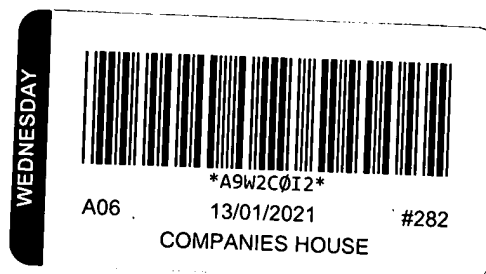


DUNLOP SYSTEMS & COMPONENTS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019



DUNLOP SYSTEMS & COMPONENTS LIMITED

COMPANY INFORMATION

Directors	R L Mansell S Wang
Registered number	06317125
Registered office	Central Boulevard Prologis Park Coventry CV6 4QJ
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Park View One Central Boulevard Blythe Valley Park Solihull B90 8BG

DUNLOP SYSTEMS & COMPONENTS LIMITED

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DUNLOP SYSTEMS & COMPONENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present their strategic report of the group for the 12 month period ended 31 December 2019.

Business review

The principal activity of the company during the period was the manufacture and assembly of automotive components.

The loss for the year, before taxation, amounted to £354,593 (15 month period ended 31 December 2018: loss £645,793). There were no dividends paid in the period (12 month period ended 31 December 2018: £Nil).

During the 12 months to 31 December 2019 and into 2020 the business continues to introduce several new aftermarket product ranges to enhance the total product portfolio, giving the business a refreshed product life cycle with an increased customer base and increased market diversity. This is expected to provide significant additional revenue from 2020 onwards.

Thanks to the efforts and commitment from all the teams within Dunlop throughout 2018 the business successfully obtained IATF16949 certification; this is critical within the Automotive OEM market and has allowed the company to obtain several OEM business opportunities, especially where electrically powered vehicle manufacturers are concerned.

The company continues to invest in the new skills required to meet customer requirements whilst restructuring to removing non strategic roles. This has enabled the company to enhance its capabilities and reduce employment costs.

During 2018 the business was contracted to develop a fully integrated electronically controlled air suspension system for an OEM customer based in the USA. The design and development of the system continued through 2019 and 2020 contributing towards profits. The company is on course to commence production of the full air suspension system in Q2 2021.

The new product ranges, restructuring and OEM engineering have allowed the business to achieve a positive EBITDA position at the half year point of 2019. The second half of 2019 saw difficult trading conditions and increased costs as Dunlop commenced the industrialisation phase needed for the OEM contract, however the company through careful management and cost controls maintained a positive EBITDA position for 2019 of £72,915.

Principal risks and uncertainties

The company's financial instruments comprise of short- and long-term borrowings, cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the company operations. The Board of Directors review and agrees policies for managing each of these risks and they are summarised below. The risks and uncertainties surrounding the outbreak of COVID-19 (more commonly known as Coronavirus) have been discussed in the post balance sheet events sections of these financial statements.

Currency risk

No major exposures are currently identified within the financial statements. Regular monitoring procedures are in place which will identify material risks as they arise. Currency risk management is only used to hedge underlying commercial exposure. Therefore, trading in currency is prohibited and if an underlying exposure ceases to exist then the corresponding hedge is closed but immediately.

Liquidity Risk

Invoice discounting is used and allied to credit insurance and close monitoring of working capital. This continues to be particularly important in the current financial climate. All costs are closely monitored and controlled.

DUNLOP SYSTEMS & COMPONENTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Financial key performance indicators

The directors of the company monitor its performance by reference to a number of key performance indicators as follows:

Turnover - The turnover for the year was £8,164,202 (15 month period to 31 December 2018: £10,045,348).

Operating profit - The operating loss for the year was £245,745 (15 month period to 31 December 2018: loss £451,258).

Comprehensive income - The comprehensive income for the year was a loss of £66,824 (15 month period to 31 December 2018: loss £645,793).

Post balance sheet events

Since the year end, there has been an outbreak of Coronavirus which has developed into a global pandemic. The directors are naturally concerned about the impact this will have on the employees, suppliers and customers of the company and are constantly monitoring what this impact might be.

The company is well placed in terms of business continuity as we have initiated several actions to enable our employees to continue working safely, such as conducting risk assessments, implementing social distancing measures, providing PPE, working from home and using technology to hold virtual meetings rather than face to face meetings.

There is clearly and understandably a lot of uncertainty around the impact of the virus on the global economy, but the directors are confident they will be able to manage the company through the uncertainty as the company successfully completed a refinance programme in July 2020 and is also well supported by its ultimate parent company who have reiterated their intention to support the company.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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R L Mansell
Director

Date: 15 December 2020

DUNLOP SYSTEMS & COMPONENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Results and dividends

The loss for the year, after taxation, amounted to £66,824 (2018: £645,793).

The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year are noted on the company information page.

DUNLOP SYSTEMS & COMPONENTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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R L Mansell
Director

Date: 15 December 2020

DUNLOP SYSTEMS & COMPONENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNLOP SYSTEMS & COMPONENTS LIMITED

Opinion

We have audited the financial statements of Dunlop Systems & Components Limited (the 'company') for the year ended 31 December 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the going concern accounting policy in note 1.2, which refers to the global Coronavirus pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

DUNLOP SYSTEMS & COMPONENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNLOP SYSTEMS & COMPONENTS LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial 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.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

DUNLOP SYSTEMS & COMPONENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNLOP SYSTEMS & COMPONENTS LIMITED (CONTINUED)

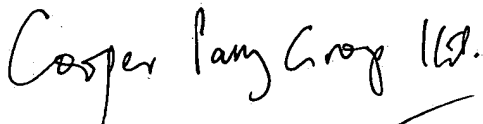
Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located 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 company's members 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 for our audit work, for this report, or for the opinions we have formed.



Paul Rowley (Senior Statutory Auditor)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Park View
One Central Boulevard
Blythe Valley Park
Solihull
B90 8BG

Date: 15 December 2020

DUNLOP SYSTEMS & COMPONENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
	Note		
Turnover	1.4,3	8,164,202	10,045,348
Cost of sales		(5,306,842)	(6,859,849)
Gross profit		2,857,360	3,185,499
Administrative expenses		(3,103,105)	(4,051,736)
Other operating income	4	-	414,979
Operating loss	5	(245,745)	(451,258)
Interest payable and expenses	8	(108,848)	(194,535)
Loss on ordinary activities before taxation		(354,593)	(645,793)
Taxation on loss on ordinary activities	9	287,769	-
Loss for the financial year/period		(66,824)	(645,793)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

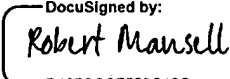
The notes on pages 11 to 28 form part of these financial statements.

DUNLOP SYSTEMS & COMPONENTS LIMITED
REGISTERED NUMBER:06317125

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	As restated 2018 £
Fixed assets			
Intangible assets	11	81,000	93,000
Tangible assets	12	3,281,907	3,511,230
		<u>3,362,907</u>	<u>3,604,230</u>
Current assets			
Stocks	13	2,224,751	2,150,460
Debtors	14	3,236,443	1,769,847
Cash at bank and in hand		255,159	85,021
		<u>5,716,353</u>	<u>4,005,328</u>
Creditors: amounts falling due within one year	15	<u>(4,783,420)</u>	<u>(3,223,309)</u>
Net current assets		<u>932,933</u>	<u>782,019</u>
Total assets less current liabilities		<u>4,295,840</u>	<u>4,386,249</u>
Creditors: amounts falling due after more than one year	16	(1,898,661)	(1,882,492)
Provisions for liabilities			
Deferred tax	19	<u>(391,436)</u>	<u>(446,697)</u>
Net assets		<u><u>2,005,743</u></u>	<u><u>2,057,060</u></u>
Capital and reserves			
Called up share capital	20	75,000	75,000
Revaluation reserve	21	2,593,996	2,672,301
Capital redemption reserve	21	4,185	4,185
Profit and loss account	21	<u>(667,438)</u>	<u>(694,426)</u>
Shareholders' funds		<u><u>2,005,743</u></u>	<u><u>2,057,060</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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R L Mansell
Director

Date: 15 December 2020

The notes on pages 11 to 28 form part of these financial statements.

DUNLOP SYSTEMS & COMPONENTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019 (as previously stated)	75,000	4,185	2,650,763	(529,715)	2,200,233
Prior year adjustment	-	-	21,538	(164,711)	(143,173)
At 1 January 2019 (as restated)	75,000	4,185	2,672,301	(694,426)	2,057,060
Loss for the year	-	-	-	(66,824)	(66,824)
Transfer from revaluation reserve	-	-	-	93,812	93,812
Transfer to profit and loss account	-	-	(93,812)	-	(93,812)
Deferred tax on revaluation reserve	-	-	15,507	-	15,507
At 31 December 2019	75,000	4,185	2,593,996	(667,438)	2,005,743

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 October 2017 (as previously stated)	75,000	4,185	2,748,307	(59,922)	2,767,570
Prior year adjustment	-	-	21,538	(116,255)	(94,717)
At 1 October 2017 (as restated)	75,000	4,185	2,769,845	(176,177)	2,672,853
Loss for the period	-	-	-	(645,793)	(645,793)
Transfer from revaluation reserve (as restated)	-	-	-	127,544	127,544
Transfer to profit and loss account (as restated)	-	-	(127,544)	-	(127,544)
Deferred tax on revaluation reserve (as restated)	-	-	30,000	-	30,000
At 31 December 2018	75,000	4,185	2,672,301	(694,426)	2,057,060

The notes on pages 11 to 28 form part of these financial statements.

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

Dunlop Systems & Components Limited is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the year ended 31 December 2019 (2018: 15 months to 31 December 2018).

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying company's accounting policies. It also requires the directors to exercise judgement in the process of applying company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following principal accounting policies have been consistently applied throughout the year:

1.2 Going concern

The company is dependent for its working capital on funds provided by the parent company and the external funding in place as noted in the strategic report. The parent company has also provided the company with an undertaking that, for at least 12 months from the date of approval of these financial statements, they will continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Since the year end there has been a global Coronavirus pandemic which is having a significant economic impact globally, and it is clear there will be a significant level of uncertainty in all markets around the world for a sustained period of time. The company has also made use of support available to businesses during this difficult time under the Coronavirus Job Retention Scheme. The directors believe the company is well placed to trade through the uncertain times caused by the Coronavirus pandemic due to the support from the company's ultimate parent company, who have reiterated their intention to support the company and the bank facilities available to the company.

On this basis the directors are confident that the company has adequate resources to continue in operation and, accordingly, have adopted the going concern basis in preparing the financial statements.

1.3 Disclosure exemptions

As permitted by FRS 102 section 1.12 the company has taken advantage of the disclosure exemptions available under the standard in relation to the presentation of a cash flow statement and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the group accounts of Hangzhou Wanray Import & Export Co Limited. The group accounts of Hangzhou Wanray Import & Export Co Limited can be obtained as set out in note 25.

DUNLOP SYSTEMS & COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies (continued)

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost, as modified by the revaluation of plant and machinery, 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 company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income account during the period in which they are incurred.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Long-term leasehold property	- 3 to 10 years straight line
Plant and machinery	- 5 to 10 years straight line
Fixtures and fittings	- 3 to 5 years straight line
Tools	- 5 years straight line

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 statement of comprehensive income.

1.6 Revaluation of tangible fixed assets

Individual plant and machinery assets are carried at their fair value from the date of the last revaluation undertaken less any accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised within the statement of comprehensive income for the financial year.

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets relate to a license acquired to use the Dunlop trading name and trademark, and are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are not amortised in the year of purchase, and are subsequently amortised on a straight line basis over 10 years.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in statement of comprehensive income.

1.9 Operating leases

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

1.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income account.

1.11 Research and development

All research and development expenditure is expensed to the statement of comprehensive income in the year in which it is incurred. Research and development tax credits on losses surrendered are treated as tax credits and are netted off against any corporation tax and deferred tax charge.

1.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

DUNLOP SYSTEMS & COMPONENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****1. Accounting policies (continued)****1.13 Pensions**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.14 Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

1.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.16 Prior year adjustment

During the year, the directors performed a retrospective review of the revaluation of tangible fixed assets performed in 2015. As a result, it was noted that a number of fixed assets needed to be impaired further, and an adjustment was required to recognise the deferred tax on the revalued properties through the revaluation reserve as opposed to the profit and loss account. This has resulted in a decline in net assets of £94,717 as at 31 December 2018. This has had no impact on the loss reported for the year.

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

The directors make estimates and assumptions concerning the future. They are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of fixed assets

The directors assess the impairment of tangible fixed assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends

Revaluation of tangible fixed assets

The directors adopt a policy of revaluing its plant and machinery portfolio. The valuation is re-assessed annually and external valuers are used as management's experts on a periodic basis. The valuation techniques used to value these assets are based upon historical financial performance as well as management's projections and plan going forward. The valuation is also based upon the expected movement in the market. External market factors may impact future valuations.

Carrying value of stock

The directors review the market value of and demand for the company's stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stock. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Judgements in applying accounting policies (continued)

Recoverability of trade and other debtors

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make 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. The directors 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 comprehensive income.

Leases

The directors determine whether leases entered into are an operating or a finance lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the company on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Provisions

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

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company takes professional advice on its tax affairs and recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

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

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Turnover

Analysis of turnover by country of destination:

	12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
United Kingdom	4,087,971	4,719,413
Rest of the world	4,076,231	5,325,935
	<u>8,164,202</u>	<u>10,045,348</u>

4. Other operating income

	12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
Other operating income	-	84,929
Research and development tax credits	-	330,050
	<u>-</u>	<u>414,979</u>

In the year the company became SME for tax purposes therefore the research and development tax credit is shown within note 9.

5. Operating loss

The operating loss is stated after charging:

	12 months ended 31 December 2019 £	As restated 15 months ended 31 December 2018 £
Exchange differences	(57,883)	66,284
Other operating lease rentals	334,264	385,702
Depreciation of tangible fixed assets	306,660	433,000
Amortisation of intangible assets	12,000	15,000
Auditor's remuneration	20,000	65,000
	<u></u>	<u></u>

DUNLOP SYSTEMS & COMPONENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****6. Employees**

Staff costs, including directors' remuneration, were as follows:

	12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
Wages and salaries	1,849,760	2,404,735
Social security costs	180,483	228,473
Pension costs	209,911	226,880
	<u>2,240,154</u>	<u>2,860,088</u>

The average monthly number of employees, including the directors, during the year was as follows:

	12 months ended 31 December 2019 No.	15 months ended 31 December 2018 No.
Production staff	32	34
Distribution staff	6	4
Administrative staff	23	26
	<u>61</u>	<u>64</u>

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Directors' remuneration

	12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
Directors' emoluments	93,833	296,207
Pension costs	7,403	22,005
	<u>101,236</u>	<u>318,212</u>

During the year retirement benefits were accruing to 1 director (2018: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £93,833 (2018: £183,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,403 (2018: £14,000).

8. Interest payable and similar expenses

	12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
Bank interest payable	70,640	148,461
Other loan interest payable	2,896	13,074
Finance leases and hire purchase contracts	35,312	33,000
	<u>108,848</u>	<u>194,535</u>

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Taxation

	12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
Corporation tax		
Current tax on profits for the year	(198,752)	-
Adjustments in respect of previous periods	(49,263)	-
Total current tax	<u>(248,015)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(30,107)	-
Adjustments in respect of previous periods	(9,647)	-
Total deferred tax	<u>(39,754)</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u><u>(287,769)</u></u>	<u><u>-</u></u>

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	12 months ended 31 December 2019 £	15 months ended 31 December 2018 £
Loss on ordinary activities before tax	(354,593)	(645,793)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(67,373)	(122,701)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	11,426	8,000
Fixed asset differences	(7,633)	59,000
Utilisation of tax losses	-	(6,000)
Adjustments in respect of previous periods - corporation tax charge	(49,263)	-
Adjustments in respect of previous periods - deferred tax charge	(9,647)	-
Adjust opening/closing deferred tax to average rate of 19%	5,606	-
Income not taxable for tax purposes	(27,601)	-
Chargeable losses	(17,996)	-
Deferred tax not recognised	2,040	-
Additional deduction for research and development expenditure	(172,412)	-
Surrender of tax losses for research and development tax credit refund	45,084	-
Research and development tax credit	-	61,701
Total tax charge for the year/period	(287,769)	-

Factors that may affect future tax charges

On 11 March 2020 the Chancellor of the Exchequer announced that the tax rate reduction from 19% to 17% was no longer going to be implemented.

DUNLOP SYSTEMS & COMPONENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****10. Fixed asset investments**

On 17.01.19 the company acquired a 20% shareholding in A & B Pneumatics Limited, a company incorporated in England and Wales, for £Nil. The registered office for A & B Pneumatics Limited is 20 Glenavy Road, Moira, Craigavon, County Armagh, Northern Ireland, BT67 0LT.

11. Intangible assets

	Patents £
Cost	
At 1 January 2019 and 31 December 2019	120,000
Amortisation	
At 1 January 2019	27,000
Charge for the year	12,000
At 31 December 2019	<u>39,000</u>
Net book value	
At 31 December 2019	<u>81,000</u>
At 31 December 2018	<u>93,000</u>

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Tooling £	Total £
Cost					
At 1 January 2019	511,111	3,743,708	830,238	779,473	5,864,530
Additions	-	8,060	59,152	10,125	77,337
At 31 December 2019	511,111	3,751,768	889,390	789,598	5,941,867
Depreciation					
At 1 January 2019 (as previously stated)	230,171	603,724	763,658	661,030	2,258,583
Prior Year Adjustment	-	94,717	-	-	94,717
At 1 January 2019 (as restated)	230,171	698,441	763,658	661,030	2,353,300
Charge for the year	46,359	186,561	33,405	40,335	306,660
At 31 December 2019	276,530	885,002	797,063	701,365	2,659,960
Net book value					
At 31 December 2019	234,581	2,866,766	92,327	88,233	3,281,907
At 31 December 2018 (as restated)	280,940	3,045,267	66,580	118,443	3,511,230

Plant and machinery was revalued on 1 October 2015 by GoIndustry DoveBid, on an open market value for existing use basis. The net book value of assets held under finance leases or hire purchase contracts, is £3,004,200 (2018: £3,209,000) and depreciation of £204,800 (2018 £256,000).

If the plant and machinery had not been included at valuation they would have been included under the historical cost convention as follows:

	2019 £	2018 £
Cost	804,375	795,996
Accumulated depreciation	(486,098)	(393,030)
Net book value	318,277	402,966

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Stocks

	2019 £	2018 £
Raw materials and consumables	1,287,548	1,140,257
Work in progress	193,144	207,284
Finished goods and goods for resale	744,059	802,919
	<u>2,224,751</u>	<u>2,150,460</u>

Stock recognised in cost of sales during the period as an expense was £3,761,995 (2018: £4,779,000).

An impairment loss of £1,842 (2018: £157,000) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

14. Debtors

	2019 £	2018 £
Trade debtors	1,931,782	1,359,939
Amounts owed by group undertakings	127,110	20,944
Other debtors	393,431	323,665
Prepayments and accrued income	784,120	65,299
	<u>3,236,443</u>	<u>1,769,847</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	247,862	176,000
Trade creditors	1,479,423	798,500
Amounts owed to group undertakings	864,509	284,170
Other taxation and social security	103,554	184,950
Obligations under finance lease and hire purchase contracts	91,640	182,174
Proceeds of factored debts	1,097,694	891,027
Other creditors	500,216	108,806
Accruals and deferred income	398,522	597,682
	<u>4,783,420</u>	<u>3,223,309</u>

Amounts owed in relation to invoice discounting creditors are secured by a fixed and floating charge over the company's assets.

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Bank loans	-	137,862
Net obligations under finance leases and hire purchase contracts	5,491	97,000
Amounts owed to group undertakings	1,893,170	1,647,630
	<u>1,898,661</u>	<u>1,882,492</u>

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

17. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	247,862	176,000
	<u>247,862</u>	<u>176,000</u>
Amounts falling due 1-2 years		
Bank loans	-	137,862
	<u>-</u>	<u>137,862</u>
	<u>247,862</u>	<u>313,862</u>

The bank loan attracts interest at a rate of 12% APR and is repayable over the period to June 2020. The loan is secured by way of a legal mortgage on all freehold and leasehold property now vested in or charged to the company.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	91,640	182,174
Between 1-5 years	5,491	92,000
Over 5 years	-	5,000
	<u>97,131</u>	<u>279,174</u>

DUNLOP SYSTEMS & COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. Deferred taxation

	2019 £	2018 £
At the beginning of the year	446,697	476,697
Released to the profit and loss account	(39,754)	-
Released to the revaluation reserve	(15,507)	(30,000)
At the end of the year	391,436	446,697

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
On revaluation reserve	421,190	436,697
Accelerated capital allowances	(29,754)	10,000
	391,436	446,697

20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
75,000 Ordinary A shares of £1.00 each	75,000	64,347
10,653 Ordinary B shares of £1.00 each	-	10,653
	75,000	75,000

On 16.07.20 the Ordinary B shares were re-designated as Ordinary A shares.

Ordinary A and B shares both carry full voting, dividend and capital distribution rights. Ordinary B shares do not confer any rights to redemption.

21. Reserves

Revaluation reserve

The revaluation reserve represents the amounts revalued in relation to plant and machinery.

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve arising from the redemption of the company's own shares.

Profit and loss account

Profit and loss account represents all current and prior periods retained profit and losses after the payment of dividends.

DUNLOP SYSTEMS & COMPONENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****22. Commitments under operating leases**

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	342,500	342,500
Later than 1 year and not later than 5 years	941,875	1,284,000
	<u>1,284,375</u>	<u>1,626,500</u>

23. Related party transactions

During the year the company made purchases of £64,451 (2018: £150,000) from a company under common control. At the year end there was an amount of £328,503 (2018: £284,000) owed to the company.

At the balance sheet date an amount of £6,038 was owed to a director of the company (2018: £6,000).

Advantage has been taken of the exemption provided by FRS 102 Section 33.1A not to disclose transactions with fellow group companies as all subsidiary undertakings are wholly owned by the ultimate controlling entity of the group.

24. Post balance sheet events

Subsequent to the year end, there has been an outbreak of Coronavirus which has developed into a global pandemic. Based on available information at this stage the directors have assessed what impact this may have on the company. Although there is a high level of uncertainty about the extent and the timeframe of the impact the virus will have on the global economy, the directors believe the company is strongly positioned to handle any downturn that may occur.

In July 2020, the company refinanced and entered into a bank loan agreement with Santander for £1,200,000. The bank loan is secured by a first legal mortgage over the freehold and leasehold property and by a fixed and floating charge over all current and future assets of the company.

25. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Hongkong Wanray International Co Limited, a company incorporated in China. The ultimate controlling party is Stream Wang by virtue of the shareholding held in Zhejiang Dazhi Import & Export Company Limited, which is the ultimate parent undertaking of Hongkong Wanray International Co Limited.