Registered number: 06317125

Pneuride Limited
(formerly Dunlop Systems & Components Limited)

Directors' report and financial statements

For the year ended 31 December 2021

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Pneuride Limited (formerly 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 auditors	Dains Audit Limited 15 Colmore Row Birmingham B3 2BH

Pneuride Limited (formerly Dunlop Systems & Components Limited)

Contents

Introduction

The directors present their strategic report of the company for the year ended 31 December 2021.

On 3 May 2021 a resolution was filed with Companies House to change the name of Dunlop Systems & Components Limited to Pneuride Limited, agreed and passed by the members on 1 April 2021.

Business review

The loss for the year, before taxation, amounted to £126,190 (2020: loss £1,094,361). There were no dividends paid in the year (2020: £Nil).

The business entered its 4th year of development of a fully integrated electronically controlled air suspension system for an OEM customer based in the USA, which saw continued investment in the project in the 6 months to June 2021.

In July 2021 the company entered the production phase of the project and was profitable throughout the rest of 2021.

The business' trading performance has significantly increased in 2022 due to increasing OEM requirements and is forecast to lead to a 600% increase in turnover for 2022, driving significant increase in profitability.

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 reviews 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 section of the Director's report.

Currency risk

No major exposures are currently identified within the financial statements. Regular monitoring procedures are in place which will identify mateterial 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 immediately.

Liquidity risk

Invoice discounting and Trade Finance Facilities used and alllied 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.

Going Concern

At the date of signing these Financial Statements, the directors have considered the effect of the Covid-19 pandemic on the company with the information available to it and do not believe it will affect the company's ability to continue to trade for the foreseeable future.

The business has converted £900,000 of securities (Long Term Loans) into share capital, thus increasing net assets and shareholders' funds by £900,000.

Financial key performance indicators

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

Turnover - The turnover for the year was £11,751,724 (2020: £5,655,784).

Operating profit - The operating profit for the year was £11,758 (2020: loss of £992,452).

Comprehensive income - The comprehensive income for the year was a profit of £286,413 (2020: loss of £977,640).

This report was approved by the board on 6 July 2022 and signed on its behalf.

R L Mansell
Director

Directors' report
For the year ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity

The principal activity of the company continued to be the manufacture and assembly of automotive components.

Results and dividends

The profit for the year, after taxation, amounted to £286,413 (2020 - loss £977,640).

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

Directors

The directors who served during the year were:

R L Mansell
S Wang

Matters covered in the strategic report

The business review, including key performance indicators and principal risks and uncertainties, are disclosed within the Strategic report.

Research and development activities

The business continues to conduct research and developments activities within the air suspension arena as required to recognise its high growth strategy.

Future developments

The company continues to pursue new opportunities within the mid-sized automotive OEM market and is confident that this will be successful.

Post balance sheet events

Since the year end, Coronavirus has continued to affect the business. The directors believe the effects of the pandemic have substantially eased but remain vigilant in assessing the impact this will continue to 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 along with a strong order book we have initiated several actions to enable our employees to continue working safely, such as conducting risk assessments and providing PPE. The majority of employees are now working on-site.

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.

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.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

The auditors, Dains Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

R L Mansell
Director

Date: 6 July 2022

Independent auditors' report to the members of Pneuride Limited (formerly Dunlop Systems & Components Limited)

Opinion

We have audited the financial statements of Pneuride Limited (formerly Dunlop Systems & Components Limited) (the 'company') for the year ended 31 December 2021, 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 2021 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 Auditors' 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.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

Auditors' 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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the financial reporting legislation, Companies Act 2006, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions;.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors;.

Independent auditors' report to the members of Pneuride Limited (formerly Dunlop Systems & Components Limited) (continued)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditors' report.

Other matters

The financial statements of the company for the year ended 31 December 2020 were audited by Cooper Parry Group Limited who expressed an unmodified opinion on those financial statements on 30 September 2021.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' 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.

Dains Audit Limited

Andrew Morris FCA (Senior statutory auditor)

for and on behalf of
Dains Audit Limited

Statutory Auditor
Chartered Accountants

6 July 2022

Statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	**11,751,724**	5,655,784
Cost of sales		**(7,907,182)**	(3,525,616)
Gross profit		**3,844,542**	2,130,168
Administrative expenses		**(3,867,726)**	(3,397,406)
Other operating income	5	**34,942**	274,786
Operating profit/(loss)	6	**11,758**	(992,452)
Interest payable and similar expenses	9	**(137,948)**	(101,909)
Loss before tax		**(126,190)**	(1,094,361)
Tax on loss	10	**412,603**	116,721
Profit/(loss) for the financial year		**286,413**	(977,640)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020: £Nil).

The notes on pages 12 to 29 form part of these financial statements.

Pneuride Limited (formerly Dunlop Systems & Components Limited)
Registered number:06317125

Balance sheet
As at 31 December 2021

	Note		2021 £		2020 £
Fixed assets					
Intangible assets	12		**106,585**		69,000
Tangible assets	13		**3,882,338**		3,255,342
			3,988,923		3,324,342
Current assets					
Stocks	14	**6,253,967**		2,646,154	
Debtors: amounts falling due within one year	15	**4,719,465**		3,774,830	
Cash at bank and in hand	16	**662,405**		318,840	
		11,635,837		6,739,824	
Creditors: amounts falling due within one year	17	**(10,975,215)**		(5,344,790)	
Net current assets			**660,622**		1,395,034
Total assets less current liabilities			**4,649,545**		4,719,376
Creditors: amounts falling due after more than one year	18		**(2,309,029)**		(3,241,773)
Deferred tax	21		**(126,000)**		(449,500)
Net assets			**2,214,516**		1,028,103
Capital and reserves					
Called up share capital	22		**975,000**		75,000
Revaluation reserve	23		**2,393,410**		2,493,703
Capital redemption reserve	23		**4,185**		4,185
Profit and loss account	23		**(1,158,079)**		(1,544,785)
			2,214,516		1,028,103

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 July 2022.

R L Mansell
Director

The notes on pages 12 to 29 form part of these financial statements.

1. General information

Pneuride Limited is a private company limited by shares and incorporated in England & Wales under the Companies Act 2006. On 3 May 2021 a resolution was filed with Companies House to change the name of Dunlop Systems & Components Limited to Pneuride Limited, agreed and passed by the members on 1 April 2021. The registered company number and registered office address are given on page 1. The principal activity of the company is the manufacture and assembly of automotive components.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 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 management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of the ultimate parent undertaking Hongkong Wanray International Co., Limited and these financial statements may be obtained from the registered office of Hongkong Wanray International Co Limited.

2.3 Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.4 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue 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 revenue 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 revenue 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 revenue 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.

2. Accounting policies (continued)

2.5 Tangible fixed assets

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 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 profit or loss 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 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

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 profit or loss.

2. Accounting policies (continued)

2.6 Revaluation of tangible fixed assets

Plant and machinery is held at valuation being the fair value at the date of the latest professional revaluation plus subsequent additions at cost and less any subsequent accumulated depreciation and impairment losses. Revaluations are undertaken with sufficient regularity to ensure the 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 other 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 in profit or loss.

2.7 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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.

The estimated useful lives range as follows:

Patents	-	10	years
Computer software	-	3	years

2.8 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. Work in progress and finished goods include labour and attributable overheads.

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 the statements of comprehensive income.

2.9 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Operating leases: the company as lessee

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

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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.

2.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Accounting policies (continued)

2.15 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 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 profit or loss 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.

2.18 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.19 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.20 Pensions

Defined contribution pension plan

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 comprehenvise 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.

3. 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.

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.

4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	**3,021,121**	2,757,411
Rest of the world	**8,730,603**	2,898,373
	11,751,724	5,655,784

5. Other operating income

	2021 £	2020 £
Government grants	**34,942**	274,786

Government grants relate to income received under the Coronavirus Job Retention Scheme.

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2021 £	2020 £
Exchange differences	**7,746**	15,046
Other operating lease rentals	**379,000**	408,775
Depreciation of tangible fixed assets	**281,898**	305,966
Amortisation of intangible assets	**36,789**	12,000
Auditor's remuneration	**20,000**	20,000

7. Employees

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

	2021 £	2020 £
Wages and salaries	**2,177,123**	1,653,890
Social security costs	**210,762**	158,676
Pension costs	**165,253**	164,850
	2,553,138	1,977,416

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

	2021 No.	2020 No.
Production staff	**21**	34
Distribution staff	**6**	5
Administrative staff	**38**	18
	65	57

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	**94,754**	90,645
Pension costs	**3,190**	7,299
	97,944	97,944

During the year retirement benefits were accruing to 1 director (2020 - 1) in respect of defined contribution pension schemes.

9. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	**112,556**	78,162
Other loan interest payable	**25,392**	23,747
	137,948	101,909

10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	**(144,000)**	(146,613)
Adjustments in respect of previous periods	**54,897**	(28,172)
Total current tax	**(89,103)**	(174,785)
Deferred tax		
Origination and reversal of timing differences	**(465,447)**	12,013
Effect of tax rate change on opening balance	**141,947**	46,051
Total deferred tax	**(323,500)**	58,064
Taxation on loss	**(412,603)**	(116,721)

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss before tax	**(126,190)**	(1,094,361)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**(23,976)**	(207,929)
Effects of:		
Expenses not deductible for tax purposes	**162**	17,512
Fixed asset differences	**(32,408)**	9,854
Adjustments to tax charge in respect of previous periods	**54,897**	(28,172)
Deduction for qualifying research and development expenditure	**(144,000)**	(146,613)
Remeasurement of deferred tax for changes in tax rates	**30,243**	37,116
Movement in deferred tax not recognised	**(297,521)**	201,511
Total tax charge/(credit) for the year	**(412,603)**	(116,721)

Factors that may affect future tax charges

In the Spring Budget 2021, the government announced that from 1 April 2023 the headline corporation tax rate will increase to 25%. The proposal to increase the rate to 25% had been substantively enacted at the company's balance sheet date, therefore its effects have been included in these financial statements.

The company has unrecognised trading losses carried forward amounting to £2,638,311 (2020: £1,545,288).

11. Fixed asset investments

On 17 January 2019, 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.

12. Intangible assets

	Trademarks £	Computer software £	Total £
Cost			
At 1 January 2021	120,000	-	120,000
Additions	-	74,374	74,374
At 31 December 2021	120,000	74,374	194,374
Amortisation			
At 1 January 2021	51,000	-	51,000
Charge for the year	12,000	24,789	36,789
At 31 December 2021	63,000	24,789	87,789
Net book value			
At 31 December 2021	57,000	49,585	106,585

13. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation					
At 1 January 2021	**511,111**	**3,978,534**	**942,025**	**789,598**	**6,221,268**
Additions	**-**	**889,868**	**19,026**	**-**	**908,894**
At 31 December 2021	**511,111**	**4,868,402**	**961,051**	**789,598**	**7,130,162**
Depreciation					
At 1 January 2021	**323,208**	**1,078,362**	**834,303**	**730,053**	**2,965,926**
Charge for the year	**46,678**	**230,839**	**2,512**	**1,869**	**281,898**
At 31 December 2021	**369,886**	**1,309,201**	**836,815**	**731,922**	**3,247,824**
Net book value					
At 31 December 2021	**141,225**	**3,559,201**	**124,236**	**57,676**	**3,882,338**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £	As restated 2020 £
Plant and machinery	**27,074**	45,943

Plant and machinery was revalued on 1 October 2015 by GoIndustry DoveBid, on an open market value for existing use basis, with subsequent additions included at cost and depreciation charged in accordance with useful lives.

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

	2021 £	As restated 2020 £
Cost	**2,001,975**	1,112,107
Accumulated depreciation	**(836,184)**	(705,638)
Net book value	**1,165,791**	406,469

14. Stocks

	2021 £	2020 £
Raw materials and consumables	**4,536,582**	1,530,985
Work in progress	**827,009**	297,408
Finished goods and goods for resale	**890,376**	817,761
	6,253,967	2,646,154

15. Debtors

	2021 £	2020 £
Trade debtors	**2,337,460**	1,874,635
Amounts owed by group undertakings	**-**	137,408
Other debtors	**42,125**	158,440
Prepayments and accrued income	**2,049,267**	1,408,551
Tax recoverable	**290,613**	195,796
	4,719,465	3,774,830

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	**662,405**	318,840

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank loans	**1,165,736**	180,000
Other loans	**958,400**	565,064
Trade creditors	**4,018,968**	1,293,168
Amounts owed to group undertakings	**1,808,104**	1,382,214
Other taxation and social security	**186,687**	222,011
Obligations under finance lease and hire purchase contracts	**20,275**	35,462
Proceeds of factored debts	**324,822**	724,072
Other creditors	**521,222**	287,049
Accruals and deferred income	**1,971,001**	655,750
	10,975,215	5,344,790

Bank loans includes a term loan secured by fixed and floating charges over the assets of the company, with an interest rate of 3.95%, due for repayment in quarterly instalments by January 2026. Also included are trade finance facilities and a rolling credit facility, all with interest charged at 3.25%.

Other loans comprises a loan from Birmingham City Council, secured by fixed and floating charges over the assets of the company. The loan carries an interest rate of 6% per annum and is due for repayment in instalments by March 2023.

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

Amounts owed in relation to proceeds of factored debts are secured by a fixed and floating charge over the company's trade debtors.

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

	2021 £	2020 £
Bank loans	**780,000**	1,020,000
Other loans	**191,695**	-
Net obligations under finance leases and hire purchase contracts	**15,561**	-
Amounts owed to group undertakings	**1,321,773**	2,221,773
	2,309,029	3,241,773

The bank loan is secured by fixed and floating charges over the assets of the company. The loan attracts interest of 3.95% and is due for repayment in quarterly instalments by January 2026.

Other loans comprises a loan from Birmingham City Council, secured by fixed and floating charges over the assets of the company. The loan carries an interest rate of 6% per annum and is due for repayment in instalments by March 2023.

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

19. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Bank loans	**1,165,736**	180,000
Other loans	**958,400**	565,064
	2,124,136	745,064
Amounts falling due 1-2 years		
Bank loans	**240,000**	1,020,000
Other loans	**191,695**	-
	431,695	1,020,000
Amounts falling due 2-5 years		
Bank loans	**540,000**	-
	3,095,831	1,765,064

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	**20,275**	35,462
Between 1-5 years	**15,561**	-
	35,836	35,462

21. Deferred taxation

	2021 £	2020 £
At beginning of year	**449,500**	391,436
Charged to profit or loss	**323,500**	(58,064)
At end of year	**126,000**	449,500

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Fixed assets timing differences	**826,500**	730,000
Short term timing differences	**(35,500)**	-
Losses and other deductions	**(665,000)**	(280,500)
	126,000	449,500

22. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
975,000 (2020 - 75,000) Ordinary A shares shares of £1 each	**975,000**	75,000

Ordinary A shares carry full voting, dividend and capital distribution rights.

On 21 September 2021, the company converted £900,000 of amounts owed to group into 900,000 £1 Ordinary A Shares.

23. Reserves

Revaluation reserve

The revaluation reserve represents gains on revaluations of 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 retained profits and losses after the payment of dividends.

24. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £165,253 (2020 - £164,850). Contributions totalling £66,807 (2020 - £67,360) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	**379,000**	408,775
Later than 1 year and not later than 5 years	**284,250**	715,356
	663,250	1,124,131

26. Related party transactions

At the balance sheet date an amount of £6,038 was owed to a director of the company (2020: £6,038).

Advantage has been taken of the exemption provided by FRS 102 Section 33 not to disclose transactions with fellow group companies as all subsidiary undertakings are wholly owned by the ultimate controlling party of the group.

27. 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 Shijun Wang by virture of his shareholding held in Zhejiang Dazhi Import & Export Company Limited, which is the ultimate parent undertaking of Hongkong Wanray International Co., Limited. Copies of the consolidated financial statements can be obtained from the registered office of Hongkong Wanray International Co., Limited.