reviewing and approving the Group's strategic direction.
- Approval of the Group's reports and financial statements.
- Review and appraisal of the Group's risk register and the risk management processes adopted.
- Approval of the annual budget, with reference to historical and current trading conditions.
- Approval of new bank facilities, or significant changes to existing facilities.
- Ensuring the Group maintains appropriate internal control and risk management systems.
- Approval of any major corporate finance transactions such as acquisitions.
- Reviewing and maintaining the Group's overall corporate governance, with reference to the QCA Code, including performing annual performance evaluations of the Board and the two sub-committees, Audit and Risk Committee and Remuneration Committee.
- Reviewing and recommending overall capital allocation including dividend policy.
- Approval of the delegation of authority between Executives and the terms of reference of all Committees of the Board.

QCA Code Compliance
The Board considers that the Group remains compliant with the Principles set out in the QCA Code as explained in the table below:

QCA PRINCIPLE	CT APPROACH
1. Establish a strategy and business model which promote long-term value for shareholders.	The Board intend to continue driving long-term growth strategies as demonstrated by the Group since inception. This will include annual forecasts built around long-term profitability, with variances against forecast monitored and discussed at each board meeting. Each Annual Report will also detail the strategic growth plans of the Board, principle risks and uncertainties and the capital allocation policy for investors. In early 2022, this includes the strategic plans underway to set up the new plant in Mexico, as explained within the Strategic report.
2. Seek to understand and meet shareholder needs and expectations.	Engage in regular investor communication through the Investor Website, press releases, analyst meetings and the AGM. To date, shareholder communication has been via email responses from online enquiries or calls with analysts/investors. These are currently addressed by the Chief Financial Officer, however the Board are in the process of recruiting a dedicated Company Secretary to support with such communications.

QCA PRINCIPLE	CT APPROACH
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Continue striving for social and environmental improvement, following the commitments communicated on the website and striving towards net carbon neutral. The Sustainability report and S172 statement within this Annual Report presents the Board's strategy of engagement across our key stakeholders, including local community, our people, our suppliers and our customers. The Sustainability report explains our current considerations and actions, as well as identifying areas for further improvement. This includes setting up a new employee survey to obtain regular feedback and introducing Giving Back Days to further support our local communities. Our progress against such commitments will be annually reviewed and communicated in the Annual Report.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Maintain the detailed risk register and discuss new/changing risks at each Board meeting. This includes categorising the various risks and then assessing net risk based on likelihood, impact and any mitigating/remedial actions. The Audit and Risk Committee has also been established to oversee the Group's system of internal controls and risk management. Each committee meeting will also review any changes to the risk register including the risk rating applied to any new risks identified.
5. Maintain the Board as a well-functioning, balanced team led by the chair.	The Chairman will continue to drive our growth strategies, supported by the experienced team of Executive and Non-Executive Directors. As part of this, the Board will meet at least eight times per year, with additional meetings if required. This will include review of annual budgets and monthly Board packs to measure the performance of the Group and ensure the growth strategies set are being achieved. The Board has been significantly strengthened both in terms of oversight and governance by the appointment of the Non-Executive Directors in December 2021.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The existing Executive Directors have worked at CT for a number of years and have significant experience within the industry. The Board has been further strengthened by appointing three independent Non-Executive Directors with a range of skills, including extensive experience supported AIM-listed companies, as detailed within this Governance report. The Board will monitor any skill-gaps that may arise within the Board and address such gaps with new appointments/training as required. Currently the Board is in the process of recruiting a dedicated Company Secretary.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Undertake annual assessments on the Board's effectiveness including the Chairman's performance review to be completed by the Senior Independent Non-Executive Director. The first reviews will be undertaken at the end of 2022, following a year of being in operation. Such reviews will include monitoring KPIs, such as gross margins and EBITDA margins compared to forecast.
8. Promote a corporate culture that is based on ethical values and behaviours.	The Board and Executive Directors will continue to "lead-by-example" our culture and values. This aligns with the our Standard of Business Conduct which are shared with all new starters. In addition, the Group has internal policies on: Anti-corruption and bribery, mobile device acceptable use, modern slavery, staff/travel expenses, privacy and whistleblowing. These are reviewed and re-approved by the Board annually.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	The Board has been strengthened by appointing three independent non-executive directors. The responsibilities of the Board are detailed on page 36. All relevant committees have also been established to maintain compliance including: 1. Audit & Risk and, 2. Remuneration. The terms of reference for each committee will be reviewed and re-approved annually. The responsibilities of each committee is summarised within the Audit and Risk Committee report and Remuneration Committee report.
10. Communicate how the Company is governed and performing, by maintaining a dialogue with shareholders and other relevant stakeholders.	Maintain regular communication through the Investor website, annual AGM (including voting outcomes), Annual Report, interim reporting, RNS announcement, press releases and analyst meetings. To support this, the Board have appointed MHP as external consultants, advising on public relations and supporting with RNS announcements.. Investors are also identified as a key stakeholder group within the Sustainability report.

THE BOARD HAS A DEEP WELL OF EXPERTISE AND EXPERIENCE

I am delighted to welcome our three new Non-Executive Directors to the Board. Our Board now consists of three executive and three non-executive chairmen/chairwomen. This Board of Directors feels diverse and well-balanced, providing extensive expertise across multiple industries and skillsets.

Executive Directors

The Group's strong history of growth up to IPO has been driven by the experienced management team with an aggregate of 45 years in the automotive industry. There have been no changes to this team, all of whom led a management buy-out in 2017 and the IPO in 2021.

Non-Executive Directors

The Executive Directors are delighted to have attracted the three Non-Executive Directors to join the Board. Through their skills, experience and industry-knowledge, the Board has been strengthened significantly.

Executive Directors

Simon Brian Phillips
Executive Chairman (52)
Location: Thailand
Appointment: September 2021

Simon co-founded CT in 2000, having identified an opportunity to disrupt the automotive tooling market. He led the business as Chief Executive Officer until 2014, developing the business model from its original tooling focus into the global Serial Production operation it is today. Following the appointment of Scott McKenzie as Chief Executive Officer, Simon has focused on driving the continued growth of CT Automotive and identifying new strategic opportunities.

Simon was a shareholder in an injection moulding company in the UK prior to exiting that business and co-founding CT. Simon has an engineering background, having studied Mechanical Engineering at Portsmouth University, with a specific emphasis on sub-sonic to super-sonic flight.

Scott McKenzie
Chief Executive Officer (45)
Location: China
Appointment: September 2021

Scott joined CT Automotive from Magna International in 2007, following a career in automotive interior development and programme management. Upon joining, Scott quickly progressed to Operations Director before being appointed as Group Managing Director in September 2014.

Scott's background includes specialisation in new product development and manufacturing operations in the Far East since 2001. Scott's academic background is in Polymer Sciences and Technologies.

David Paul Wilkinson
Chief Financial Officer (41)
Location: UK
Appointment: October 2016

David is a Chartered Accountant, and during his 11 years in practice worked across a range of disciplines, including Audit, Tax, Business Services and Corporate Finance, and dealt with a wide range of companies both large and small.

He began advising CT Automotive on strategy, M&A opportunities and funding in 2004, and was then invited to join CT as Group Finance Director in 2011. Prior to CT, he spent seven years as an M&A advisor at BDO, specialising in selling businesses and executing Management Buy-Outs for clients across a wide range of sectors.

Non-Executive Directors

Tracey Dawn James
Senior Independent Non-Executive Director (59)
Location: UK
Appointment: December 21

Tracey is a Chartered Accountant who has spent 26 years with Grant Thornton UK LLP, with the last 14 years as an Audit Partner. Tracey was a member of Grant Thornton's Oversight Board and also served on the Audit & Risk and Pensions Committees. She was also previously Finance Director of Karl Storz Endoscopy Canada (1999-2000).

Tracey is currently a Non-Executive Director and Chair of the Audit Committee at Gattaca plc and of ECO Animal Health Group Plc. Tracey has previously held Non-Executive Directorships at Places for People Group Limited and Activate Learning Group, where roles included the Chair of the Audit Committee.

Francesca Eva Irene Ecsery
Non-Executive & Director (58)
Location: UK
Appointment: December 21

Francesca has over 20 years' experience as a director of both public companies and start-ups in the digital, retail, fast-moving consumer goods and leisure industries. She is a Harvard MBA, fluent in five languages and has special expertise in multi-platform consumer marketing, branding and sustainable commercial strategies.

Francesca is also a Non-Executive Director of Marshall Motors plc, Société Air France SA, F&C Investment Trust plc and the Association of Investment Companies. Her previous executive experience includes McKinsey, PepsiCo, Thorn EMI, Thomas Cook and STA Travel.

Raymond (Ray) John Bench
Non-Executive Director (49)
Location: UK
Appointment: December 21

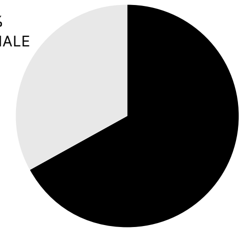
Ray has worked in the global automotive industry for the past 30 years, 12 of which were spent working for a Chinese OEM. He is an experienced automotive design engineer with extensive knowledge of automotive design processes.

Ray has significant experience of business and departmental management, including having been part of Shanghai Motor UK Technical Centre's UK senior leadership team. Ray's experience also includes leadership roles at Ricardo, Rover Group, and Land Rover.

In accordance with the Company's Articles of Association, all Directors must retire at the first AGM following their appointment and may offer themselves for election or re-election by shareholders. In accordance with best practice, all Directors will retire at the AGM and, being eligible, will offer themselves for election or re-election.

Board diversity at year end:

33%
FEMALE



67%
MALE

EXPERTISE KEY

- Chair
- Member
- Audit and Risk Committee
- Remuneration Committee

Senior Leadership Team
The Board recognises that the success and growth achieved to date is underpinned by the wealth of experience within its Senior Leadership Team. This is a fully cross-functional team spread across the Group's key locations to provide maximum operational oversight.

The strategic objectives set by the Board are clearly communicated to the Senior Leadership Team, to provide clear direction and collaboration towards the Group's common targets. This team includes a number of long-standing employees to continue driving the existing growth culture of the Group.

NAME	ROLE	YEARS OF SERVICE	EXPERTISE
Barry Stone	European Operations Director	20	Operations, International, People, Management
Graham Mackey	Asian Operations Director	7	People, Operations, International, Management, Regulatory
Davis Xie	Quality Director	8	Operations, International, Regulatory, Management
Steven Bird	Business Development Director	21	Commercials, International, Operations, Marketing
Taka Yoshike	Business Development Director	5	Commercials, International, Operations, Marketing
Jon Lynch	Group Finance Director	3	Finance, People, International, Technology, Regulatory
Stuart Lorraine	Global Purchasing and Supply Director	<1	Operations, Finance, Management, International, People

Substantial shareholders
In addition to the Interests of the Directors' shown in the Remuneration Report, and in accordance with Part 22 of the Companies Act 2006, the Company has been notified that the following shareholders' interests exceed 3% of the Company's ordinary share capital in issue at 31 December 2021:

NAME	NO. OF ORDINARY SHARES	PERCENTAGE OF ENLARGED CAPITAL
Simon Phillips	19,483,702	38.3%
Charles Stanley	5,552,446	10.9%
Otus Capital Management	5,102,040	10.0%
Premier Miton Investors	4,727,891	9.3%
Stonehage Fleming	2,721,088	5.3%
Pithard Onghosit	2,697,267	5.3%
Scott McKenzie	2,185,570	4.3%
Zall Holdings	1,798,178	3.5%
Lombard Odier Investment Managers	1,677,414	3.3%

Committee members: Tracey James (Chair), Francesca Ecsery, Ray Bench

Chair's statement

The Audit and Risk Committee ('the Committee') was formed in December 2021, with our first meeting in January 2022. I am pleased to present our first Audit and Risk Committee Report. As a company admitted to AIM, we are guided by the QCA's Audit Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 and to investor guidelines for best practice.

In this report, we set out the Committee's responsibilities and report on the activities of the Committee during the period.

Aims and objectives

The Committee monitors the integrity of the Financial Statements of the Interim and Annual Reports and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report taken as a whole is fair, balanced and understandable. It reviews significant financial reporting issues, key judgements and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control procedures and risk management systems and considers the Group's internal audit requirements. It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim Financial Statements. It monitors the relationship with the Group's independent auditor, including the consideration of audit fees and independence.

Members of the Committee have access to the Company Secretary who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Chief Financial Officer is responsible for ensuring the Committee receives high-quality, timely information. The Company are seeking to employ a dedicated Company Secretary, at which point this responsibility will be transferred to the Company Secretary. The Chairman of the Committee works closely with the CFO and the finance team to ensure papers for meetings are comprehensive and comprehensible. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

Meetings and attendance

The committee met two times during the period.

Non-Executive Director	Maximum Meetings	Meetings Attended
Tracey James	2	2
Francesca Ecsery	2	2
Ray Bench	2	2

Committee experience

	Leadership	Finance/ Capital Markets	Automotive
Tracey James	*	*	
Francesca Ecsery	*	*	*
Ray Bench	*	*	*

Membership of the Committee

The committee was formed with Tracey James, Ray Bench and Francesca Ecsery who joined the Group as Independent Non-Executive Director in December 2021. Tracey James was appointed Audit and Risk Committee Chair in December 2021. Tracey previously spent 14 years as partner at Grant Thornton UK LLP, including leading the Thames Valley audit practice, and has since gained further experience as Chair of Audit and Risk committees prior to joining CT.

Meetings and attendance

Prior to the Committee forming in December 2021, the Committee Chair met privately with the senior statutory auditor, James Newman. The first formal committee meeting was in January 2022.

The Committee intends to meet at least three times annually, with additional meetings added as required. Appointments to the Committee are made by the Board. Only members of the Committee have the right to attend meetings. All three members of the Committee have a mix of knowledge and skills gained through their experience of business, management practices, including risk, the industry sector and have recent and relevant financial experience. The Chief Executive Officer and Chief Financial Officer attend all meetings, while other senior financial people will attend as appropriate. The external auditor also attends the meetings to discuss the planning and conclusions of their work and meet with the members of the committee without any members of the executive team present after each meeting. The Committee can call for information from management and consults with the external auditor directly if required.

Operation of the Committee

The Committee agreed the Terms of Reference, which, will be regularly reviewed to conform to best practice, and are subject to approval by the Board. The Terms of Reference are available on the Group's website (https://ct-automotive.net/), as well as in hard copy format from the Company Secretary. Each year, the Committee will work to a planned programme of activities, which are focused on key events in the annual financial reporting cycle and other matters that are considered in accordance with its Terms of Reference.

It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by providing assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls. The Committee approves the terms of all audit and non-audit services provided by the Group's Auditors to ensure audit objectivity is maintained.

The main activities of the Committee during the period were as follows:

- Reviewing the management and reporting of financial matters, including key accounting policies.
- Reviewing the Annual Report and Accounts and advising the Board on whether, when take as a whole, it is fair, balanced and understandable, and provides shareholders with the information necessary to assess the Company's performance, business model and strategy.
- Considering the appointment of external auditors and the frequency of re-tendering and rotation of the audit.

- Overseeing the relationship with, and the independence and objectivity of, the external auditors.
- Setting policy in relation to the use of the external auditors for non-audit services.
- Advising the Board on the Company's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these.
- Reviewing the Company's risk management and internal control systems and their effectiveness.
- Reviewing the Company's procedures for detecting fraud, bribery and corruption, and ensuring arrangements are adequate for employees to raise concerns.

Internal audit
As per the terms of reference, the Committee have assessed the requirement for internal audit. Given the current size of the Group and level of oversight achieved by the management team, the Board does not currently consider an internal audit function to be necessary. This assessment was supported by the financial due diligence performed as part of the listing process. The Board is aware that the complexity and size of the Group will continue to grow and will therefore re-assess annually.

Risk management and Internal Controls
The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control, and has delegated its oversight to the Committee.

During the period, the Committee has reviewed and reported on the identification, evaluation and management of risks facing the business, and has considered the effectiveness of associated processes and controls to ensure a healthy balance between the risk we face and harnessing the opportunities that align with strategy to grow a strong and sustainable business. At least once a year, the Board reviews risk management and those risks the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transferred to insurers. The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of regulators in the various markets in which the business operates, as well as the legal requirements of being a UK company admitted to AIM. Internal controls are designed to manage, rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.

The key components of the current systems of internal controls are:

- Clearly communicating the Group's values and strategy, to ensure these are understood and people know what is expected.
- Developing business and financial plans that support the strategy.
- Reviewing policies and procedures, to ensure these remain fit for purpose.
- Strengthening controls and internal processes.
- Regular reporting of actual performance relative to goals, budgets and forecasts.
- Ensuring there is a structure of accountability.
- Training and monitoring.

The Committee has also considered the control recommendations and areas where audit adjustments have arisen both from the Management and external auditors. These areas are being looked at areas of focus. This is to improve the integrity and accuracy of the financial statements produced.

Whistleblowing
The Group has a Whistleblowing Policy and procedures to help with the detection and prevention of fraud. Published on the Group's Intranet, the Policy provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. Provided it is appropriate to do so, the process is managed by the Chief Financial Officer. The outcomes of any investigations carried out in accordance with the Policy is reported to the Committee.

Key judgements and estimates
The Committee reviewed the following significant key judgements and estimates applied to a number of issues in the preparation of the Financial Statements. The review included consideration of the following:

KEY JUDGEMENT OR ESTIMATE	DESCRIPTION AND REVIEW UNDERTAKEN
Going concern	The pandemic and related-supply chain issues have had a significant impact on both the automotive industry and the Group. The ongoing impact must be considered in relation to the Group's ability to continue as a going concern. The going concern assessment made by Management is driven by the forecast model which is reviewed by the Committee (as noted above) and the external auditors. The external auditors' comments in relation to going concern have been reviewed and appropriately match the Committee's recommendation to the Board to prepare the Financial Statements on a going concern basis.
Stock valuation	Significant production stock is held across the Group at various stages of manufacturing completion. In addition, stock absorption for manufacturing overheads is a manual calculation performed monthly by Management. Although there is an agreed basis for this calculation, the overhead absorption rates applied involve a level of judgement. The Committee has reviewed the external auditors report regarding stock valuation work performed to gain comfort over the appropriateness of the judgements made by Management. The Committee recognises the recommendation to incorporate stock absorption into the accounting system to reduce the level of judgement required and will consider this action going forward.

KEY JUDGEMENT OR ESTIMATE	DESCRIPTION AND REVIEW UNDERTAKEN
Stock valuation (continued)	Due to the nature of customer schedules and demand changing, the Group will often hold certain stock lines for a number of months, and therefore stock ageing is considered by the external auditors to ensure this valuation remains appropriate. A judgement is applied by Management for the provision against aged stock which has been reviewed by the external auditors. The Committee has reviewed the external auditors report in respect of stock ageing and is satisfied with the judgements made by Management. The Committee recognises the recommendation to implement regular stock ageing reports within monthly management information.
Accounting for AIM listing related transactions	The listing-related transaction costs involve both issuing new shares and a stock marketing listing. The accounting for these is split between a deduction to equity and normal expenses within the profit and loss account, in accordance with IAS 32. A level of judgement is required by Management to determine the split of certain costs. Management have prepared detailed workings on these calculations as reviewed by the external auditors. The report from the external auditors confirms that such judgements are reasonable. This is a "one-off" judgement in the year of AIM listing only.
Deferred tax asset	Deferred tax assets have been recognised based on trading losses within the Group due to the COVID-19 pandemic. The judgement regarding recognition and recoverability is applied based on Management's estimates for future forecast profits to utilise the trading losses, with reference to future tax rates. These estimates have been reviewed by the external auditors and confirmed that they are reasonable.
Taxation	Due to the global nature of the Group, there are various tax jurisdictions with compliance requirements and transfer pricing considerations across the Group. This includes assessments regarding permanent establishments and transfer pricing. Management have prepared detailed workings and papers on these calculations as reviewed by the external auditors. The report from the external auditors confirms that such judgements are reasonable.

Shareholders' attention is drawn to the section titled 'Auditor's responsibilities for the audit of the financial statements' in the report from the independent auditor, on pages 46 to 50, about specific areas as reported by the independent auditor to provide its opinion on the Financial Statements as a whole.

Independent auditor

The appointment of the independent external auditor is approved annually. In June 2021, prior to the listing and hence the formation of this Committee, the Board proposed and approved the re-appointment of BDO LLP as the Group's independent external auditor for the financial year ended 31 December 2021. The independent auditor's audit of the Financial Statements is conducted in accordance with International Standards on Auditing (UK) ('ISAs'), issued by the Auditing Practices Board.

This year, having considered the effectiveness and performance of the independent auditor, the Committee recommend to the Board the re-appointment of BDO LLP as independent external auditor for the next financial year.

As part of the annual audit services, the independent auditor provides the following:

- A report to the Committee giving an overview of the results, significant contracts, estimates, judgements and observations on the control environment
- An opinion on whether the Group and Company Financial Statements are true and fair
- An internal controls report to the Committee, following its audit, highlighting to management any areas of weakness or concern highlighted through the course of their external audit work

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 6 to the Financial Statements. Non-audit fees were $36,000 in 2021 (2020: $16,000). The Committee concluded that the level of non-audit fees, which represent 9% (2020: 6%) of the audit fees for the Group, did not have a negative impact on BDO's independence. The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditors' independence.

The Committee regulates the appointment of former colleagues of the independent auditor to positions in the Group. The independent external auditor also operates procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the senior statutory auditor, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff.

The independent external auditor reports to the Committee on matters, including independence and non-audit work on an annual basis.

Approval

This report was approved by the Committee, on behalf of the Board and signed 18 May 2022 on its behalf by:

Tracey James

Tracey James
Chair of the Audit and Risk Committee

Committee members: Francesca Ecsery (Chair), Tracey James and Ray Bench

Introduction (from Francesca Ecsery)
The Remuneration Committee ('the Committee') was formed in December 2021 with our first meeting in January 2022. I am therefore pleased to present the Committee's Annual Report, focused on our plans for 2022.

Terms of reference
The Committee is responsible for reviewing and making recommendations in respect of the Executive Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees under the intended share option schemes.

The Company has adopted a share dealing code for directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to the prohibition of dealing during closed periods).

With effect from Admission, the Company will operate its share dealing code (the "Share Dealing Code"), which is compliant with Article 19 of UK Market Abuse Regulation and Rule 21 of the AIM Rules for Companies. The Share Dealing Code will apply to any person discharging managerial responsibility, including the Directors, and the senior management and any closely associated persons and applicable employees. The Share Dealing Code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

The key roles of the Committee include:

- to develop remuneration packages to support the delivery of business objectives in the short, medium and long term;
- to align the interests of the Executives with the interests of long-term shareholders;
- to apply performance criteria to encourage Executives to operate within the risk parameters set by the Board;
- to ensure that the Group can recruit and retain high-quality Executives through fair and attractive, but not excessive, packages; and
- to communicate with the shareholders through the Annual Report on remuneration.

Meetings and members
The Committee intends to meet at least twice annually, with additional meetings added as required.

The newly formed committee has appointed Francesca Ecsery James as Chair, supported by Tracey James and Ray Bench. Francesca has over 20 years' experience as a director of both public companies and start-ups, including experience acting on a number of Remuneration committees prior to joining CT. The Board considers that the Committee to be well structured with sufficient expertise to fulfil its objectives and responsibilities.

Although the Committee members are solely Non-Executive Directors, the Chairman, any other member of the Board and external advisers may be invited to attend for all or part of any meeting as and when appropriate, but such persons have no right of attendance.

No member of the Board shall participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration (including his options) is being discussed or participate in any recommendation or decision concerning his remuneration (including his options).

Each member of the Committee shall disclose to the Committee:

- any personal, financial or other interest in any matter to be decided or discussed by the Committee; and/or
- any potential conflict of interest arising from a cross-directorship of otherwise.

Executive Director remuneration
Prior to Admission to AIM, the Group engaged an external consultant to benchmark the remuneration for the three Executives, reflecting the change in roles post-Admission. These findings were considered by the Committee and the remuneration of the Executives was updated accordingly on the date of Admission.

The Committee therefore believes the remuneration structure in place for 2022 will motivate Executives with both a high-performance culture and alignment with the interests of shareholders and key stakeholders. This is based on utilising performance-related pay in relation to share options and bonuses.

The remuneration of Executive Directors, showing the breakdown between remuneration elements is shown below:

		Salary $000's	Taxable benefits $000's	Bonus $000's	Pension $000's	Total $000's
Simon Phillips* (Chairman)	**2021**	**520**	**–**	**–**	**–**	**520**
	2020	218	–	248	–	466
Scott McKenzie* (Chief Executive Officer)	**2021**	**268**	**–**	**–**	**–**	**268**
	2020	289	–	–	–	289
David Wilkinson (Chief Financial Officer)	**2021**	**131**	**2**	**–**	**5**	**138**
	2020	121	1	–	4	126

* Simon Phillips and Scott McKenzie were appointed as Directors of the Company on 15 September 2021, however a full year of remuneration for 2021 and 2020 has been presented for full transparency.

The Company may in its absolute discretion pay a bonus to Scott McKenzie and David Wilkinson (capped at 75% of base salary) of such amount, at such intervals and subject to such conditions as the Committee may in its absolute discretion determine from time to time.

Payments to past Directors for loss of office
There were no payments to Directors for loss of office during the year.

Implementation of share option schemes
Executive scheme
A long-term incentive plan (Executive LTIP) is in the process of being set up following admission to AIM to incentivise the Executive Directors and align their interests with those of the Group and the Company's shareholders. The proposed options granted under the Executive LTIP will vest in three equal tranches from the third anniversary of Admission, and will be subject to meeting earnings per share performance criteria in each of FY 2023, FY 2024 and FY 2025. It is anticipated Awards will be granted subject to the satisfaction of performance conditions based on the earnings per share performance of the Company in each of the financial years. No re-testing of performance conditions will be allowed.

The proposed Executive LTIP will represent a maximum 5% dilution of the Enlarged Share Capital and no further options will be granted under the Executive LTIP. No further LTIP awards are expected to be made to the Executive Directors before 2024. Options will be granted to each of the Executive Directors as Per the "Executive scheme" table to the right.

Wider management scheme
The Directors recognise the role of our people in contributing to its overall success and the importance of the Group's ability to incentivise and motivate its employees. Therefore, the Directors believe that certain employees should be given the opportunity to participate and take a financial interest in the success of the Group. To reflect this, the Company is in the process of setting up an employee share option scheme for the purpose of granting options to employees of the Group. Decisions in relation to the participation in the proposed scheme will be taken by the Committee.

Executive scheme

	Number of options	Percentage of Enlarged Share Capital	Exercise price per ordinary share
Simon Phillips	509,332	1.0	£0.005
Scott McKenzie	1,018,665	2.0	£0.005
David Wilkinson	1,015,665	2.0	£0.005

Non-Executive Director remuneration

	2022				2021
	Base fees $000's	**2022 Committee Chair fee $000's**	**2022 Senior Independent Director fee $000's**	**2022 anticipated total fees $000's**	Total fees $000's
Tracey James*	**54**	**9**	**7**	**70**	2
Francesca Ecsery	**54**	**9**	**-**	**63**	2
Ray Bench	**54**	**-**	**-**	**54**	2

* Tracey James was appointed as Senior Independent Director (SID) on 23 December 2021.

Interests of the Directors

Name	No. of ordinary shares	Percentage of Enlarged Share Capital
Simon Phillips	19,483,702	38.3%
Scott McKenzie	2,185,570	4.3%
David Wilkinson	1,357,214	2.6%
Tracey James	17,006	0.0%
Francesca Ecsery	2,040	0.0%
Ray Bench	3,401	0.0%

Non-Executive Director remuneration
The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. All of the Non-Executive Directors were appointed on the date of Admission, 23 December 2021.

The remuneration of Non-Executive Directors, showing the breakdown between remuneration elements is shown in the "Non-Executive Director remuneration" table above.

Interests of the Directors
The table above sets out the interests of the Directors and their families (within the meaning set out in the AIM Rules for Companies) (including any interest known to that Director which could with reasonable diligence be ascertained by him or her) in the issued share capital of the Company as at the date of this Report.

There have been no changes between 31 December 2021 and the date that this Report was signed.

Approval
This report was approved by the Committee, on behalf of the Board, on 18 May 2022, and signed on its behalf by:

Francesca Ecsery
Chair of the Remuneration Committee

Results and proposed dividends
The Group generated revenue of $132.9m in 2021 (2020: $109.9m) and a loss before tax of $7.4m (2020: $9.7m). Adjusted operating profit for the Group was $3.2m (2020: $3.3m adjusted operating loss) after adjusting for non-recurring items (see Note 5 for details).

As outlined at our listing in late-December and in-line with our capital allocation policy, our focus will be on continuing to invest in the business for future growth, including the set-up of the new plant in Mexico. As a result, the Board is recommending no dividend for the 2021 financial year. This reflects our confidence in the growth opportunities we see ahead.

The Strategic Report provides a detailed analysis of the results in the year and an indication of future developments.

Annual General Meeting
The Annual General Meeting will be held as a hybrid meeting at 9am on Tuesday 5 July 2022 at the offices of Fieldfisher, Riverbank House, 2 Swan Ln, London, EC4R 3TT.

We encourage shareholders to join the virtual platform for the 2021 AGM, details of which can be found in the Notice of Meeting.

Although shareholders will be able to vote via poll on resolutions at the AGM, we would recommend shareholders vote in advance of the AGM via the form of proxy which is attached to the Notice of Meeting. Should shareholders wish to put questions to the Board, these can be submitted via the investor website or by emailing David Wilkinson at media@ct-automotive.net in advance of the AGM. Any questions raised will be published on the website after the AGM, together with the results of voting.

Directors
The Directors who held office during the year were as follows:

Executive Directors;
Simon Phillips – Chairman
Scott McKenzie – Chief Executive Officer
David Wilkinson – Chief Financial Officer

Non-Executive Directors;
Tracey James (Senior Independent Director)
Francesca Ecsery
Ray Bench

The Directors' remuneration and their interests in share capital are shown in the Remuneration Committee report on pages 42 and 43. All Directors are subject to annual re-election; details can be found in the Governance Report on page 37.

The Directors have the benefit of an indemnity covered by insurance which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The Company has granted this indemnity in favour of the Directors of the Company as is permitted by Section 232-235 of the Companies Act 2006. The indemnity was in force from the date of admission to AIM up to the date of approval of the financial statements. Neither the insurance nor the indemnities provide cover where the relevant Director or officer has acted fraudulently or dishonestly.

The Board may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy back shares, along with the rules for the appointment and removal of Directors.

Employees
The Group offers equal opportunities to staff at all levels. All job applicants and employees receive equal treatment regardless of sex, race, colour, age, nationality or ethnic origin. As explained in the Sustainability report, the Group employs a diverse range of staff.

Regular consultation and meetings, formal, virtual or otherwise, are held with all levels of employees to discuss problems and opportunities. The Group is also introducing an employee survey to obtain feedback and better analyse with market benchmarking.

The Group also recognises its obligations towards disabled staff in line with the Disabilities Discrimination Act. In particular:

- the continued employment and training of persons who become disabled during employment;
- the training, career development and promotion of opportunities to disabled persons;
- encouraging the involvement of employees in the Group's performance; and
- achieving a common awareness on the part of all employees for the financial and economic factors affecting the performance of the Group.

Policy on the payment of creditors
The Group aims to abide by the terms and conditions for its business transactions with suppliers, subject to the supplier meeting its obligations. No single supplier arrangement is considered essential to the business of the Group.

Political contributions
The Group made no political donations or incurred any political expenditure during the year (2020 - $Nil).

Post balance sheet events
With the exception of the repayment of the $2,500,000 short term loan obtained in January 2021, there have been no other post balance sheet events. For full detail of post balance sheet events, see Note 26.

Streamlined Energy and Carbon Reporting (SECR)
The disclosure of streamlined energy and carbon reporting have been included as part of the Emissions section of the Sustainability report.

Financial instruments
Information in respect of the Group's policies on financial risk management objectives, including policies to manage credit risk, liquidity risk and foreign currency risk, along with the capital structure of the Group, are given in Note 23 to the financial statements.

Auditor
The Group's independent external auditor, BDO LLP, will be proposed by the Board for re-appointment at the AGM for the financial year ended 31 December 2022, with James Newman as the senior statutory auditor.

Disclosure of information to auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Company registered office
1000 Lakeside North Harbour Western Road, Portsmouth, England, PO6 3EN.

Company registered number
10451211

Signed on behalf of the Board on 18 May 2022.

Scott McKenzie
Chief Executive Officer

David Wilkinson
Chief Financial Officer

In respect of the Strategic Report, Directors' Report and the financial statements, the Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with UK adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. 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 Group and Company and of the profit or loss of the Group and 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;
- state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 requirements of 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.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Signed on behalf of the Board on 18 May 2022.

Scott McKenzie
Chief Executive Officer

David Wilkinson
Chief Financial Officer

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CT Automotive Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated 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 the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the inputs and underlying assumptions of the going concern model, including those within the cash flow forecasts, prepared by the Directors which factors in the current and anticipated supply chain issues consequent to COVID-19 prevalent across the global automotive sector. This included obtaining and reviewing contracts entered into post year-end and an assessment of the directors ability to forecast accurately. This also included consideration of the Directors' assessment of the impacts of the current Ukraine situation and the appropriateness of their response. Key assumptions included in the model are revenue growth which was assessed against the production pipeline, and costs relating to the production pipeline which was checked for consistency with revenue growth.
- Verifying the mathematical accuracy of the going concern forecasts.
- Assessing the severe but plausible downside scenarios, being reduction in operating profit and reduction in invoice finance, sensitise the model, including consideration of the underlying assumptions within the forecast.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least 12 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.

Overview

Coverage	89% of Group profit before tax 83% of Group revenue 92% of Group total assets	
Key audit matters	KAM	**2021**
	Production revenue	**Yes**
	Tooling revenue	**Yes**
Materiality	Group financial statements as a whole: $740,000 based on 10% of the loss before tax	

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined there to be seven significant components including the Parent Company which were subject to full scope audits. Based on the structure of the Group and location of operations, the audits of two of the significant components were audited by the local BDO network member firm in China, with the audits of the remaining significant components performed by the Group engagement team.

Based on our risk assessment, specific audit procedures were performed over revenue in one non-significant component.

Our involvement with component auditors
For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

i. Attending the audit planning meeting to discuss areas of risk, including the key audit matters set out below;

ii. The issuance of detailed instructions that included materiality levels and procedures to be performed on the significant risks of material misstatement areas;

iii. Conducting periodic virtual meetings and providing guidance on the audit strategy for the significant risk of material misstatement areas;

iv. Conducting virtual file reviews of the component auditor working papers;

v. Reviewing the highlights memorandum prepared by the component audit team and discussing areas which impact the Group, as necessary; and

vi. Attending the audit completion meeting to report significant audit matters and findings.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Production revenue As detailed in the accounting policies in note 1 and further disclosure in note 3. Revenue is a key performance measure for the group and a driver of profitability. We have assessed there to be a significant risk in relation to the existence of revenue through the posting of improper or fraudulent manual journals and through inappropriate recognition of revenue around the year end (cut-off).	Our procedures included: For a sample of production revenue throughout the year we agreed the revenue recognised by performing a three-way match to sales invoices, proof of delivery and corresponding receipts from customers. For sales made during December 2021 and January 2022, we tested a sample of revenue recognised during this period by reviewing the International Chamber of Commerce terms in the underlying contract and agreeing to the proof of delivery to determine that the revenue was recognised in the correct period. We also reviewed a sample of manual journals to revenue, and agreed these to supporting documentation to determine the validity thereof. **Key observation:** Based on our procedures performed we did not identify any matters to suggest that the existence of revenue was not appropriate.

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Tooling revenue As detailed in the accounting policies in note 1 and further disclosure in note 3. The recognition of tooling revenue is based on management's manual review of tooling projects completed and release of revenue into the profit and loss on a quarterly basis through the use of journal entries. Given the manual nature in which revenue is recognised and the potential for management override, this poses the risk that management may recognise revenue in the inappropriate period. We therefore assessed there to be significant risk in relation to the existence of revenue through inappropriate recognition of revenue around the year end (cut-off).	Our procedures included: For a sample of the tooling revenue throughout the year, we reviewed the revenue recognition by performing a three-way match, agreeing to: i) Contracts/Purchase Orders' of the sampled projects; ii) Cash receipts which reconciles to the Contract/Purchase Order; and iii) Customer approval of the tooling to evidence that the performance obligation has been satisfied during the year. We have reviewed the correspondences with customers for a sample of contract liabilities held on the balance sheet date for any indications of whether these projects are fully complete indicating that revenue should have been recognised. We have also assessed the recoverability of tooling work in progress carried within inventory by performing procedures on management's loss-making contracts schedule, following the completion of data integrity checks on the schedule, to determine if a provision is required. For a sample of contracts on the schedule, we agreed the details back to the contract, agreed a sample of expenditure incurred to supporting documentation, and for management estimates of future costs we considered this against historic costs and actual costs incurred subsequent to year end. **Key observation:** Based on our procedures performed, we did not identify any matters to suggest that the existence of revenue was not appropriate.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial, as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
	2021 ($)	2021 ($)
Materiality	740,000	549,000
Basis for determining materiality	10% of loss before tax	1.25% of gross assets
Rationale for the benchmark applied	We considered the losses before tax to be the most significant determinant of the Group's financial performance for the users of the financial statements.	Considering that the parent is non trading and the nature of the entity being a holding entity, assets are considered to be the most important determinant of the Parent Company's financial performance for the users of the financial statements.
Performance materiality	518,000	384,300
Basis for determining performance materiality	70% of Group and Parent Company materiality based on our assessment of the control environment and the expected value of known and likely misstatements.	

Component materiality
We set materiality for each component of the Group based on a percentage between 15% and 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. The component materiality ranged from $123,000 to $549,000.
In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing, to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting Threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $14,800. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 2021, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; 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 Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

Extent to which the audit was capable of detecting irregularities, including fraud
Based on our understanding of the group and the industry in which it operates and our understanding of the legal and regulatory framework we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the applicable accounting frameworks and tax regulations within the United Kingdom, China and Hong Kong. We assessed the susceptibility of the financial statements to material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. We considered the fraud risk areas to be management override of controls and the risk of fraud in revenue recognition.

Our procedures included:

- Discussions with Management and those charged with governance regarding known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of Board minutes for any evidence of non-compliance with laws and regulations and fraud and a review of legal expense accounts.
- We reviewed the Group's tax computations and returns and financial statements against the requirements of the relevant tax legislation and applicable accounting frameworks respectively.
- We reviewed the Group's assessment and judgements made in relation to uncertain tax treatments in accordance with the requirements of IFRIC 23 'Uncertainty over Income Tax Treatment'.
- Testing a sample of journal entries in particular those that were considered non-standard or contained unusual descriptions by agreeing to supporting documentation.
- In response to the risk of fraud in revenue recognition, the procedures set out in the key audit matters section above.
- For work performed by the significant component auditor, in this area, we issued detailed instructions and reviewed their reporting and audit working papers.
- We reviewed and assessed the appropriateness of management estimates and exercised professional scepticism in considering the impact of those estimates on the reported results and key performance measures such as loss before tax.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were all deemed to have appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Newman

James Newman (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

18 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $'000	2020 (restated*) $'000
Revenue	3	**132,939**	109,899
Cost of sales		**(103,911)**	(88,583)
Gross profit		**29,028**	21,316
Distribution expenses		**(5,504)**	(4,814)
Other operating income	4	**1,478**	942
Administrative expenses		**(27,391)**	(22,600)
EBITDA (before non-recurring items)		**8,767**	1,164
Depreciation	11	**(2,076)**	(1,974)
Amortisation	12,13	**(3,509)**	(2,532)
Non-recurring items	5	**(5,571)**	(1,814)
Operating loss	6	**(2,389)**	(5,156)
		–	–
Finance expenses	6	**(4,476)**	(3,979)
Share of post-tax losses of equity accounted associates	16	**(579)**	(574)
Loss before tax		**(7,444)**	(9,709)
		–	–
Taxation	9	**1,108**	1,082
Loss for the year attributable to equity holders of the Group		**(6,336)**	(8,627)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**280**	703
Other comprehensive income for the year, net of income tax		**280**	703
Total comprehensive loss for the year		**(6,056)**	(7,924)
Total loss per share			
Basic loss per share	10	**(31.2)c**	(44.0)c
Diluted loss per share	10	**(31.2)c**	(44.0)c

* Details of the restatements are presented in Note 27.

The notes on pages 55 to 84 form part of these financial statements.

OVERVIEW STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 $'000	2020 (restated*) $'000
Non–current assets			
Property, plant and equipment	11	**10,307**	9,584
Intangible assets	13	**520**	545
Goodwill	13	**2,417**	2,417
Right of use assets	12	**6,942**	7,549
Deferred tax assets	15	**1,745**	308
Investments in equity–accounted associates	16	**–**	1,443
		21,931	21,846
Current assets			
Inventories	17	**39,779**	40,223
Tax receivable		**1,496**	1,417
Trade and other receivables	18	**42,782**	44,626
Cash and cash equivalents	23	**13,445**	2,156
		97,502	88,422
Total assets		**119,433**	110,268
Current liabilities			
Other interest–bearing loans and borrowings	19	**(22,865)**	(37,121)
Trade and other payables	20	**(50,044)**	(51,942)
Tax payable		**(655)**	(778)
Lease liabilities		**(2,566)**	(2,683)
		(76,130)	(92,524)
Non–current liabilities			
Other interest–bearing loans and borrowings	19	**(103)**	(22,963)
Provisions	21	**–**	–
Lease liabilities	12	**(5,041)**	(5,493)
		(5,463)	(28,456)
Total liabilities		**(81,274)**	(120,980)
Net assets/(liabilities)		**38,159**	(10,712)
Equity attributable to equity holders of the parent			
Share capital	22	**342**	132
Share Premium	22	**54,717**	–
Translation reserve	22	**580**	300
Merger reserve	22	**(35,812)**	(35,812)
Retained earnings	22	**18,332**	24,668
Total equity/(deficit)		**38,159**	(10,712)

* Details of the restatements are presented in Note 27.

These financial statements were approved by the Directors on 18 May 2022 and were signed on its behalf by:

David Wilkinson
Director

The notes on pages 55 to 84 form part of these financial statements.

Company Number: 10451211

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital $'000	Share Premium $'000	Translation reserve $'000	Retained earnings (Restated) $'000	Merger reserve $'000	Other reserve $'000	Total equity $'000
1 January 2020	132	–	(403)	33,295	(35,812)	–	(2,788)
Total comprehensive income for the year							
Loss for the year (restated)	–	–	–	(8,627)	–	–	(8,627)
Other comprehensive income	–	–	703	–	–	–	703
Total comprehensive income for the year (restated)	–	–	703	(8,627)	–	–	(7,924)
Balance at 31 December 2020 (restated)	132	–	300	24,668	(35,812)	–	(10,712)
1 January 2021	132	–	300	24,668	(35,812)	–	(10,712)
Contributions by and distributions to shareholders:							
Reclassification of shareholder loan notes	–	–	–	–	–	9,900	9,900
Conversion of loan notes/Other liabilities into Ordinary shares	57	12,352				(9,900)	2,509
Share issue in relation to IPO	153	44,923	–	–	–	–	45,076
Equity issue costs	–	(2,558)	–	–	–	–	(2,558)
Total comprehensive income for the year:							
Loss for the year	–	–	–	(6,336)	–	–	(6,336)
Other comprehensive income	–	–	280	–	–	–	280
Total comprehensive income for the year	–	–	280	(6,336)	–	–	(6,056)
Balance at 31 December 2021	**342**	**54,717**	**580**	**18,332**	**(35,812)**	**–**	**38,159**

The notes on pages 55 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020 (restated*) $'000
Cash flows from operating activities		
Loss for the year	**(6,336)**	(8,627)
Adjustments for:		
Depreciation and amortisation	**5,585**	4,506
Impairment of associate	**1,627**	–
Finance expense	**4,476**	3,979
Loss on sale of property, plant and equipment	**1,012**	435
Taxation	**(1,108)**	(1,082)
Share of post-tax losses of equity accounted associates	**579**	574
	5,907	(215)
Decrease in trade and other receivables	**693**	618
Decrease/(increase) in inventories	**444**	(3,830)
(Decrease)/increase in trade and other payables	**(2,510)**	1,672
(Decrease) in provisions	**–**	(285)
Tax paid	**(529)**	(1,190)
Net cash generated from/(used in) operating activities	**5,768**	(3,230)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,296)**	(1,595)
Investments in associates	**(201)**	(2,017)
Purchase of intangible assets	**(421)**	(76)
Net cash used in investing activities	**(4,918)**	(3,688)
Cash flows from financing activities		
Proceeds from loan and other facility drawdowns	**2,500**	11,567
Issue of convertible loan notes	**5,600**	
Share issue (net of transaction costs)	**42,518**	–
Repayment of lease liabilities	**(3,565)**	(2,443)
Interest paid	**(2,922)**	(2,688)
Repayment of other borrowings	**–**	(2,585)
Repayment of term loan	**(15,599)**	–
Repayment of CLBILs	**(8,143)**	–
Repayment of trade loans	**(5,698)**	–
Repayment of invoice finance	**(1,537)**	–
Net cash generated from financing activities	**13,154**	3,851
Net increase/(decrease) in cash and cash equivalents	**12,811**	(3,067)
Cash and cash equivalents at beginning of year	**(2,677)**	(168)
Effect of exchange rate fluctuations on cash held	**(327)**	558
Cash and cash equivalents at end of year (refer Note 23)	**9,807**	(2,677)

* Details of the restatements are presented in Note 27.

The notes on pages 55 to 84 form part of these financial statements.

1 Accounting policies

Introduction

CT Automotive Group PLC (the "Company") is a Public company listed on AIM incorporated, domiciled and registered in England in the UK. The registered number is 10451211 and the registered address and principal place of business is 1000 Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN.

The Company's functional and reporting currency is USD, the Directors elected to set the Company up in this way due to the international nature of the Group and overall reliance on USD; the Group revenue is predominantly received in USD and key long-term financing instruments, as well as working capital facilities, are also predominantly denominated in USD.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as an entity and not about its group.

The Group financial statements have been prepared and approved by the Directors in accordance UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 85 to 92.

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

There are no judgements or estimates that are deemed to have a significant effect on the financial statements other than those stated in Note 2.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Going concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report.

The financial statements have been prepared on the going concern basis as the Group has prepared detailed forecasts which show that the Group is expected to be able to meet all its liabilities as they fall due over the 12 months from the approval of the financial statements. These forecasts are built up using the individual costings that each part of the Group produces and latest volume forecast. It is acknowledged that COVID-19 and the subsequent impact on supply chains has had a profound impact on the global automotive industry. For CT Automotive Group PLC, this impact was most significant in the second half of 2021, with a number of temporary closures at customer sites, however the Group were able to successfully manage production and stock levels throughout to meet our customers' requirements. It is also acknowledged that the recent Ukraine invasion has caused some short-term disruption for certain manufacturers in Europe. For CT, this only impacted one customer for which the relevant components previously sourced from Ukraine were resourced and production recommended within four weeks. This impact has therefore not been material and does not impact the going concern assessment.

These known supply chain impacts have been factored into the Group's forecast model along with what Management consider to be a prudent view on the recovery for the automotive industry through 2022. This model forecasts to December 2027, covering a period of 67 months from the date of approval of these financial statements. This takes into account the Group's existing banking facilities, being trade loans and invoice financing, and assumes these facilities continue to be available. This assumption is made on the basis that these facilities are committed on a rolling 12-month basis until December 2022, and are structured facilities only available to be drawn against the respective inventory and customer sales invoices. Management expect that these facilities will either continue to be available in their existing or be replaced by similar value facilities. The invoice finance facility has a limit of $15,800,000, with headroom of $4,803,000 as at 31 December 2021. Similarly, the trade loan facility has a limit of $10,400,000 with headroom of $4,948,000 as at 31 December 2021. These limits are not forecast to be exceeded within the forecast period since the Group forecasts to generate sufficient cash reserves to reduce utilisation of these facilities. In the management forecast, the invoice facility is not exceeded until February 2023 and trade loan facility has not exceeded throughout the 12-month period. Beyond February 2023, there is a strong cash reserve position and hence is more likely that the facility will be uplifted.

Although Management consider the base case to be appropriately prudent, sensitivity analysis has been performed of the cash flow to model the potential impact should the automotive supply chain issues continue for a prolonged period and hence a slower recovery scenario considered. This assumption carried a 9% decline in annual volumes which is worst case, considering the fact that the base forecast is already modelled at a lower growth considering the supplying chain issues in the automotive sector. This scenario is considered to be severe but plausible. The base case forecast and stress test demonstrate that the Group has sufficient headroom within current banking facilities and other financing facilities or alternate cash flow management plans in place across the forecast period. This assessment also reflects the significantly stronger balance sheet of the Group following the AIM listing which repaid all long-term credit facilities, most notably the term loan which included quarterly financial covenants.

After making enquiries, considering the uncertainties described above and monitoring the year-to-date performance against budget in 2022, CT Automotive Group PLC is expected to remain in a strong financial position during the forecast period. The Group is confident of being able to trade for a period of at least 12 months from the approval of the financial statements, and the Directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

1 Accounting policies (continued)

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Exchange differences arising on the retranslation of the foreign operation are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency US Dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of, such that control is lost, the entire accumulated amount in the foreign currency translation reserve, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while still retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of any issues are classified as a financial liability.

Non-derivative financial instruments

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

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

Trade and other receivables

Trade and other receivables are initially measured at their transaction price. Trade receivables and other receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables

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

Cash and cash equivalents

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

1 Accounting policies (continued)

Non-derivative financial instruments (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. See Note 19 for full details of classes of interest-bearing borrowings.

Effective interest rate

The 'effective interest' is calculated using the rate that exactly discounts estimates future cash payments or receipts (considering all contractual terms) through the expected life of the financial asset or financial liability to its carrying amount before any loss allowance.

Impairment of financial assets

A provision for impairment is established on an expected credit loss model under IFRS 9. The amount of the provision is the difference between the asset's carrying amount and the expected value of the amounts recovered.

The probability of default and the expected amounts recoverable are assessed under reasonable and supportable past and forward looking information that is available without undue cost or effort. The expected credit loss is a probability weighted amount determined from a range of outcomes (including assessments made using forward looking information) and takes into account the time value of money.

Impairment losses and subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Group utilises derivatives consisting of exchange contracts to reduce foreign currency risk.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Assets under construction	–	not depreciated
Plant and equipment	–	2-5 years straight-line
Furniture, fixtures and equipment	–	2-5 years straight-line
Motor vehicles	–	2-5 years straight-line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Intangible assets (including software)

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	–	1 - 5 years

1 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the value that would arise on sale of stock in the normal course of business, minus a reasonable estimation of selling costs.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Convertible loan notes

A portion of loans from Directors in the form of loan notes and other loans as shown within Note 19 have been reclassified or converted from liability into equity during the financial year consequent to change in the terms and conditions of the loan agreements.

The instruments were evaluated for the conditions within IAS 32, namely, (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity and (b) the instrument will or may be settled in the issuer's own equity instruments.

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

All automotive products are sold with a warranty which mirrors the warranty offered by the OEM to consumers.

Due to the thorough quality checking that is undertaken by the customers during assembly, and the low risk nature of the products, it is Company's policy to only hold a small provision for warranty claims. This is supported by the historically low value of warranty claims in the past few years which the Directors do not consider to be material.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Serial production goods are recognised as sold at a point in time when control is passed to the customer, which depending on the incoterms (a series of pre-defined commercial terms published by the International Chamber of Commerce relating to international commercial law) can be when they are delivered to the customer site or when the customer collects them.

Tooling and the provision of associated services is recognised at a point in time when the performance obligations in the contract are satisfied and control is passed to the customer, which is based on the date of issue of the parts submission warrant (PSW) or a similar approval from customers. Monies received from customers in advance of completing the performance obligations are recognised as contracts liabilities as at the balance sheet date and released to revenue when the related performance obligations are satisfied at a point in time.

Discounts on the serial production contracts are considered one off and agreed with the customers as part of the negotiation and as per the terms of the contract, they are either paid in advance or otherwise. Discounts paid in advance are recognised as a prepayment and recognised as a debit to revenue in the period in which the related revenue is recognised. All other discounts are recognised as a debit to revenue based on the period in which the related revenues are recognised.

Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Government grants

Government grants are recognised on the accrual basis and any performance requirements are disclosed as required. Grants of a revenue nature are recognised in the statement of profit and loss in the same period as the related expenditure and recognised gross as other income.

During the year, income received from the Coronavirus Job Retention Scheme and similar support in China and Turkey has been accounted for in accordance with the above.

As part of the UK government scheme, the Group also received CLBILS loan from accredited lenders during the previous year. The loan was recognised at a fair value equal to its transaction price at inception and amortised thereafter with finance expense being recognised using the effective interest rate. During the first 12 months, the Group recognised a finance expense and a corresponding amount of grant income, and this was presented in the same line as finance expense on a net basis.

Expenses

Finance income and expenses

Finance expenses comprise interest payable on borrowings and interest on lease liabilities which are recognised in profit or loss using the effective interest method.

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

1 Accounting policies (continued)

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs, how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

These other leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Lease Measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Earnings per share

The Group only presents basic earnings per share (EPS) data for its ordinary share on the basis that there are no outstanding instruments that can result in diluted earnings per share to be different with basic earnings per share in 2021 and 2020. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

1 Accounting policies (continued)

Segment Reporting
IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. See Note 7 for the accounting policy and related disclosures for segment reporting.

Non-recurring items
The Group recognises items within the statement of profit or loss statements that are infrequent, unusual and not expected during the regular business operations as non-recurring. These are disclosed as a separate line on the face of statement profit or loss. Refer note 5 for further details on the nature of the non-recurring items.

New standards, interpretations and amendments
There have been a number of amendments to existing standards which are effective from 1 January 2021 but they do not have material effect on the Group financial statements.

There are a number of new standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Costs of fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16);
- Annual improvements to IFRS standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Group is currently assessing the impact of these amendments and does not expect them to have significant impact on the financial statements.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experiences may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

In preparing these financial statements, the Directors made the following judgements:

Incremental borrowing rate used to measure lease liabilities
Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and the corresponding right-of-use assets.

To determine the incremental borrowing rate, the Group uses recent third party financing as a starting point, and adjusts this for conditions specific to the lease such as its term and security.

The Group used an incremental borrowing rate of from 3.25% to 32.5%, depending on the specifics of the lease, particularly based on which country the underlying asset is based in.

Deferred tax asset recognition
The Directors consider that the Deferred Tax Assets are recoverable as their recoverability against future profits is deemed probable. This judgement has been based on assessment of management forecasts which are compiled using secured projects and customer volume estimates. These reflect the Group returning to profitability in the near future.

All deferred tax assets have been classified as non-current assets. This is based on the expected utilisation of these assets against the future profits available as projected within management forecasts.

Other key sources of estimation uncertainty:

Stock provision
Inventory is carried at the lower of cost and net realisable value. Provisions are made to write down obsolete stocks to net realisable value. The provision is $1,268,000 at 31 December 2021 (2020: $651,000). A difference of 10% in the provision as a percentage of gross inventory would give rise to a difference of +/- $126,800- in gross margin.

2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Goodwill

The carrying amount of goodwill at 31 December 2021 was $2,417,000. This is split between Chinatool UK Limited ($1,259,000) and IMS/Chinatool JV, LLC ($1,158,000). As part of the annual impairment testing of these balances, no need for impairment was identified during the year. Details of the impairment testing, and sensitivity analysis performed are set out in Note 13.

Deferred tax recoverability

Estimates are required in assessing whether sufficient future taxable profits will be made in order to recognise the benefit of deferred tax assets accumulated at the Balance Sheet date. In assessing recognised and unrecognised deferred tax assets, the Group has considered its forecast performance in line with the scenarios set out in its going concern analysis and impairment models, as set out in Note 1.

Management's forecasts used for the review of the recoverability of deferred tax assets are consistent with those used for going concern analysis and impairment reviews for goodwill and other tangible assets. These are detailed forecasts based on expected customer schedules.

The deferred tax asset value recognised is $1,754,000 at 31 December 2021 (2020: $308,000), giving rise to a credit through the statement of profit and loss of $1,437,000 during the year. The detailed breakdown of this is disclosed in Note 15, and solely relates to UK-based businesses. The forecasts discussed above show that the UK businesses will be profitable from 2023 and the Directors expect to fully recover the deferred tax asset by 31 December 2024.

If the period of forecasts review for the recoverability of the deferred tax assets is shortened from three to two years, the Directors would only expect to recover $709,000 of the deferred tax asset, and therefore would only recognise deferred tax assets at 31 December 2021 of this value.

3 Revenue

	2021 $'000	2020 $'000
Disaggregation of revenue		
An analysis of turnover by type is given below:		
Sale of parts	**110,764**	87,469
Sale of tooling (including design and development)	**22,175**	22,430
Total revenues	**132,939**	109,899

An analysis of turnover by geographical market is given within Note 7.

All revenue is recognised from goods transferred at a point in time.

Contract balances

The following table provides information about significant changes during the year in contract assets and contract liabilities from contracts with customers:

	Contract assets $'000	Contract liabilities $'000
Balance as at 1 January 2021	–	(8,336)
Revenue recognised that was included in contract liabilities at the beginning of the year	–	10,047
Increases due to cash received, excluding amounts recognised as revenue during the year	–	(4,636)
Movements due to foreign exchange	–	–
Balance as at 31 December 2021	**–**	**(2,925)**

The contract liabilities included within trade and other payables primarily relate to the advance consideration received from customers on tooling projects.

The contract assets and contract liabilities are recognised into the profit and loss account when the performance obligations of each contract are satisfied which is at the point that the contract is satisfied and control has passed to the customer. As such, the Group does not recognise revenue on any partially satisfied performance obligations.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2022 $'000	2023 $'000	Total $'000
Tooling projects	**11,961**	**–**	**11,961**

All consideration from contracts with customers are accounted for as contract assets or liabilities and released to the revenue once performance obligation is fulfilled.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4 Other operating income

	2021 $'000	2020 $'000
Government grants	**1,458**	859
Interest received from bank balances	**10**	26
Other income	**10**	57
	1,478	942

The government grant income relates to government support designed to help businesses during the COVID-19 pandemic (e.g. The UK government's Coronavirus Job Retention Scheme and similar support in China and Turkey).

5 Non-recurring items

	2021 $'000	2020 $'000
AIM listing fees	**1,810**	–
Turkish foreign exchange losses	**1,113**	–
Impairment of associate	**1,627**	–
Irrecoverable excess freight costs	**1,021**	1,814
Total	**5,571**	1,814

The Directors consider that it is appropriate to remove the non-recurring costs and certain non-trading items discussed below to better allow the reader of the accounts to understand the underlying performance of the Group.

The AIM listing completed in December 2021 incurred one-off transaction costs and advisory fees. Costs of $1,810,000 (2020: $nil) have been recognised within administrative expenses in relation to this.

In December 2021, the Turkish Lira was significantly depreciated against the USD following unprecedented Government announcements in Turkey. This resulted in the Group incurring one-off unrealised foreign exchange losses of $1,113,000 (2020: $nil) arising in Chinatool Otomotiv San. Tic. Ltd Sti.

An impairment review of the loans and shareholdings the Group held in Marin Engineering Limited and Scomadi (Thailand) Co. Ltd. was completed in 2021. These balances were fully impaired before the loan was written off and the shares were transferred to a third party. This resulted in a one-off impairment charge of $1,627,000 (2020:$nil).

Global freight costs have temporarily increased significantly following the pandemic and related logistic issues. This has resulted in freight container costs exceeding the container rates quoted to customers. In recognition of this expecting to normalise over time, the Group has negotiated with customers to maximise the recovery of excess freight costs. There is however an element of excess freight costs which is deemed irrecoverable amounting to $1,021,000 (2020: $1,814,000) recognised within distribution expenses.

6 Expenses and auditors' remuneration

	2021 $'000	2020 (Restated) $'000
Included in the loss are the following:		
Finance Expenses		
Interest on bank loans and borrowings	**1,949**	1,919
Interest on lease liabilities	**587**	604
Loan note interest	**528**	692
Amortisation of loan transaction costs	**439**	–
Other interest charges	**973**	764
	4,476	3,979
Operating loss is stated after charging:		
Amortisation	**440**	290
Depreciation	**2,076**	1,974
Foreign exchange	**1,576**	2,478
Amortisation of right-of-use assets	**3,069**	2,242
Operating lease charges	**–**	50
Cost of inventories	**72,966**	45,469

Auditor's remuneration	2021 $'000	2020 $'000
Audit of Group financial statements	**158**	81
Audit of financial statements of subsidiaries of the company	**241**	187
Audit-related assurance services	**–**	4

7 Segment information

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the management team including the Chief Executive Officer and Chief Financial Officer. The segmental analysis is based on the information that the management team uses internally for the purpose of evaluating the performance of operating segments and determining resource allocation between segments.

The Group has three strategic divisions which are its reportable segments.

The Group has the below main divisions:

1) Tooling – Design, development and sale of tooling for the automotive industry.
2) Production – Manufacturing and distributing serial production kinematic interior parts for the automotive industry.
3) Head office – Manages Group financing and capital management.

The Group evaluates segmental performance on the basis of revenue and profit or loss from operations calculated in accordance with IFRS.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently in the current and prior year.

7 Segment information (continued)

2021

	Tooling $'000	Production $'000	Head office $'000	Total $'000
Revenue				
Total revenue from customers	22,175	110,764	–	132,939
Depreciation and amortisation	–	(5,585)	–	(5,585)
Finance expense	–	(2,112)	(2,364)	(4,476)
Segment Profit/(Loss)	5,260	(2,636)	(9,489)	(6,865)
Share of post-tax loss of equity accounted associates				(579)
Group Loss before tax				(7,444)

2021

	Tooling $'000	Production $'000	Head office $'000	Total $'000
Additions to non-current assets	–	4,717	–	4,717
Reporting segment assets	6,802	100,091	12,540	119,433
Reportable segment liabilities	3,628	74,119	3,527	81,274

2020

	Tooling $'000	Production $'000	Head office $'000	Total $'000
Revenue				
Total revenue from customers	22,430	87,469	–	109,899
Depreciation and amortisation	–	(4,506)	–	(4,506)
Finance expense	(41)	(2,050)	(1,888)	(3,979)
Segment Profit/(Loss)	4,760	(8,322)	(5,573)	(9,135)
Share of post-tax loss of equity accounted associates				(574)
Group Loss before tax				(9,709)

2020

	Tooling $'000	Production $'000	Head office $'000	Total $'000
Additions to non-current assets	–	1,666	–	1,666
Reporting segment assets	10,642	97,343	840	108,825
Investment in associates				1,443
Total Group assets				110,268
Reportable segment liabilities	6,201	76,685	38,094	120,980

7 Segment information (continued)

	External revenue by location of customers		Non-current assets by location of assets	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
UK	**20,840**	20,022	**4,213**	2,423
US	**29,489**	19,278	**124**	25
China	**18,289**	30,823	**16,312**	16,253
Turkey	**9,690**	8,156	**555**	1,132
Czech Republic	**35,356**	18,850	**440**	396
Brazil	**3,074**	3,301	**–**	–
Spain	**6,985**	7,369	**–**	–
Thailand	**2,187**	1,661	**–**	1,443
Other	**7,029**	439	**287**	174
	132,939	109,899	**21,931**	21,846

Balances related to goodwill, right of use assets, deferred tax assets and investments in equity-accounted associates that aggregated to $11,717,000 were excluded from the segment disclosures in the financial statements for the year ended 31 December 2020. These have been updated in comparatives above to be consistent with the disclosures for 31 December 2021.

Due to the nature of the automotive industry becoming increasingly consolidated with mergers, acquisitions and strategic alliances, the number of customers under separate control is decreasing whilst the size of such customers is increasing.

Analysis of concentration of customers, top 3 and others:
In 2021 the Group had three major customers, representing $42.7m (32%), $43.2m (33%) and $13.3m (10%) of Group revenue.

In 2020 the Group had three major customers, representing $33.6m (31%), $24.6m (22%) and $12.6m (12%) of Group revenue.

8 Staff numbers and costs

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

	2021 Number	2020 Number
Production staff	**2,265**	2,165
Management and administration staff	**456**	533
	2,721	2,698

	2021 $'000	2020 $'000
Wages and salaries	**29,484**	25,153
Social security costs	**2,068**	769
Contributions to defined contribution plans	**101**	58
	31,653	25,980

Key management personnel compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the company.

	2021 $'000	2020 $'000
Key management remuneration including social security costs	**921**	877
Company contributions to money purchase pension plans	**5**	4
	926	881

8 Staff numbers and costs (continued)

Directors' remuneration

	2021 $'000	2020 $'000
Directors' remuneration	**364**	122
Company pension plans contributions and accruals	**5**	4
	369	126

During the year, two additional Directors were appointed to the Company on 15 September 2021.

Full details of Directors' remuneration are shown on page 42 and 43.

Retirement benefits were accruing to one Director in the year (2020: 1) under money purchase schemes.

9 Taxation

Recognised in profit and loss	2021 $'000	2020 (Restated) $'000
Current tax expense		
Current year (Including carry back of losses)	**179**	(750)
Adjustments for prior periods	**150**	–
Current tax expense/(credit)	**329**	(750)
Deferred tax credit		
Origination and reversal of temporary differences	**(993)**	(332)
Effect of changes in tax rates	**(444)**	–
Deferred tax credit	**(1,437)**	(332)
Total tax credit	**(1,108)**	(1,082)

	2021 $'000	2020 $'000
Reconciliation of effective tax rate		
Loss for the year	**(6,336)**	(8,627)
Total tax credit	**(1,108)**	(1,082)
Loss excluding taxation	**(7,444)**	(9,709)
Tax using the UK corporation tax rate of 19% (2020: 19.00%)	**(1,414)**	(1,845)
Effect of tax rates in foreign jurisdictions	**258**	88
Non-taxable income	**22**	–
Non-deductible expenses	**355**	559
Adjustments for prior periods	**150**	–
Tax rate changes	**(444)**	8
Other differences	**(35)**	–
Movement in unrecognised deferred tax	**–**	108
Total tax credit	**(1,108)**	(1,082)

The UK Government announced in the March 2021 Budget that the main rate corporation tax in the UK will increase from 19% to 25%. This was substantively enacted by the balance sheet date and as a result deferred tax balances at 31 December 2021 have been measured at 25%.

Included within tax payable is an IFRIC 23 uncertain tax payable totalling $618,000 (2020: $623,000), which is a result of uncertainty in the tax legislation in a certain jurisdiction.

10 Loss per share

	2021 Number	2020 Number
Weighted average number of equity shares	**20,286,757**	19,600,000

	$	$
Earnings, being loss after tax	**(6,336,000)**	(8,627,000)

	Cents	Cents
Loss per share	**(31.2)**	(44.0)

There are no outstanding instruments that can result in diluted earnings per share to be different with basic earnings per share in 2021 and 2020.

The weighted average number of shares outstanding in 2020 has been adjusted to 19,600,000 to reflect the share dilution that occurred on 22 November 2021. Throughout 2020, there were 98,000 shares outstanding with a nominal value of £1 each. On 22 November 2021, these were sub-divided into 19,600,000 shares with a nominal value of £0.005 each. IAS 33 requires that in such events whereby the number of ordinary shares is increased without an increase in resources, the number of ordinary shares outstanding before the event is adjusted to reflect the event as if it has occurred at the beginning of the earliest period presented.

11 Property, plant and equipment

	Plant and equipment $'000	Fixtures and fittings $'000	Under construction $'000	Motor vehicles $'000	Total $'000
Cost					
Balance at 1 January 2020	15,339	2,824	93	36	18,292
Additions	1,168	422	–	–	1,590
Disposals	(859)	(13)	–	–	(872)
Re-classifications	93	–	(93)	–	–
Effect of movements in foreign exchange	946	90	–	2	1,038
Balance at 31 December 2020	16,687	3,323	–	38	20,048
Balance at 1 January 2021	16,687	3,323	–	38	20,048
Additions	2,213	2,083	–	–	4,296
Disposals	(1,049)	(554)	–	–	(1,603)
Re-classifications	–	–	–	–	–
Effect of movements in foreign exchange	(554)	(166)	–	(4)	(724)
Balance at 31 December 2021	**17,297**	**4,686**	**–**	**34**	**22,017**
Depreciation					
Balance at 1 January 2020	7,029	1,531	–	36	8,596
Depreciation charge for the year	1,579	394	–	1	1,974
Disposals	(347)	(90)	–	–	(437)
Effect of movements in foreign exchange	310	20	–	1	331
Balance at 31 December 2020	8,571	1,855	–	38	10,464
Balance at 1 January 2021	8,571	1,855	–	38	10,464
Depreciation charge for the year	717	1,359	–	–	2,076
Disposals	(255)	(336)	–	–	(591)
Effect of movements in foreign exchange	(150)	(85)	–	(4)	(239)
Balance at 31 December 2021	**8,883**	**2,793**	**–**	**34**	**11,710**
Net book value					
At 31 December 2020	8,116	1,468	–	–	9,584
At 31 December 2021	**8,414**	**1,893**	**–**	**–**	**10,307**

As at 31 December 2021, property, plant and equipment with a carrying value of $10,307,000 (2020: $9,584,000) was pledged as security for the invoice finance and trade loans (see Note 19 for further details on these loans).

12 Leases

The treatment of leases within the scope of IFRS 16 is disclosed in the accounting policies (Note 1).

The Group leases buildings and machinery where payments are fixed until the contracts expire. There is no variability in respect of payments and there is not considered to be any significant judgement in relation to the lease terms.

Right of use assets

	Land and buildings $000	Plant and machinery $000	Total $000
At 1 January 2020	8,729	85	8,814
Additions	816	225	1,041
Disposal	(82)	–	(82)
Amortisation	(2,166)	(76)	(2,242)
Foreign exchange movement	9	9	18
At 31 December 2020	**7,306**	**243**	**7,549**
At 1 January 2021	7,306	243	7,549
Additions	1,538	911	2,449
Disposal	–	–	–
Amortisation	(2,522)	(547)	(3,069)
Foreign exchange movement	5	8	13
At 31 December 2021	**6,327**	**615**	**6,942**

Lease liabilities

	Land and buildings $000	Plant and machinery $000	Total $000
At 1 January 2020	9,084	88	9,172
Additions	816	225	1,041
Disposal	(87)	–	(87)
Finance expense	589	10	599
Foreign exchange movement	42	6	48
Repayments	(2,528)	(69)	(2,597)
At 31 December 2020	**7,916**	**260**	**8,176**
At 1 January 2021	7,916	260	8,176
Additions	1,547	911	2,458
Disposal	–	–	–
Finance expense	541	46	587
Foreign exchange movement	(15)	8	(7)
Repayments	(2,993)	(614)	(3,607)
At 31 December 2021	**6,996**	**611**	**7,607**

The maturity profile of the lease liabilities is as follows:

	2021 $'000	2020 $'000
Under 1 year	**2,566**	2,683
1-2 years	**1,534**	1,666
2-5 years	**2,594**	2,459
More than 5 years	**913**	1,368
	7,607	8,176

13 Intangible assets

	Software $'000	Goodwill $'000	Total $'000
Cost			
Balance at 1 January 2020	1,572	2,417	3,989
Additions	76	–	76
Effect of movements in foreign exchange	58	–	58
Balance at 31 December 2020	1,706	2,417	4,123
Balance at 1 January 2021	1,706	2,417	4,123
Additions	421	–	421
Effect of movements in foreign exchange	(67)	–	(67)
Balance at 31 December 2021	**2,060**	**2,417**	**4,477**
Amortisation and impairment			
Balance at 1 January 2020	831	–	831
Amortisation for the year	290	–	290
Effect of movements in foreign exchange	40	–	40
Balance at 31 December 2020	1,161	–	1,161
Balance at 1 January 2021	1,161	–	1,161
Amortisation for the year	440	–	440
Effect of movements in foreign exchange	(61)	–	(61)
Balance at 31 December 2021	**1,540**	**–**	**1,540**
Net book value			
At 31 December 2020	545	2,417	2,962
At 31 December 2021	**520**	**2,417**	**2,937**

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	2021 $'000	2020 $'000
Administrative expenses	**440**	290

Goodwill considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash-generating units or groups of cash-generating units as follows:

	Goodwill	
	2021 $'000	2020 $'000
Chinatool UK Limited	**1,259**	1,259
IMS/Chinatool JV, LLC	**1,158**	1,158

The recoverable amounts of Chinatool UK Limited and IMS / Chinatool JV, LLC have been determined based on a value-in-use calculation. This calculation uses financial forecasts approved by the Directors which cover a four-year period. These are detailed forecasts based on customer schedules and expected project lifetimes. The detailed forecasts have been reviewed for a four-year period as this is considered to be the range over which the customer schedules can be relied upon to create detailed forecasts.

In performing these calculations, the future cash flows of Chinatool UK Limited have been discounted at 11% and those of IMS/Chinatool JV, LLC at 12%. The Directors concluded that these discount rates are appropriate having reviewed discount rates applied by competitors in our sector, including businesses who are exposed to similar automotive supply risks and applying a margin to take account of our size, the complexity of our operations and levels of borrowing in the Group.

Using the above stated assumptions, there is significant headroom between the recoverable amount of goodwill allocated to each CGU. Applying sensitivity analysis to these calculations, a 2% increase to the discount rate applied reduces the headroom, but still allows for in excess of over $10m of headroom on Chinatool UK Limited and over $2m of headroom on IMS/Chinatool JV, LLC.

14 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

Company name	Registered office/Country of Incorporation	Class of shares held	Ownership 2021	Ownership 2020
Direct shareholdings				
China Tool Projects UK Limited	Rooms 2102-3 China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong	Ordinary	**100%**	100%
Ct Automotive CZ s.r.o.	Pod Hybšmankou 2339/19 Praha 5 – Smíchov, 150 00 Czech Republic		**100%**	100%
Yinghuali Automotive Interiors Private Limited	15A, 4th Floor, City Vista Suite No.349, Fountain Road, Kharadi, Pune, Maharashtra, India	Ordinary	**100%**	100%
CT Automotive Japan K.K (incorporated 2021)	4-6-8 Konan, Minato-ku, Tokyo, Japan	Ordinary	**100%**	–
Indirect shareholdings				
Chinatool Mould Systems Limited	Rooms 2102-3 China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong	Ordinary	**100%**	100%
Chinatool UK Limited	3000a Parkway, Whiteley, Hampshire, United Kingdom	Ordinary	**100%**	100%
Chinatool Automotive Systems Limited	3000a Parkway, Whiteley, Hampshire, United Kingdom	Ordinary	**100%**	100%
Chinatool Otomotiv Sanayi Tic. Limited Sti.	Plastikçiler Organize Sanayi Bölgesi, Geposb, 9.cadde 92.Sok. N:5, Gebze Kocaeli, Turkey	Ordinary	**100%**	100%
IMS/Chinatool JV, LLC	17199 N. Laurel Park Drive, Ste. 412 Livonia, MI 48152 USA	Ordinary	**100%**	100%
Chinatool Automotive Mould Systems Limited (英華利汽車模具系統(深圳) 有限公司*)	No. 6 Building Hua Yisheng Ids Park, No.4 Industrial Zone, FuYong Town, Bao'an District, ShenZhen, China	Ordinary	**100%**	100%
Chinatool Automotive Components Co. Limited (英華利汽車零部件 (贛州) 有限公司*)	No. 16 Standard Factory, Phase 2 Hong Kong Industrial Park, Ganzhou city Ganzhou Development Zone, Jiangxi Provence, China	Ordinary	**100%**	100%

* These entities are all PRC limited companies. The English translation of the Company named is for reference only. The official names of these companies are in Chinese.

15 Deferred tax assets and liabilities

A review of the deferred tax is performed at each Balance Sheet date and adjustments made in the event of a change in any key assumptions.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities/ (Assets) 2021 $'000	Assets 2020 $'000
Property, plant and equipment	**260**	(308)
Losses	**(2,005)**	–
Tax (assets)/liabilities	**(1,745)**	(308)
Net tax (assets)/liabilities	**(1,745)**	(308)

Movement in deferred tax during the year

	1 January 2021 $'000	**Recognised in income $'000**	**31 December 2021 $'000**
Property, plant and equipment	**308**	**(568)**	**(260)**
Losses	**–**	**2,005**	**2,005**

15 Deferred tax assets and liabilities (continued)
Movement in deferred tax during the prior period

	1 January 2020 $'000	Recognised in income $'000	31 December 2020 $'000
Property, plant and equipment	(24)	332	(308)

Deferred tax assets have been recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. In estimating future taxable profits, the Group has considered its forecast performance in line with its going concern analysis. More details on the forecast assumption made at this judgement are in Note 1.

Deferred tax assets have only been recognised in respect of deductible temporary differences arising in the UK. There are trading losses in other entities outside of the UK, however no deferred tax assets have been recognised in respect of these.

16 Investments in equity-accounted associates
The following entities have been included in the consolidated financial statements using the equity method:

	Country of incorporation and Principal place of business	**Proportion of ownership Interest held as at 31 December 2021**	Proportion of ownership Interest held as at 31 December 2020
Name			
Scomadi (Thailand) Co. Ltd	88 The Park, Floor 12, I Ratchadaphisek, Khlong Toei, Bangkok, Thailand	**0%**	27.81%
Scomadi Asia Pacific Co. Ltd	88 The Park, Floor 12, I Ratchadaphisek, Khlong Toei, Bangkok, Thailand	**0%**	27.81%
Marin Engineering Co. Ltd	276/874, Bo Win, Si Racha, I Chon Buri, Thailand	**0%**	25%

The primary business of these entities is the design, manufacture and marketing of motorised scooters.

On 30 September 2021, all outstanding loan balances due from Marin Engineering were written off by the Company. On 30 November 2021, all of the Company's shareholdings in Marin Engineering Limited, Scomadi (Thailand) Co. Ltd and Scomadi Asia Pacific Co. Ltd were transferred to a third party for $nil consideration.

The primary business of these entities is the design, manufacture and marketing of motorised scooters.

a) Summarised financial information (material associates)
Marin Engineering Co. Ltd

As at 31 December	2020 $'000
Current assets	5,104
Non-current assets	2,316
Current liabilities	(9,181)
Non-current liabilities	(3,279)
Net assets (100%)	(5,040)
Group share of net assets (25%)	(1,260)

	Period to 30 November 2021 $'000	Year to 31 December 2021 $'000
Revenues	**2,015**	1,303
Loss for the year	**2,251**	1,623

b) Summarised financial information (immaterial associates)

	Period to 30 November 2021 $'000	Year to 31 December 2021 $'000
Loss for the year	**271**	451

17 Inventories

	2021 $'000	2020 (Restated) $'000
Raw materials and consumables	**8,627**	8,548
Work in progress	**6,654**	11,884
Finished goods	**24,498**	19,791
	39,779	40,223

Inventories recognised as an expense during the year is disclosed in Note 6.

The provision for inventories recognised during the year ended 31 December 2021 was $616,000 (2020: $651,000).

18 Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables	**26,444**	27,576
Other debtors	**2,633**	1,112
Loan receivables	**–**	543
	29,077	29,231
Prepayments	**13,705**	15,395
Total trade and other receivables	**42,782**	44,626

Included within trade and other receivables is $Nil (2020: $Nil) expected to be recovered in more than 12 months.

The loan receivable at 31 December 2020 related to amounts due from Automotive Kinetic Systems Limited, a related party controlled by Simon Phillips. This balance was unsecured, interest-free and had no specific term of repayment but was repayable on demand. This balance was reclassified and converted into equity during the period as detailed within related party disclosure, Note 24.

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision to trade receivables. The expected loss rates are based on the Group's historical credit losses. Due to the nature of the Group's customers, no credit loss provision has been made at year end (2020: $Nil). The key assumptions used in evaluating the credit loss provision are the historical default ratio of these customers, any known liquidity risks of the customers and based on the information available we have assessed a range of possible outcomes.

As at 31 December 2021, trade receivables of $4,270,000 (2020: $3,641,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	2021 $'000	2020 $'000
Not past due	**22,174**	23,935
Past due 1-90 days	**3,498**	3,000
Past due more than 90 days	**772**	641
	26,444	27,576

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

19 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see Note 23.

	2021 $'000	2020 $'000
Non-current liabilities		
Secured bank loans	–	(15,385)
Loan notes	–	(7,426)
Non-current portion of finance lease liabilities	(103)	(152)
	(103)	(22,963)
Current liabilities		
Current portion of secured bank loans	(5,452)	(19,558)
Current portion of finance lease liabilities	(278)	(197)
Unsecured bank overdraft	(3,638)	(4,833)
Invoice finance	(10,997)	(12,533)
Unsecured loans	(2,500)	–
	(22,865)	(37,121)
	(22,968)	(60,084)

The secured bank loans are secured by a floating charge over the Group's property, plant and equipment.

The currency profile of the Group's loans and borrowings is as follows:

	2021 $'000	2020 $'000
USD	12,928	50,687
GBP	3,528	381
EUR	6,433	8,668
RMB	79	348
	22,968	60,084

	Currency	Nominal interest rate	Contracted maturity	Carrying amount 31 December 2021 $'000	Carrying amount 31 December 2020 $'000
Term loan	USD	5.85%	2023	–	15,603
CLBILs	GBP	5.85%	2023	–	8,190
Loan notes	USD	9.58%	2022	–	7,426
Unsecured loans	USD	10%	2022	2,500	–
Unsecured bank overdraft	GBP	2.5%	2022	3,638	4,833
Trade loans	EUR/USD	4.04%	2022	5,452	11,150
Invoice finance	EUR/USD	3.75%	2022	10,997	12,533
				22,587	59,735

19 Other interest-bearing loans and borrowings (continued)

Terms and debt repayments

The Term Loan was repayable over equal instalments to June 2023. Interest was paid quarterly in full. This term loan was fully repaid on 24 December 2021.

The CLBILs was repayable over equal instalments to 2023. Interest was paid monthly in full. The CLBILs were fully repaid on 24 December 2021.

Half of the loan note interest was serviced quarterly, with the remainder being rolled up. The loan notes were due to be repaid in April 2022. The loan notes were reclassified into equity instruments on 14 September 2021 based on changes in their terms such that they met the IAS 32 definition of equity. See below.

The unsecured loans were initially drawn down as a six-month loan in January 2021. An agreement was reached with the lender to extend repayment to January 2022.

The invoice finance facility allows 90% prepayment against eligible invoices up to 120 days old. The invoice financing facility is secured against the debts that it is drawn down on, and the Group's fixed assets.

The loan notes outstanding as at 31 December 2020 were due to related parties. See Note 24.

All other facilities are on demand facilities and have no set repayment schedules.

The movement of loans notes in the period is as follows:

	Loan notes – liabilities $'000	Loan notes – equity $'000
At 1 January 2021	7,426	–
Accrued interest	528	–
Conversion of shareholder loan notes to equity	(7,954)	9,900
Issue of loan notes to third parties	5,600	–
Conversion of loan notes to ordinary shares	(5,600)	(9,900)
As at 31 December 2021	**–**	**–**

The original shareholder loan notes due to Simon Phillips ($7,426,000 at 31 December 2020) were reclassified to equity instruments on 14 September 2021 based on changes in their terms such that they met the IAS 32 definition as equity instruments. At the date of this conversion, $1,946,000 of other shareholder balances due were also reclassified into equity instruments after changes in their terms, in line with IAS 32. On 23 December 2021, the balance of these loan notes ($9,900,000) was set off against $3,694,069 owed by Simon Phillips and entities controlled by Simon Phillips, with the resulting balance owed to him ($6,205,931) being satisfied in full by the issue to him of 3,176,871 new ordinary shares.

On 20 September 2021, $5,600,000 of new loan notes were issued to unrelated third parties which were classified as a liability as per the terms of the agreement, carrying an interest rate of 10% and due to be repaid on 31 December 2023. On 23 December 2021, these were converted into 5,034,898 ordinary shares. These were issued at a 43% discount to the AIM listing placing price.

20 Trade and other payables

	2021 $'000	2020 $'000
Current		
Trade payables	**24,938**	22,758
Non-trade payables and accrued expenses	**11,419**	12,749
Employee social security and taxes	**7,388**	3,221
Contract liabilities	**2,925**	8,336
Other payables	**3,359**	4,878
Provisions for losses on forward contracts	**15**	–
	50,044	51,942

Included within trade and other payables is $Nil (2020: $Nil) expected to be settled in more than 12 months.

All trade and other payables other than employee social security and taxes, contract liabilities and provisions for losses on forward contracts (fair value through profit and loss) are classified as financial liabilities measured at amortised cost. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Included within Other payables at 31 December 2020 were $1,946,000 of balances due to Simon Phillips which were reclassified into Equity Loan Notes on 14 September 2021 and subsequently settled by issue of ordinary shares. See Note 19.

In addition to the shareholder loan notes, at 23 December 2021, Directors Loan balances of $487,619 were satisfied by the issue of 249,615 ordinary shares to the Directors.

21 Provisions

The balance of warranty provisions as at 31 December 2021 is $Nil (2020: $Nil).

The warranty provision relates to the estimated costs of any potential liability that may arise on parts supplied to customers. Based on historical sales, further cash outflows to compensate warranty claims are not considered probable.

22 Capital and reserves

	2021 $'000	2020 $'000
Share capital		
Allotted, called up and fully paid		
98,000 ordinary shares of £1 each	–	132
50,933,289 ordinary shares of £0.005 each	342	–
Shares classified in shareholders' funds	342	132

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

On 22 November 2021, a sub-division of shares converted the 98,000 shares (£1 nominal value per share) into 19,600,000 shares (£0.005 nominal value per share).

On 23 December 2021, the Company made an Initial Public Offering, issuing a total of 31,333,289 new shares.

Of this share issue, 22,871,905 shares were issued for cash, with a share premium of 146.5p per share. This listing raised share capital of $153,000 and share premium of $44,923,000.

A further 5,034,898 shares were issued from loan notes issued to unrelated third parties (see Note 19).

The remaining 3,426,486 shares were issued to convert outstanding Directors balances and shareholder equity loan notes into ordinary shares (See Notes 19 & 20). These conversions raised share capital of $57,000 and share premium of $12,352,000.

Share premium

The share premium represents the value subscribed for share capital in excess of nominal value.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Merger reserve

The merger reserve comprises of the consideration paid by the Company when it acquired 100% of the share capital of China Tool Projects UK Limited on 6 April 2017, the former Group company. The transaction is not considered to be a business combination as the new top company formed is not considered a business under the definition in IFRS 3. Therefore, this transaction does not fall under the scope of IFRS 3 and book value accounting has been applied.

As a result, the consideration paid by the Company, being a combination of cash and the issue of Loan Notes, is now held in a Merger Reserve.

Retained earnings

Retained earnings represents all other net gains and losses not recognised elsewhere.

23 Financial instruments (Including cash and cash equivalents)

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2021 $'000	2020 $'000
Cash and cash equivalents	13,445	2,156
Unsecured bank overdraft	(3,638)	(4,833)
Cash and cash equivalents	9,807	(2,677)

The cash and cash equivalents balances are held in Current Accounts and are readily available with no restrictions in place. Of the Group's cash and cash equivalents, 10.6% are held in foreign subsidiaries. The Parent Company has the ability to recall these balances through management charges and dividend repatriation.

23 Financial instruments (Including cash and cash equivalents) (continued)

Financial instruments

(a) Fair values of financial instruments

Fair values

IFRS 13.93(b) requires an analysis of those financial instruments that are measured at fair value at the end of the year in a fair value hierarchy. In addition, IFRS 13.97 requires financial instruments not measured at fair value but for which fair value is disclosed to be analysed in the same fair value hierarchy.

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

The table below compares the carrying value of the Group's financial instruments with the fair value of those instruments at the Balance Sheet date, using the techniques described below.

All financial liabilities designated as fair value are valued based on level 2 inputs. All financial liabilities measured at amortised cost are valued based on level 3 inputs.

	Carrying amount 2021 $'000	**Level 2 2021 $'000**	**Level 3 2021 $'000**	Carrying amount 2020 $'000	Level 2 2020 $'000	Level 3 2020 $'000
Financial assets measured at amortised cost						
Trade and other receivables	**29,077**	**–**	**29,077**	29,146	–	29,146
Cash and cash equivalents	**13,445**	**–**	**13,445**	2,156	–	2,156
Total financial assets at amortised cost	**42,522**	**–**	**42,522**	31,302	–	31,302
Financial assets designated as fair value through profit or loss						
Gain on forex options	**–**	**–**	**–**	85	85	–
Total financial assets designated as fair value through profit or loss	**–**	**–**	**–**	31,387	85	31,302
Financial liabilities designated as fair value through profit or loss						
Derivative forward exchange contracts	**(15)**	**(15)**	**–**	–	–	–
Total financial liabilities at fair value through profit or loss	**(15)**	**(15)**	**–**	–	–	–
Financial liabilities measured at amortised cost						
Other interest-bearing loans and borrowings	**(22,968)**	**–**	**(22,968)**	(60,084)	–	(60,084)
Lease liabilities	**(7,607)**	**–**	**(7,607)**	(8,176)	–	(8,176)
Trade and other creditors	**(39,716)**	**–**	**(39,716)**	(40,384)	–	(40,384)
Total financial liabilities measured at amortised cost	**(70,291)**	**–**	**(70,291)**	108,644	–	108,644
Total financial instruments	**(27,784)**	**(15)**	**(27,769)**	(77,257)	85	(77,342)

Forex options are based on mark to market valuations provided by the supplier. Within the figures for other interest-bearing loans and borrowings are financial instruments valued using net present value of future cash flows using a discount rate of 11%.

Financial risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Market risk
- Liquidity risk

23 Financial instruments (Including cash and cash equivalents) (continued)
Financial instruments (continued)
(b) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Due to the nature of the Group's customers being established blue chip entities the risk and history of credit losses is typically minimal. As such, no general provisions for credit losses are made.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. All UK, US Hong Kong, India and Japan cash and cash equivalents are held exclusively with HSBC. In China and Turkey most balances are held with HSBC, with additional amounts held with reputable local banks. For banks and financial institutions, only independently rated parties with minimum rating "A" or above are accepted.

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2021 $'000	2020 $'000
Americas	**2,758**	3,915
Europe	**15,281**	14,357
Asia	**8,179**	9,119
Africa	**226**	186
	26,444	27,577

Further disclosures regarding trade and other receivables, which are neither past due nor impaired are provided in Note 18.

(c) Liquidity risk
Financial risk management
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitment and to capitalise on opportunities for business expansion. The Group manages liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and by ensuing that they are holding sufficient cash to ensure that short-term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business. As at the balance sheet date, the management had working capital facilities of $26,200,000, of which $9,751,000 was undrawn.

	31 December 2021						31 December 2020					
	Carrying amount $000	**Contractual cash flows $000**	**1 year or less $000**	**1 to <2years $000**	**2 to <5years $000**	**5 years and over $000**	Carrying amount $000	Contractual cash flows $000	1 year or less $000	1 to <2years $000	2 to <5years $000	5 years and over $000
Non-derivative financial liabilities												
Secured bank loans and trade loans	**5,452**	**5,452**	**5,452**	**–**	**–**	**–**	34,943	35,382	19,714	9,109	6,559	–
Lease liabilities	**7,607**	**8,089**	**2,566**	**1,534**	**2,594**	**1,395**	8,176	8,176	2,683	1,666	2,459	1,368
Finance lease liabilities	**381**	**381**	**278**	**95**	**8**	**–**	348	348	197	151	–	–
Loan Notes	**–**	**–**	**–**	**–**	**–**	**–**	7,426	8,804	–	–	8,804	–
Bank overdrafts	**3,638**	**3,638**	**3,638**	**–**	**–**	**–**	4,833	4,833	4,833	–	–	–
Trade and other payables*	**39,716**	**39,716**	**39,716**	**–**	**–**	**–**	40,384	40,384	40,384	–	–	–
Invoice finance	**10,997**	**10,997**	**10,997**	**–**	**–**	**–**	12,533	12,533	12,533	–	–	–
Unsecured loan	**2,500**	**2,750**	**2,750**	**–**	**–**	**–**	–	–	–	–	–	–
	70,291	**71,023**	**65,397**	**1,629**	**2,602**	**1,395**	108,643	110,460	80,344	10,926	17,822	1,368

* Excludes derivatives (shown separately).

23 Financial instruments (Including cash and cash equivalents) (continued)

Financial instruments (continued)

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

In respect of working capital facilities, being invoice finance and trade loans, the facilities are designated in the currency of the funded asset, minimising the potential impact of movements in foreign exchange as any relative increase or decrease in relative value will impact both the asset and the associated liability.

The Group's structured debt, Term Loan and Loan Notes, are both designated in USD. USD was selected as it is the primary trading currency of the Group, and therefore the debt is in the same currency as a large proportion of the Group's incoming revenue which is used to service and repay it.

The majority of the Group's debt is in USD, creating an exposure to movements in the USD base rate. The Directors consider that the benefit of the debt being denominated in the Group's main trading currency outweighs the risk of this exposure. Rates are monitored monthly and the decision will be reviewed at the next renewal opportunity.

Market risk – Foreign currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts. The following excludes balances denominated in USD.

31 December 2021	**GBP $'000**	**EUR $'000**	**RMB $'000**	**TL $'000**	**HKD $'000**	**INR $'000**	**CZK $'000**	**JPY $'000**	**Total $'000**
Cash and cash equivalents	**6,817**	**2,079**	**297**	**3**	**5**	**–**	**3**	**43**	**9,247**
Trade and other receivables	**303**	**7,344**	**9,127**	**2,089**	**5**	**–**	**–**	**–**	**18,868**
Secured bank loans	**–**	**(1,534)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,534)**
Trade and other payables	**(5,413)**	**(3,007)**	**(26,757)**	**(978)**	**52**	**(38)**	**(12)**	**(40)**	**(36,193)**
Forward exchange contracts	**–**	**(15)**	**–**	**–**	**–**	**–**	**–**	**–**	**(15)**
Balance sheet exposure	**1,707**	**4,867**	**(17,333)**	**1,114**	**62**	**(38)**	**(9)**	**3**	**(9,627)**
Net exposure	**1,707**	**4,867**	**(17,333)**	**1,114**	**62**	**(38)**	**(9)**	**3**	**(9,627)**

31 December 2020	GBP $'000	EUR $'000	RMB $'000	TL $'000	HKD $'000	INR $'000	CZK $'000	JPY $'000	Total $'000
Cash and cash equivalents	270	122	385	79	5	24	–	36	921
Trade and other receivables	959	6,931	4,807	3,689	739	36	–	–	17,161
Secured bank loans	(8,190)	(4,281)	–	–	–	–	–	–	(12,471)
Trade and other payables	(3,829)	(1,876)	(27,155)	(774)	478	(1)	(1)	(16)	(33,174)
Forward exchange contracts	(53)	–	–	–	–	–	–	–	(53)
Balance sheet exposure	(10,843)	(896)	(21,963)	2,994	1,222	59	(1)	20	(27,616)
Net exposure	(10,843)	(896)	(21,963)	2,994	1,222	59	(1)	20	(27,616)

Sensitivity analysis

A 10% weakening of the following currencies against the USD at 31 December 2021 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant.

Weakening

	Profit or loss 2021 $'000	Profit or loss 2020 $'000
GBP	**(171)**	1,084
EUR	**(487)**	(90)
RMB	**1,733**	2,196
TL	**(111)**	(299)
HKD	**(6)**	(122)
JPY	**(1)**	(2)
INR	**4**	–
	961	2,767

23 Financial instruments (Including cash and cash equivalents) (continued)
Financial instruments (continued)
(d) Market risk (continued)
Strengthening

	Profit or loss 2021 $'000	Profit or loss 2020 $'000
GBP	171	(1,084)
EUR	487	90
RMB	(1,733)	(2,196)
TL	111	299
HKD	6	122
JPY	1	2
INR	(4)	–
	(961)	(2,767)

A 10% strengthening of the above currencies against the USD at 31 December 2021 would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk – Interest rate risk
Profile
At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2021 $'000	2020 $'000
Fixed rate instruments		
Financial liabilities	10,488	33,317
Variable rate instruments		
Financial liabilities	20,087	34,943

Sensitivity analysis
A change of 100 basis points in interest rates at the balance sheet date would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates being financial instruments at fair value through profit or loss or available for sale. The analysis is performed on the same basis for 31 December 2020.

	2021 $'000	2020 $'000
Profit or loss		
Increase	201	349
Decrease	(201)	(349)

Profile
At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2021 $'000	2020 $'000
Fixed rate instruments		
Financial liabilities	10,487	33,317
Variable rate instruments		
Financial liabilities	20,087	34,943

23 Financial instruments (Including cash and cash equivalents) (continued)
Financial instruments (continued)
(d) Market risk (continued)
Sensitivity analysis
A change of 100 basis points in interest rates at the balance sheet date would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 31 December 2020.

	2021 $'000	2020 $'000
Profit or loss		
Increase	**201**	349
Decrease	**(201)**	(349)

(e) Capital management
The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

During 2020, the Group undertook a refinance, repaying the majority of management loan notes which were issued in 2017. These loan notes attracted a higher coupon than bank finance, so the objective of the refinance was to manage the Group's financial expenses.

On 23 December 2021, the Group made an initial public offering that was fully subscribed. Part of the funds raised during the listing were used to repay the term loan and CLBILs to recapitalise the Group's balance sheet. Following the repayment of the term loan, there are no financial covenants upon the Group as at 31 December 2021.

Reconciliation of liabilities arising from financial activities

2021	**Opening balance 1 January $'000**	**Cash movements $'000**	**Other movements $'000**	**Interest charge $'000**	**Closing balance 31 December $'000**
Term loan	**(15,603)**	**16,042**	**4**	**(443)**	**–**
CLBILs	**(8,190)**	**8,351**	**47**	**(208)**	**–**
Trade loans	**(11,150)**	**6,092**	**–**	**(394)**	**(5,452)**
Unsecured loans	**–**	**(2,250)**	**–**	**(250)**	**(2,500)**
Loan notes (Note 19)	**(7,426)**	**–**	**7,954**	**(528)**	**–**
Invoice finance	**(12,533)**	**1,537**	**–**	**(1)**	**(10,997)**
Lease liabilities (Note 12)	**(8,524)**	**3,607**	**(2,484)**	**(587)**	**(7,988)**
Total	**(63,426)**	**33,379**	**5,521**	**(2,411)**	**(26,937)**

2020	Opening balance 1 January $'000	Cash movements $'000	Foreign exchange movements $'000	Other movements $'000	Closing balance 31 December $'000
Term loan	(18,358)	2,708	–	47	(15,603)
CLBILs	–	(7,546)	(551)	(93)	(8,190)
Trade loans	(11,208)	513	–	(455)	(11,150)
Loan notes	(6,734)	–	–	(692)	(7,426)
Invoice finance	(8,377)	(3,561)	–	(595)	(12,533)
Lease liabilities	(9,368)	1,495	(49)	(602)	(8,524)
Total	(54,045)	(6,391)	(600)	(2,390)	(63,426)

24 Related parties

Transactions with key management personnel

The Directors of the Company control the following shareholdings in the Company:

	2021	2020
Simon Phillips	**38.30%**	82.14%
Scott McKenzie	**4.30%**	11.02%
David Wilkinson	**2.63%**	6.84%
	45.23%	100.00%

See Note 8 for details of key management personnel remuneration.

Other related party transactions

	2021 $'000	2020 $'000
Sales to Automotive Kinetic Systems Limited	**142**	166
Purchases from Automotive Kinetic Systems Limited	**–**	12
Sales to iAQUA Limited	**8**	120

Other related party balances

	Receivables outstanding 2021 $'000	Receivables outstanding 2020 $'000	Payables outstanding 2021 $'000	Payables outstanding 2020 $'000
Amounts owed by shareholders	**–**	588	**–**	–
Amounts owed to shareholders	**–**	–	**–**	2,001
Balances with Marin Engineering Limited	**–**	2,002	**–**	–
Balances with Automotive Kinetic Systems Limited	**–**	543	**–**	–
Costs incurred but not yet invoiced to iAQUA Limited	**–**	2,033	**–**	–
	–	5,166	**–**	2,001

During the year, the Company made a further loan of THB 7,246,000 ($201,000) to Marin Engineering Ltd, an associate of the Group at the time of the transaction. The balance was accruing interest at 4% and was due to be repaid on 19th January 2030. Interest was accrued on this and other loan balances of $32,000. No interest was received in the year. On 30 September 2021, all outstanding loan balances due from Marin Engineering were written off by the Company. On 30 November 2021, all of the Company's shareholdings in Marin Engineering Limited were transferred to a third party for $nil consideration.

Except for the loan balance write off due from Marin Engineering Limited, the Company has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2021 or 2020 regarding related party transactions.

The Group transacted with Automotive Kinetic Systems Limited and iAQUA Limited, companies wholly owned by Simon Phillips, who was previously the ultimate controlling party of the Group. On 16 December 2021, Simon Phillips agreed that part of the amount outstanding under the shareholder loan notes would be set off against the full balances owed to the Group by Automotive Kinetic Systems Limited ($507,000) and iAQUA Limited ($2,679,000). There are no balances outstanding with these entities as at 31 December 2021.

24 Related parties (continued)

Amounts due to employees and shareholders

Scott McKenzie

The Group had a loan receivable balance from Scott McKenzie of $1,000 as at 31 December 2020. This balance was interest free and had no set repayments. On 23 December 2021, the outstanding payable balance of $50,000 was converted to ordinary shares. As at 31 December 2021, there are no balances outstanding to Scott McKenzie.

David Wilkinson

During the period, the Group generated a loan payable balance to David Wilkinson of $34,000. This balance was interest free and had no set repayments. On 23 December 2021, the outstanding payable balance of $34,000 was converted to ordinary shares. As at 31 December 2021, there are no balances outstanding to David Wilkinson.

Simon Phillips

The Group had a loan payable of $1,442,000 as at 31 December 2020. This balance was interest free and had no set repayments. The Group also had the original shareholder loan notes of $7,426,000 as at 31 December 2020. On 14 September 2021, the shareholder loan notes were reclassified to equity instruments based on changes in their terms such that they met the IAS 32 definition of equity. At the date of this conversion, $1,946,000 of other balances due to Simon Phillips were also reclassified to equity, in line with IAS 32. Interest was charged to the Company on loan notes up to the date of the conversion to an equity instrument. Interest of $528,000 was charged in the year ended 31 December 2021 (2020: $692,000). On 16 December 2021, as noted above, Simon Phillips agreed to set off the full balances owed to the Group by Automotive Kinetic Systems Limited and iAQUA Limited. The resulting balance of the shareholder loan notes was $6,205,931.

On 23 December 2021, the outstanding balance payable for Directors' loans of $403,619 and the net shareholder loan balance of $6,205,931 were converted into ordinary shares. As at 31 December 2021, there are no balances outstanding to Simon Phillips.

25 Ultimate controlling party

In the opinion of the Directors of CT Automotive Group PLC, there is no single controlling party of the Group.

On 23 December 2021, CT Automotive Group PLC listed on the AIM market.

26 Post balance sheet events

On 18 January 2022, CT Automotive Group PLC repaid a $2.5m loan from a third party in full.

27 Prior year adjustment

During the year, management performed a review of the stock overhead absorption, and identified that, as of 31 December 2020, the Group had not correctly released the overhead absorption recognised within work in progress and finished goods. This resulted in the overhead absorption within inventory being overstated at the year ended 31 December 2020 within Chinatool Automotive Mould Systems Limited. The adjustment to correct this has resulted in an increase to cost of sales of $831,481 for the year ended 31 December 2020 and a reduction in inventory value of $831,481 as at 31 December 2020.

This adjustment has increased the loss for the year ended 31 December 2020 by $831,481. The full impact of the restatement across the financial statements is disclosed below:

Consolidated statement of Profit and Loss and Other Comprehensive Income ($'000)	Reported Financial year ended 31 December 2020	Correction	Restated Financial year ended 31 December 2020
Cost of sales	87,752	831	88,583

Consolidated Balance Sheet ($'000)	Reported Financial year ended 31 December 2020	Correction	Restated Financial year ended 31 December 2020
Inventory	41,054	(831)	40,223

27 Prior year adjustment (continued)

Consolidated Statement of Cash Flows ($'000)	Reported Financial year ended 31 December 2020	Correction	Restated Financial year ended 31 December 2020
Loss for the year	(7,796)	(831)	(8,627)
(Increase) in inventories	(4,661)	831	(3,830)

Notes forming part of the consolidated financial statements ($'000)	Reported Financial year ended 31 December 2020	Correction	Restated Financial year ended 31 December 2020
Cost of inventories (see Note 6)	44,638	831	45,469

The Reconciliation of effective tax rate note within the Notes forming part of the Consolidated Financial Statements was also impacted by $158,000 and resulting in the amount of movement in unrecognised deferred tax being $108,000.

28 Alternative performance measures

The Annual Report includes Alternative Performance Measures (APMs) which are considered by Management to better allow the readers of the accounts to understand the underlying performance of the Group. A number of these APMs are used by Management to measure the KPIs of the Group as outlined within the Business Review on pages 26 to 29. The Board also monitors these APMs to assess financial performance throughout the year.

The APMs used in the Annual Report include:

- Adjusted EBITDA – calculated as EBITDA adjusted for non-recurring items.
- Adjusted EBITDA margin – calculated as adjusted EBITDA divided by revenue in the year.
- Adjusted operating profit – calculated as Operating profit/(loss) adjusted for non-recurring items.
- Adjusted operating profit margin – calculated as adjusted operating profit divided by revenue in the year.

EBITDA is calculated based using Operating profit/(loss) before interest, taxes, depreciation and amortisation.

Detail of each of the non-recurring items is disclosed in Note 5.

Adjusted EBITDA and adjusted EBITDA margin

	2021 $'000	2020 $'000
Adjusted EBITDA	**8,767**	1,164
Non-recurring items		
AIM listing fees	**(1,810)**	–
– Turkish foreign exchange losses	**(1,113)**	–
– Impairment of associate	**(1,627)**	–
– Irrecoverable excess freight costs	**(1,021)**	(1,814)
EBITDA	**3,196**	(650)
Adjusted EBITDA margin	**6.6%**	1.1%

Adjusted operating profit and adjusted operating profit margin

	2021 $'000	2020 $'000
Adjusted operating profit	**3,182**	(3,342)
Non-recurring items		
AIM listing fees	**(1,810)**	–
– Turkish foreign exchange losses	**(1,113)**	–
– Impairment of associate	**(1,627)**	–
– Irrecoverable excess freight costs	**(1,021)**	(1,814)
Operating loss	**(2,389)**	(5,156)
Adjusted operating profit margin	**2.4%**	(3.0%)

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 $000	2021 $000	2020 $000	2020 $000
Fixed assets					
Investments	31		**36,142**		36,127
Deferred tax asset	32		**1,754**		189
			37,896		36,316
Current assets					
Trade and other debtors	33	**21,698**		5,635	
Cash at bank and in hand		**8,056**		99	
		29,754		5,734	
Creditors: amounts falling due within one year	34	**(12,628)**		(24,627)	
Net current assets/(liabilities)			**17,126**		(18,893)
Total assets less current liabilities			**55,022**		17,423
Creditors: amounts falling due after more than one year	35		**–**		(22,811)
Net assets/(liabilities)			**55,022**		(5,388)
Capital and reserves					
Called up share capital	36		**342**		132
Share Premium			**54,717**		–
Profit and loss account			**(37)**		(5,520)
Total equity/(deficit)			**55,022**		(5,388)

The Company generated a profit of $5,483,000 in the year ended 31 December 2021 (2020: loss of $3,945,000).

These financial statements were approved by the Directors on 18 May 2022 and were signed on its behalf by:

David Wilkinson
Director

The notes on pages 87 to 92 form part of these financial statements.

Company number 10451211

OVERVIEW STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital $'000	Share Premium $'000	Profit and loss account $'000	Other Reserve $'000	Total equity $'000
Balance at 1 January 2020	132	–	(1,575)	–	(1,443)
Total comprehensive income for the year					
Profit or loss	–	–	(3,945)	–	(3,945)
Balance at 31 December 2020	132	–	(5,520)	–	(5,388)
Reclassification of shareholder loan notes	**–**	**–**	**–**	**9,900**	**9,900**
Conversion of shareholder convertible loan notes and other liabilities into ordinary shares	**57**	**12,352**	**–**	**(9,900)**	**2,509**
Fresh issue of shares upon AIM listing	**153**	**44,923**	**–**	**–**	**45,076**
Equity issue costs	**–**	**(2,558)**	**–**	**–**	**(2,558)**
Total comprehensive income for the year					
Profit or loss	**–**	**–**	**5,483**	**–**	**5,483**
Balance at 31 December 2021	**342**	**54,717**	**(37)**	**–**	**55,022**

The notes on pages 87 to 92 form part of these financial statements.

29 Accounting policies

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

Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

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

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

Going concern

The Company is primarily reliant upon the Group's cash flows given that CT Automotive Group Plc acts as the financier to other Group entities whose cash flows are repatriated to the parent through the Group transfer pricing policy.

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report.

The financial statements have been prepared on the going concern basis as the Group has prepared detailed forecasts which show that the Group is expected to be able to meet all its liabilities as they fall due over the 12 months from the approval of the financial statements. These forecasts are built up using the individual costings that each part of the Group produces and latest volume forecast. It is acknowledged that COVID-19 and the subsequent impact on supply chains has had a profound impact on the global automotive industry. For CT Automotive Group PLC, this impact was most significant in the second half of 2021, with a number of temporary closures at customer sites, however the Group were able to successfully manage production and stock levels throughout to meet our customers' requirements. It is also acknowledged that the recent Ukraine invasion has caused some short-term disruption for certain manufacturers in Europe. For CT, this only impacted one customer for which the relevant components previously sourced from Ukraine were resourced and production recommended within four weeks. This impact has therefore not been material and does not impact the going concern assessment.

These known supply chain impacts have been factored into the Group's forecast model along with what Management consider to be a prudent view on the recovery for the automotive industry through 2022. This model forecasts to December 2027, covering a period of 67 months from the date of approval of these financial statements. This takes into account the Group's existing banking facilities, being trade loans and invoice financing, and assumes these facilities continue to be available. This assumption is made on the basis that these facilities are committed on a rolling 12-month basis until December 2022 and are structured facilities only available to be drawn against the respective inventory and customer sales invoices. Management expect that these facilities will either continue to be available in their existing or be replaced by similar value facilities. The invoice finance facility has a limit of $15,800,000 with headroom of $4,803,000 as at 31 December 2021. Similarly, the trade loan facility has a limit of $10,400,000 with headroom of $4,948,000 as at 31 December 2021. These limits are not forecast to be exceeded within the forecast period since the Group forecasts to generate sufficient cash reserves to reduce utilisation of these facilities. In the management forecast, the invoice facility is not exceeded until February 2023 and trade loan facility has not exceeded throughout the 12-month period. Beyond February 2023, there is a strong cash reserve position and hence is more likely that the facility will be uplifted.

Although Management consider the base case to be appropriately prudent, sensitivity analysis has been performed of the cash flow to model the potential impact should the automotive supply chain issues continue for a prolonged period, and hence a slower recovery scenario considered. This assumption carried a 9% decline in annual volumes which is worst case considering the fact that the base forecast is already modelled at a lower growth considering the supplying chain issues in the automotive sector. This scenario is considered to be severe but plausible. The base case forecast and stress test demonstrate that the Group has sufficient headroom within current banking facilities, and other financing facilities or alternate cash flow management plans in place across the forecast period. This assessment also reflects the significantly stronger balance sheet of the Group following the AIM listing which repaid all long-term credit facilities, most notably the term loan which included quarterly financial covenants.

After making enquiries, considering the uncertainties described above and monitoring the year-to-date performance against budget in 2022, CT Automotive Group PLC is expected to remain in a strong financial position during the forecast period. The Group is confident of being able to trade for a period of at least 12 months from the approval of the financial statements, and the Directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

29 Accounting policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'US Dollars', which is also the company's functional currency. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Non-derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management. The cash and cash equivalents balances are held in Current Accounts and are readily available with no restrictions in place. For banks and financial institutions, only independently rated parties with minimum rating "A" or above are accepted.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

29 Accounting policies (continued)

Taxation (continued)

Judgements and estimates

The key judgements and estimates that are deemed to have a significant effect on the financial statements are as follows:

Deferred tax asset recognition

The Directors consider that the Deferred Tax Assets are recoverable as their recoverability against future profits is deemed probable. This judgement has been based on assessment of management forecasts which are compiled using secured projects and customer volume estimates. These reflect the Group returning to profitability in the near future.

All deferred tax assets have been classified as non-current assets. This is based on the expected utilisation of these assets against the future profits available as projected within management forecasts.

Key sources of estimation uncertainty:

Deferred tax recoverability

Estimates are required in assessing whether sufficient future taxable profits will be made in order to recognise the benefit of deferred tax assets accumulated at the Balance Sheet date. In assessing recognised and unrecognised deferred tax assets, the Group has considered its forecast performance in line with the scenarios set out in its going concern analysis and impairment models.

Management's forecasts used for the review of the recoverability of deferred tax assets are consistent with those used for going concern analysis and impairment reviews for goodwill and other tangible assets. These are detailed forecasts based on expected customer schedules.

The deferred tax asset value recognised is $1,754,000 at 31 December 2021 (2020: $189,000), giving rise to a credit through the statement of profit and loss of $1,565,000 during the year. The detailed breakdown of this is disclosed in Note 32. The forecasts discussed above show that the UK entities in the Group will be profitable from 2023, and the Directors expect to fully recover the deferred tax asset by 31 December 2024.

If the period of forecasts review for the recoverability of the deferred tax assets is shortened from three to two years, the Directors would only expect to recover $709,000 of the deferred tax asset, and therefore would only recognise deferred tax assets at 31 December 2021 of this value.

30 Staff numbers and costs

The aggregate payroll costs of the above were:

	2021 $'000	2020 $'000
Wages and salaries	**687**	666
Social security costs	**83**	83
Other pension costs	**16**	14
	786	763

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

	2021 Number	2020 Number
Management and administration staff	**7**	7
	7	7

31 Fixed asset investments

	Shares in Group undertakings $000
Cost	
Brought forward	36,127
Additions	1,489
At end of year	37,616
Impairments	
Brought forward	–
Additions	1,474
At end of year	1,474
Net book value	
At 31 December 2020	36,127
At 31 December 2021	**36,142**

The Company holds a direct 100% investment in China Tool Projects UK Limited and its subsidiaries. The registered office of China Tool Projects UK Limited is: Rooms 2102-3 China Insurance Group Building 141 Des Voeux Road Central, Hong Kong (registered number: 700491).

On 7 June 2021, $1,474,000 of the loan receivable balance due from Marin Engineering Limited was converted to share capital. On 30 November 2021, the Company transferred its shares in Marin Engineering Limited to a third party for nil consideration.

During 2021, the Company made a $15,000 investment into CT Automotive Japan K.K, a wholly owned subsidiary.

32 Deferred tax assets

Recognised deferred tax assets

	2021 $'000	2020 $'000
Available losses	**1,754**	189
Tax assets	**1,754**	189

Movement in deferred tax during the year

	At 1 January 2021 $'000	**Recognised in income $'000**	**At 31 December 2021 $'000**
Available losses	**189**	**1,565**	**1,754**

	At 1 January 2020 $'000	Recognised in income $'000	At 31 December 2020 $'000
Available losses	–	189	189

33 Debtors

	2021 $000	2020 $000
Amounts owed from Group undertakings	**21,128**	3,040
Taxation and social security	**272**	26
Loan receivable	**–**	2,017
Other Debtors	**–**	279
Tax receivable	**–**	273
Prepayments	**298**	–
	21,698	5,635

The loan receivable at 31 December 2020 was amounts due from Marin Engineering Limited, a company in which CT Automotive Group Limited held a minority shareholding.

Additional loan balances of $201,000 were extended to Marin Engineering Limited during the period. On 7 June 2021, $1,474,000 of the loan receivable balance due from Marin Engineering Limited was converted to share capital in Marin Engineering Limited. On 30 September 2021, consequent to a decision to transfer all of the shareholding in Marin Engineering Limited to a third party for nil consideration, CT Automotive Group Plc signed an agreement with other shareholders in Marin Engineering Limited to waive all loan receivable balances.

Amounts owed from Group undertakings attract no interest on these balances and are repayable on demand.

34 Creditors: amounts falling due within one year

Current:	2021 $000	2020 $000
Secured bank loans	**–**	8,408
Overdrafts	**–**	4,352
Unsecured loans	**2,503**	–
Trade creditors	**493**	87
Amounts owed to Group undertakings	**8,828**	9,317
Taxation and social security	**20**	117
Tax payable	**–**	–
Accruals	**769**	341
Other creditors	**–**	2,005
Forward contracts	**15**	–
	12,628	24,627

Amounts owed to Group undertakings attract no interest on these balances and are repayable on demand.

Included in Other creditors at 31 December 2020 were amounts totalling $2,000,000 due to a related party.

Unsecured loans accrue interest at 10%. These were initially drawn down as a six-month loan in January 2021. An agreement was reached with the lender to extend repayment to January 2022.

35 Creditors: amounts falling due after more than one year

	2021 $000	2020 $000
Secured bank loans	**–**	15,385
Loan notes	**–**	7,426
	–	22,811

See Note 19 for the details of the repayment of the secured bank loans and conversion of the loan notes.

36 Capital and reserves

	2021 $'000	2020 $'000
Share capital		
Allotted, called up and fully paid		
98,000 ordinary shares of £1 each	**–**	132
50,933,289 ordinary shares of £0.005 each	**342**	–
Shares classified in shareholders' funds	**342**	132

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

See Note 22 for details of share transactions during the year.

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