

REGISTERED NUMBER: 00776384 (England and Wales)

**DUNLOP INTERNATIONAL EUROPE LIMITED**  
**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017**

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COMPANIES HOUSE

# **DUNLOP INTERNATIONAL EUROPE LIMITED**

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# **DUNLOP INTERNATIONAL EUROPE LIMITED**

## **COMPANY INFORMATION**

**FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017**

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**Directors:**

M Asahino  
Y Watanabe  
Y Doko

**Secretary:**

S Izawa

**Registered office:**

Thorncroft Manor  
Thorncrot Drive  
Dorking Road  
Leatherhead  
KT22 8JB

**Registered number:**

00776384 (England and Wales)

**Auditors:**

KPMG LLP  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

# DUNLOP INTERNATIONAL EUROPE LIMITED

## STRATEGIC REPORT

FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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The directors present their strategic report for the period 1 May 2017 to 31 December 2017.

The reporting end date has changed from 30 April to 31 December.

### Review of business

The company is a distributor of a wide range of sporting goods with a particular emphasis on sports equipment and apparel. The company has significant operations in the United Kingdom and continental Europe, including the provision of Head Office services for Dunlop International 1902 Limited and its subsidiaries ("the Group").

### Principal risks and uncertainties

The directors monitor the key risks facing the company together with the controls over managing those risks.

### Liquidity and financial risk

Part of the company's merchandise is sourced from companies based in the Far East, and is paid for in US Dollars. It mitigates the risk of movements in exchange rates through an agreement with the parent company to benefit from forward exchange rate contracts.

### Key performance indicators

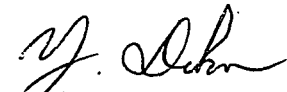
The key performance indicators for the company primarily comprise turnover and gross profit margin.

- Turnover has decreased from £19,947,000 (12 month period) to £12,399,000 (8 month period). This is a decrease of 6.77% when comparing a 12 month period.
- Gross profit margin has decreased from 24.14% to 22.52%.

### Future developments

The company will continue to achieve efficient purchasing in order to position its products in the right price point to achieve further market share. The strategy to achieve this is to further enhance Dunlop International Europe's brand image and to increase market share, through sponsoring sports events and by introducing new products into the sporting market with advanced market leading technologies.

On behalf of the board:



Y Doko - Director

Date: 6th Dec, 2018

# DUNLOP INTERNATIONAL EUROPE LIMITED

## REPORT OF THE DIRECTORS

### FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

The directors present their report with the financial statements of the company for the 8 month period 1 May 2017 to 31 December 2017. The comparatives are for a 12 month period 1 May 2016 to 30 April 2017.

#### Dividends

No dividends will be distributed for the period ended 31 December 2017 (April 2017: nil).

#### Directors

Y Watanabe has held office during the whole of the period from 1 May 2017 to the date of this report.

Other changes in directors holding office are as follows:

M Asahino - appointed 7 June 2017

Y Doko - appointed 20 March 2018

T Inabetsu - ceased to be a director after 31 December 2017 but prior to the date of this report.

#### Going concern

As at 31 March 2018 the Company is in a net current liability position, however the Board have confirmed ongoing support from Sumitomo Rubber Industries, Ltd. As a result of this and other enquiries made, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the Report and Financial Statements are signed. For this reason, it has adopted the going concern basis in the Financial Statements.

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

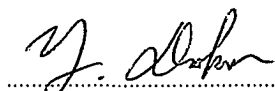
#### Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### Auditors

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

#### On behalf of the board:



Y Doko - Director

Date: 6th Dec. 2018

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNLOP INTERNATIONAL EUROPE LIMITED**

## **Opinion**

We have audited the financial statements of Dunlop International Europe Limited ("the company") for the period ended 31 December 2017 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNLOP INTERNATIONAL EUROPE LIMITED**

**(continued)**

## **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


## **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **The purpose of our audit work and to whom we owe our responsibilities**

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



**Terri Coughlan (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

7/12/18

# DUNLOP INTERNATIONAL EUROPE LIMITED

## INCOME STATEMENT

FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

	Notes	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Turnover	3	12,399	19,947
Cost of sales		<u>(9,606)</u>	<u>(15,131)</u>
Gross profit		2,793	4,816
Distribution costs		(799)	(1,139)
Administrative expenses		<u>(1,327)</u>	<u>(10,101)</u>
		667	(6,424)
Other operating income	4	<u>295</u>	<u>3,197</u>
Operating profit/(loss)		962	(3,227)
Interest receivable and similar income	6	<u>1,200</u>	-
		2,162	(3,227)
Interest payable and similar expenses	7	<u>(1,336)</u>	<u>(2,354)</u>
Profit/(loss) before taxation	8	826	(5,581)
Tax on profit/(loss)	9	<u>(168)</u>	<u>(834)</u>
Profit/(loss) for the financial period		<u>658</u>	<u>(6,415)</u>

The notes form part of these financial statements



# DUNLOP INTERNATIONAL EUROPE LIMITED

## OTHER COMPREHENSIVE INCOME

FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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	Notes	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Profit/(loss) for the period		658	(6,415)
Other comprehensive income			
Currency translation differences		(164)	(3,225)
Actuarial losses on pension scheme		5,284	(3,233)
		<hr/>	<hr/>
Other comprehensive income for the period, net of income tax		<u>5,120</u>	<u>(6,458)</u>
Total comprehensive income for the period		<u>5,778</u>	<u>(12,873)</u>

The notes form part of these financial statements

# DUNLOP INTERNATIONAL EUROPE LIMITED

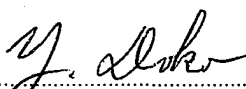
(REGISTERED NUMBER: 00776384)

## BALANCE SHEET

31 DECEMBER 2017

		31 December 2017		30 April 2017	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10		-		-
Tangible assets	11		59		67
Investments	12		<u>3,413</u>		<u>3,413</u>
			3,472		3,480
<b>Current assets</b>					
Stocks	13	8,106		5,876	
Debtors	14	5,625		243,030	
Cash at bank		<u>2,058</u>		<u>2,086</u>	
		15,789		250,992	
<b>Creditors</b>					
Amounts falling due within one year	15	<u>109,787</u>		<u>343,809</u>	
<b>Net current liabilities</b>			<u>(93,998)</u>		<u>(92,817)</u>
<b>Total assets less current liabilities</b>			(90,526)		(89,337)
<b>Pension liability</b>	19		<u>(669)</u>		<u>(7,636)</u>
<b>Net liabilities</b>			<u>(91,195)</u>		<u>(96,973)</u>
<b>Capital and reserves</b>					
Called up share capital	18		50		50
Other reserves			554		554
Retained earnings			<u>(91,799)</u>		<u>(97,577)</u>
<b>Shareholders' funds</b>			<u>(91,195)</u>		<u>(96,973)</u>

The financial statements were approved by the Board of Directors on 6th Dec, 2018 and were signed on its behalf by:

  
 Y Doko - Director

The notes form part of these financial statements

# DUNLOP INTERNATIONAL EUROPE LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 25 April 2016	50	(84,704)	554	(84,100)
Changes in equity				
Total comprehensive income	-	(12,873)	-	(12,873)
Balance at 30 April 2017	50	(97,577)	554	(96,973)
Changes in equity				
Total comprehensive income	-	5,778	-	5,778
Balance at 31 December 2017	50	(91,799)	554	(91,195)

The notes form part of these financial statements

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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### 1. Statutory information

Dunlop International Europe Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£), this is the functional currency of the company, rounded to the nearest £'000.

The financial statements are for an 8 month period 1 May 2017 to 31 December 2017 (prior period 53 weeks ended 30 April 2017).

### 2. Accounting policies

#### Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

#### Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

#### Preparation of consolidated financial statements

The financial statements contain information about Dunlop International Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Sumitomo Rubber Industries Limited, Japan.

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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### 2. Accounting policies - continued

#### Significant judgements and estimates

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

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

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

#### Critical judgements and key sources of estimation uncertainty

##### Useful economic life of tangible fixed assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Residual value and useful life assessments consider issues such as future market conditions, the remaining life of the asset and maintenance programmes.

##### Provision for obsolete, slow moving or defective stock

The directors have applied their knowledge and experience of the retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values. The provision includes estimates for shrinkage, spoilage and slow-moving items depending on the age and current selling prices of the individual stock items.

##### Assumptions relating to tax

Management estimation is required to determine the amount of deferred tax assets or liabilities that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

##### Valuation of investments

The company assesses at each reporting date whether an asset, including investments, may be impaired. If any such indication exists, the company estimates the recoverable amount of the investment based on fair value less cost to sell or a value in use calculation.

##### Recoverability of trade debtors

Trade and other receivables are recognised to the extent that they are judged recoverable.

Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the statement of profit and loss.

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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### 2. Accounting policies - continued

#### Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuations involves making assumptions about discount rates, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 19.

#### Turnover

For domestic sales the carrier is engaged by the company and as such the risks and rewards of the goods only transfer on delivery which is always the next day. Revenue is therefore recognised on the point of delivery. For export sales the customer is responsible for collecting the goods from the warehouse, and as such the risks and rewards transfer at the point when they are despatched from the warehouse. This is when the revenue is recognised for these sales.

#### Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

#### Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- Straight line over 10 years
Freehold Property	- Straight line over 50 years

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

#### Stocks

Stocks are valued at lower of cost and net realisable value. Cost includes the purchase price of the products and transport costs. Cost is calculated using weighted average cost. Net realisable value is based on the estimated selling price less all estimated costs to sell. Provision is made for obsolete, slow-moving or defective items where appropriate.

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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### 2. Accounting policies - continued

#### **Financial instruments**

##### **Trade and other debtors/ creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### **Interest-bearing borrowings classified as basic financial instruments**

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### **Investments in subsidiaries**

These are separate financial statements of the company. Investments in subsidiaries, are carried at cost less impairment.

#### **Taxation**

Taxation for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### **Foreign currency translation**

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are 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.

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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### 2. Accounting policies - continued

#### **Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 28 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

#### **Pension costs and other post-retirement benefits**

##### **Defined benefit scheme**

For those branches within Dunlop International Europe Limited that operate a defined benefit pension scheme, the schemes are administered by trustees and are independent from the company's finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service.

Regular valuations of the defined benefit scheme are carried out by professionally qualified actuaries. In accordance with FRS 102, the regular service cost of providing retirement benefits to employees during the period, together with the cost of any benefits relating to past service are charged to operating profit in the period.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other interest payable.

Re-measurements comprising actuarial gains and losses and the return on the net defined liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur.

The net defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information.

##### **Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### **Going concern**

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its funding from its fellow subsidiary company to meet its liabilities as they fall due for that period. The company is dependent for its working capital on its ultimate parent company Sumitomo Rubber Industries, Ltd and its subsidiaries. The company has received undertakings from Sumitomo Rubber Industries, Ltd, for at least 12 months from the date of approval of these financial statements, that they will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue to trade for the foreseeable future by meeting its liabilities as and when they become due. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if such funds were not available.



# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 2. Accounting policies - continued

#### Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company 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 company; 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 issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### Interest receivable and interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### Provisions

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

### 3. Turnover

The whole of the turnover is attributable to the principle activity and the sale of goods. Analysis of turnover by country of destination;

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
United Kingdom	6,274	4,736
Rest of European Union	5,547	15,001
Rest of the World	<u>578</u>	<u>210</u>
	<u>12,399</u>	<u>19,947</u>

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 4. Other operating income

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Other operating income	295	1,072
Other interest receivable	-	2,125
	<u>295</u>	<u>3,197</u>

Other operating income is provisions previously held against intercompany debts have been released in the year as amounts were settled.

### 5. Employees and directors

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Wages and salaries	1,300	2,574
Social security costs	125	164
Other pension costs	137	105
	<u>1,562</u>	<u>2,843</u>

The average number of employees during the period was as follows:

	Period 1.5.17 to 31.12.17	Period 25.4.16 to 30.4.17
Administration	49	40
Sales and Marketing	26	16
	<u>75</u>	<u>56</u>

The directors of the company are also employees of and are remunerated by Dunlop International Group Limited. The directors are directors of a number of group companies and it is not possible to separately identify the remuneration applicable to Dunlop International Europe Limited.

### 6. Interest receivable and similar income

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Other interest receivable	<u>1,200</u>	<u>-</u>

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 7. Interest payable and similar expenses

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Other loan interest payable	19	31
Other interest - pensions	<u>1,317</u>	<u>2,323</u>
	<u>1,336</u>	<u>2,354</u>

### 8. Profit/(loss) before taxation

The profit (2017 - loss) is stated after charging/(crediting):

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Hire of plant and machinery	-	1
Other operating leases	182	208
Depreciation - owned assets	44	35
Profit on disposal of fixed assets	-	(33)
Auditors' remuneration	32	60
Foreign exchange differences	<u>(2,993)</u>	<u>(3,225)</u>

### 9. Taxation

#### Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit for the period was as follows:

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Current tax:		
UK corporation tax	-	834
Overseas tax	289	-
	<u>289</u>	<u>834</u>
Total current tax	289	834
Deferred tax	<u>(121)</u>	<u>-</u>
Tax on profit/(loss)	<u>168</u>	<u>834</u>

#### Tax effects relating to effects of other comprehensive income

	1.5.17 to 31.12.17	Net
	Gross £'000	£'000
Currency translation differences	(164)	(164)
Actuarial losses on pension scheme	<u>5,284</u>	<u>5,284</u>
	<u>5,120</u>	<u>5,120</u>

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 9. Taxation - continued

	25.4.16 to 30.4.17		
	Gross £'000	Tax £'000	Net £'000
Currency translation differences	(3,225)	-	(3,225)
Actuarial gains/losses on pension scheme	(3,233)	-	(3,233)
	<u>(6,458)</u>	<u>-</u>	<u>(6,458)</u>

#### Reconciliation of total tax included in the income statement

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.5.17 to 31.12.17 £'000	Period 25.4.16 to 30.4.17 £'000
Profit/(loss) on ordinary activities before tax	<u>826</u>	<u>(5,581)</u>
Profit/(loss) on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (April 2017 – 20%)	157	(1,116)
Effects of:		
Non deductible expenses	123	-
Differences between capital allowances and depreciation	(11)	-
Overseas tax differences	289	-
Losses	(390)	-
Group relief	-	1,950
	<u>168</u>	<u>834</u>
Tax on profit/(loss)	<u>168</u>	<u>834</u>

#### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 April 2017 has been calculated based on these rates.

### 10. Intangible fixed assets

	Goodwill £'000
<b>Cost</b>	
At 1 May 2017	
and 31 December 2017	<u>161</u>
<b>Amortisation</b>	
At 1 May 2017	
and 31 December 2017	<u>161</u>
<b>Net book value</b>	
At 31 December 2017	<u>-</u>
At 30 April 2017	<u>-</u>

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 11. Tangible fixed assets

	Freehold property £'000	Plant and machinery £'000	Totals £'000
<b>Cost</b>			
At 1 May 2017	35	1,042	1,077
Additions	-	36	36
At 31 December 2017	35	1,078	1,113
<b>Depreciation</b>			
At 1 May 2017	35	975	1,010
Charge for period	-	44	44
At 31 December 2017	35	1,019	1,054
<b>Net book value</b>			
At 31 December 2017	-	59	59
At 30 April 2017	-	67	67

### 12. Fixed asset investments

	Unlisted investments £'000
<b>Cost</b>	
At 1 May 2017 and 31 December 2017	3,413
<b>Net book value</b>	
At 31 December 2017	3,413
At 30 April 2017	3,413

The company's investments at the Balance Sheet date in the share capital of companies include the following:

#### Dunlop Slazenger (Hong Kong) Limited

Registered office: 495 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong

Nature of business:

Class of shares:	%
Ordinary	holding 100.00

#### Dunlop Sport GmbH

Registered office: Kinzigheimer Weg 114, 63450 Hanau, Germany

Nature of business:

Class of shares:	%
Ordinary	holding 100.00

Subsidiaries are involved in the buying or manufacture and marketing of sports goods.

### 13. Stocks

	31 December 2017 £'000	30 April 2017 £'000
Finished goods	8,106	5,876

Stock recognised in cost of sales during the period as an expense was £11,552,000 (2017: £14,670,000).

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 14. Debtors: amounts falling due within one year

	31 December 2017 £'000	30 April 2017 £'000
Trade debtors	5,461	3,327
Amounts owed by group undertakings	-	238,982
Other debtors	52	345
Deferred tax asset	85	-
Prepayments	27	376
	<u>5,625</u>	<u>243,030</u>

An impairment loss of £571,700 (2017: £1,106,000) was released back to the income statement recognised in administrative expenses against trade debtors during the period. The previous period figure was a charge against the administrative expenses.

### 15. Creditors: amounts falling due within one year

	31 December 2017 £'000	30 April 2017 £'000
Trade creditors	7,736	711
Amounts owed to group undertakings	98,989	340,498
Social security and other taxes	3	384
Other creditors	305	-
Accruals and deferred income	2,754	2,180
Deferred taxation (note 17)	-	36
	<u>109,787</u>	<u>343,809</u>

### 16. Leasing agreements

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 28 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

### 17. Provisions for liabilities

	2017 £'000
Deferred tax	<u>36</u>
Deferred tax comprises other timing differences and the movement is as follows:	
	2017 £'000
At the beginning of the period	(36)
Released to income statement	121
	<u>85</u>

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 18. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31 December 2017 £	30 April 2017 £
183,433	Ordinary shares	£1	<u>50,000</u>	<u>50,000</u>

### 19. Employee benefit obligations

The company operates a defined benefit pension scheme.

An actuarial valuation was carried out at 31 March 2013 and updated to 31 December 2017 by a qualified independent actuary.

The Scheme closed to the future accrual of benefits on 31 August 2015 and the 4 members who were active at the closure date were granted deferred benefits in the Scheme. Since 1 April 2003, the Scheme has provided benefits on a Career Average Revalued Earnings ("CARE") basis with Pensionable Earnings revalued each year in line with the increase in Retail Price Index ("RPI") inflation. This method of revaluation is broadly consistent with the way that deferred pensions increase before retirement and therefore the closure of future accrual does not have a material impact on the value of members' accrued benefits.

Reconciliation of present value of plan liabilities:

### 19. Employee benefit obligations - continued

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31 December 2017 £'000	30 April 2017 £'000
Present value of funded obligations	(73,781)	(78,221)
Fair value of plan assets	<u>73,112</u>	<u>70,585</u>
Net liability	<u>(669)</u>	<u>(7,636)</u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31 December 2017 £'000	30 April 2017 £'000
Current service cost	-	-
Interest income	117	198
Past service cost	-	-
Actuarial gains/losses	(5,284)	3,233
Contributions	<u>(180)</u>	<u>(2,700)</u>
	<u>(5,347)</u>	<u>731</u>
Actual return on plan assets	<u>5,345</u>	<u>11,350</u>

# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

### 19. Employee benefit obligations - continued

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	31 December 2017	30 April 2017
	£'000	£'000
Opening defined benefit obligation	78,221	66,744
Interest cost	1,317	2,323
Experience gains	-	(1,586)
Benefits paid	(4,618)	(3,304)
Changes in demographic	(1,299)	-
Changes to financial	160	14,044
	<u>73,781</u>	<u>78,221</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	31 December 2017	30 April 2017
	£'000	£'000
Opening fair value of scheme assets	70,585	59,839
Contributions by employer	1,800	2,700
Actuarial gains/(losses)	4,145	9,225
Benefits paid	(4,618)	(3,304)
Interest on assets	1,200	-
	<u>73,112</u>	<u>68,460</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31 December 2017	30 April 2017
	£'000	£'000
Actuarial gains/(losses)	<u>5,284</u>	<u>(3,233)</u>
	<u>5,284</u>	<u>(3,233)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	31 December 2017	30 April 2017
Equities	28%	46%
Bonds	37%	33%
Other assets	<u>35%</u>	<u>21%</u>
	<u>100%</u>	<u>100%</u>



# DUNLOP INTERNATIONAL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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### 19. Employee benefit obligations - continued

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31 December 2017	30 April 2017
Discount rate	2.50%	2.60%
Future pension increases	3.30%	3.30%
Inflation assumption	3.40%	3.50%

### 20. Controlling party

The company considers Dunlop International 1902 Limited, incorporated in the United Kingdom, to be its immediate parent company, and Sumitomo Rubber Industries Limited to be its ultimate parent company.

The largest and smallest group in which the company is consolidated is Sumitomo Rubber Industries Limited. A copy of the accounts of Sumitomo Rubber Industries Limited can be obtained from 3-6-9 Wakinohama-cho, Chuo-Ku, Kobe, Hyogo 651-0072 Japan.

### 21. Reserves

The profit and loss reserve represents accumulated comprehensive income for the current period and prior periods.

Other reserves represent foreign exchange differences arising on translation of the opening net assets of overseas operations.

### 22. Related party transactions

The company has taken advantage of FRS 102 Section 33.1a exemption available from disclosing transactions with group undertakings.

# DUNLOP INTERNATIONAL EUROPE LIMITED

## TRADING AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

	Period 1.5.17 to 31.12.17		Period 25.4.16 to 30.4.17	
	£'000	£'000	£'000	£'000
<b>Turnover</b>				
Sales - UK	6,050		4,008	
Sales - Intercompany	224		728	
Sales - Other EU	5,547		15,001	
Sales - Rest of the World	<u>578</u>		<u>210</u>	
		12,399		19,947
<b>Cost of sales</b>				
Purchases	9,322		14,635	
Other costs	<u>284</u>		<u>496</u>	
		<u>9,606</u>		<u>15,131</u>
<b>Gross profit</b>		2,793		4,816
<b>Other income</b>				
Other operating income	295		1,072	
Other interest receivable	-		2,125	
Other interest receivable	<u>1,200</u>		<u>-</u>	
		<u>1,495</u>		<u>3,197</u>
		4,288		8,013
<b>Expenditure</b>				
Carriage	799		1,139	
Rates and water	2		2	
Insurance	2		26	
Light and heat	5		12	
Wages	1,300		2,574	
Social security	125		164	
Pensions	137		105	
Hire of plant and machinery	-		1	
Operating leases - rent	182		208	
Staff welfare	125		-	
Telephone	33		57	
Advertising	709		3,985	
Travelling	105		-	
Motor expenses	153		422	
Repairs and renewals	5		58	
Household and cleaning	11		-	
Service charge	27		-	
Consultancy	1,344		-	
Computer costs	42		24	
Sundry expenses	256		995	
Defined benefit scheme	-		5	
Other total consumables	34		52	
Subscriptions	1		6	
Legal fees	73		1,080	
Auditors' remuneration	32		78	
Foreign exchange losses	(2,993)		(174)	
Depreciation of tangible fixed assets				
Plant and machinery	44		36	
Profit/loss on sale of intangible fixed assets	-		(33)	
Entertainment	29		32	
Bad debts	<u>(470)</u>		<u>359</u>	
		<u>2,112</u>		<u>11,213</u>

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# DUNLOP INTERNATIONAL EUROPE LIMITED

## TRADING AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 MAY 2017 TO 31 DECEMBER 2017

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	Period 1.5.17 to 31.12.17		Period 25.4.16 to 30.4.17	
	£'000	£'000	£'000	£'000
Brought forward		2,176		(3,200)
<b>Finance costs</b>				
Bank charges	14		27	
Other loan interest payable	19		31	
Other interest - pensions	<u>1,317</u>		<u>2,323</u>	
		<u>1,350</u>		<u>2,381</u>
<b>Net profit/(loss)</b>		<u>826</u>		<u>(5,581)</u>

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