

Registered number: 06317125

Pneuride Limited

Directors' Report and Financial Statements

For the year ended 31 December 2022



DAINS

Pneuride Limited

Company Information

Management committee	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

Contents

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 29

**Strategic report
For the year ended 31 December 2022**

Introduction

The directors present their strategic report of the company for the year ended 31 December 2022.

Business review

The profit for the year, before taxation, amounted to £7,958,767 (2021: loss £126,190). There were no dividends paid in the year (2021: £Nil).

The business, following over 3 years of investment and product development, entered its first full year of the production phase of a fully integrated electronically controlled air suspension system for an OEM customer based in the USA.

The business trading performance has significantly increased in 2022 with Turnover increasing by approximately 548%.

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.

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 immediately.

Liquidity risk

Invoice discounting and Trade Finance facilities are used and allied to credit insurance and close monitoring of working capital. This continues to be particularly important in the current financial climate and the significant growth strategy of the company. All costs are closely monitored and controlled.

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.

Pneuride Limited

Strategic report (continued)
For the year ended 31 December 2022

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 £64,403,118 (2021: £11,751,724)

Operating profit - The operating profit for the year was £8,167,037 (2021: £11,758)

Comprehensive income - The comprehensive income for the year was a profit of £5,876,182 (2021: £286,416).

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



R L Mansell
Director

Date: 6 July 2023

Pneuride Limited

Directors' report For the year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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 £7,099,303 (2021 - £286,413).

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

There have been no significant events affecting the company since the year end.

Pneuride Limited

Directors' report (continued) For the year ended 31 December 2022

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 2023

Independent auditors' report to the members of Pneuride Limited

Opinion

We have audited the financial statements of Pneuride Limited (the 'company') for the year ended 31 December 2022, 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 2022 and of its profit 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.

Independent auditors' report to the members of Pneuride Limited (continued)

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.

Independent auditors' report to the members of Pneuride Limited (continued)

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; and
- 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; and
- 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; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

Independent auditors' report to the members of Pneuride 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.

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.

A handwritten signature in black ink, appearing to read 'Dains Audit Limited', is written over the printed name of the auditor.

Andrew Morris FCA (Senior statutory auditor)

for and on behalf of
Dains Audit Limited

Statutory Auditor
Chartered Accountants

6 July 2023

Pneuride Limited

**Statement of comprehensive income
For the year ended 31 December 2022**

	Note	2022 £	2021 £
Turnover	4	64,403,118	11,751,724
Cost of sales		(50,896,221)	(7,907,182)
Gross profit		13,506,897	3,844,542
Administrative expenses		(5,339,860)	(3,867,726)
Other operating income	5	-	34,942
Operating profit	6	8,167,037	11,758
Interest receivable and similar income	9	793	-
Interest payable and similar expenses	10	(213,757)	(137,948)
Profit/(loss) before tax		7,954,073	(126,190)
Tax on profit/(loss)	11	(854,770)	412,603
Profit for the financial year		7,099,303	286,413
Other comprehensive income for the year			
Deficit on revaluation of tangible fixed assets		(1,646,121)	-
Total comprehensive income for the year		5,453,182	286,413

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

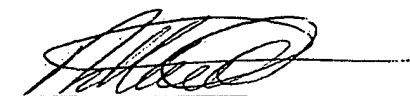
The notes on pages 12 to 29 form part of these financial statements.

Pneuride Limited
Registered number:06317125

Balance sheet
As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	69,796	106,585
Tangible assets	14	2,975,318	3,882,338
		<u>3,045,114</u>	<u>3,988,923</u>
Current assets			
Stocks	15	10,330,186	6,253,967
Debtors due within 1 year		7,962,317	4,719,465
Cash at bank and in hand	17	5,578,862	662,405
		<u>23,871,365</u>	<u>11,635,837</u>
Creditors: Amounts Falling Due Within One Year	18	(16,557,911)	(10,975,215)
Net current assets		<u>7,313,454</u>	<u>660,622</u>
Total assets less current liabilities		<u>10,358,568</u>	<u>4,649,545</u>
Creditors: amounts falling due after more than one year	19	(2,141,870)	(2,309,029)
Provisions for liabilities			
Deferred tax	22	(549,000)	(126,000)
Net assets		<u><u>7,667,698</u></u>	<u><u>2,214,516</u></u>
Capital and reserves			
Called up share capital	23	975,000	975,000
Revaluation reserve	24	646,996	2,393,410
Capital redemption reserve	24	4,185	4,185
Profit and loss account	24	6,041,517	(1,158,079)
		<u><u>7,667,698</u></u>	<u><u>2,214,516</u></u>

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



R L Mansell
Director

Date: 6 July 2023

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

Pneuride Limited

**Statement of changes in equity
For the year ended 31 December 2022**

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2021	75,000	4,185	2,493,703	(1,544,785)	1,028,103
Comprehensive income for the year					
Profit for the year	-	-	-	286,413	286,413
Total comprehensive income for the year	-	-	-	286,413	286,413
Shares issued during the year	900,000	-	-	-	900,000
Transfer to profit and loss account	-	-	(100,293)	100,293	-
At 1 January 2022	975,000	4,185	2,393,410	(1,158,079)	2,214,516
Comprehensive income for the year					
Profit for the year	-	-	-	7,099,303	7,099,303
Deficit on revaluation of tangible fixed assets	-	-	(1,646,121)	-	(1,646,121)
Total comprehensive income for the year	-	-	(1,646,121)	7,099,303	5,453,182
Transfer to profit and loss account	-	-	(100,293)	100,293	-
At 31 December 2022	975,000	4,185	646,996	6,041,517	7,667,698

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

**Notes to the financial statements
For the year ended 31 December 2022**

1. General information

Pneuride Limited is a private company limited by shares and incorporated in England & Wales under the Companies Act 2006. 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 Dayan International Company Limited, and these financial statements may be obtained from the registered office of Hongkong Dayan International Company 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

Revenue 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. Revenue 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

Revenue 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

Revenue 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.

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.

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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

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.

2.6 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.

**Notes to the financial statements
For the year ended 31 December 2022**

2. Accounting policies (continued)

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 weighted average 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 statement 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.

2.10 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. Accounting policies (continued)

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.

2.15 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. Accounting policies (continued)

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 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.19 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.

2.20 Borrowing costs

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

2. Accounting policies (continued)

2.21 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 profit or loss 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.

Stock impairment

The directors assess the requirement for a stock impairment provision based on the ageing and usage of stock and the likelihood of materials being utilised in the fulfilment of future orders.

Warranty provision

The directors have reviewed the expected level of costs of fulfilling warranty obligations with reference to industry averages and known costs incurred to estimate the value of the warranty provision.

Notes to the financial statements
For the year ended 31 December 2022

4. Turnover

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	2,707,764	3,021,121
Rest of the world	61,695,354	8,730,603
	<u>64,403,118</u>	<u>11,751,724</u>

5. Other operating income

	2022 £	2021 £
Government grants receivable	-	34,942
	<u>-</u>	<u>34,942</u>

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Exchange differences	(1,090,983)	7,746
Other operating lease rentals	911,940	379,000
Depreciation of tangible fixed assets	396,654	306,687
Amortisation of intangible assets	36,789	12,000
Auditor's remuneration	27,500	20,000
Loss on sale of tangible assets	42,378	-
	<u>42,378</u>	<u>-</u>

Notes to the financial statements
For the year ended 31 December 2022

7. Employees

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

	2022 £	2021 £
Wages and salaries	3,294,025	2,024,650
Social security costs	340,082	210,762
Pension costs	273,788	165,253
	<u>3,907,895</u>	<u>2,400,665</u>

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

	2022 No.	2021 No.
Production staff	49	21
Distribution staff	12	6
Administrative staff	40	38
	<u>101</u>	<u>65</u>

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	102,010	94,754
Pension costs	3,627	3,190
	<u>105,637</u>	<u>97,944</u>

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

9. Interest receivable

	2022 £	2021 £
Bank interest receivable	<u>793</u>	<u>-</u>

Notes to the financial statements
For the year ended 31 December 2022

10. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	197,365	112,556
Other loan interest payable	16,392	25,392
	<u>213,757</u>	<u>137,948</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	469,154	(144,000)
Adjustments in respect of previous periods	(37,384)	54,897
Total current tax	<u>431,770</u>	<u>(89,103)</u>
Deferred tax		
Origination and reversal of timing differences	423,000	(323,500)
Total deferred tax	<u>423,000</u>	<u>(323,500)</u>
Taxation on profit/(loss)	<u>854,770</u>	<u>(412,603)</u>

Notes to the financial statements
For the year ended 31 December 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit/(loss) before tax	7,954,073	(126,190)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,511,274	(23,976)
Effects of:		
Expenses not deductible for tax purposes	3,733	162
Fixed asset differences	(336,521)	(32,408)
Income not taxable for tax purposes	(103)	-
Other tax adjustments, reliefs and transfers	(6,120)	-
Adjustments to tax charge in respect of prior periods	(37,384)	54,897
Deduction for qualifying research and development expenditure	(152,316)	(144,000)
Remeasurement of deferred tax for changes in tax rates	174,216	30,243
Movement in deferred tax not recognised	(302,009)	(297,521)
Total tax charge for the year	854,770	(412,603)

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 £Nil (2021: £2,638,311).

12. 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.

Notes to the financial statements
For the year ended 31 December 2022

13. Intangible assets

	Trademarks £	Computer software £	Total £
Cost			
At 1 January 2022	120,000	74,374	194,374
At 31 December 2022	120,000	74,374	194,374
Amortisation			
At 1 January 2022	63,000	24,789	87,789
Charge for the year	12,000	24,789	36,789
At 31 December 2022	75,000	49,578	124,578
Net book value			
At 31 December 2022	45,000	24,796	69,796
At 31 December 2021	57,000	49,585	106,585

Notes to the financial statements
For the year ended 31 December 2022

14. Tangible fixed assets

	Long-term leasehold property £	Plant, machinery & tooling £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation						
At 1 January 2022	511,111	4,868,402	-	961,051	789,598	7,130,162
Additions	-	873,110	35,000	302,236	-	1,210,346
Disposals	-	(75,000)	-	-	(118,268)	(193,268)
Transfers between classes	-	979,125	41,348	(961,660)	(58,813)	-
Revaluations	-	(3,822,544)	-	-	-	(3,822,544)
At 31 December 2022	511,111	2,823,093	76,348	301,627	612,517	4,324,696
Depreciation						
At 1 January 2022	369,886	1,309,201	-	836,815	731,922	3,247,824
Charge for the year	46,678	304,214	-	26,419	19,343	396,654
Disposals	-	(32,622)	-	-	(86,055)	(118,677)
Transfers between classes	-	595,630	41,348	(581,851)	(55,127)	-
On revalued assets	-	(2,176,423)	-	-	-	(2,176,423)
At 31 December 2022	416,564	-	41,348	281,383	610,083	1,349,378
Net book value						
At 31 December 2022	94,547	2,823,093	35,000	20,244	2,434	2,975,318
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:

	2022 £	2021 £
Plant and machinery	8,204	27,074

Plant, machinery and tooling was revalued in 2022 by an independent valuer on an open market for existing use basis. Subsequent additions are included at cost and depreciation charged in accordance with useful lives.

Notes to the financial statements
For the year ended 31 December 2022

14. Tangible fixed assets (continued)

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

	2022 £	2021 £
Cost	3,126,460	2,001,975
Accumulated depreciation	(950,363)	(836,184)
Net book value	2,176,097	1,165,791

15. Stocks

	2022 £	2021 £
Raw materials and consumables	7,505,628	4,536,582
Work in progress	1,966,659	827,009
Finished goods and goods for resale	857,899	890,376
	10,330,186	6,253,967

16. Debtors

	2022 £	2021 £
Trade debtors	7,367,293	2,337,460
Other debtors	224,435	42,125
Prepayments and accrued income	370,589	2,049,267
Tax recoverable	-	290,613
	7,962,317	4,719,465

17. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	5,578,862	662,405

Notes to the financial statements
For the year ended 31 December 2022

18. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank loans	2,673,774	1,165,736
Other loans	431,295	958,400
Trade creditors	7,823,571	4,018,968
Amounts owed to group undertakings	1,003,450	1,808,104
Corporation tax	325,154	-
Other taxation and social security	106,396	186,687
Obligations under finance lease and hire purchase contracts	12,532	20,275
Proceeds of factored debts	238,257	324,822
Other creditors	681,107	521,222
Accruals and deferred income	3,262,375	1,971,001
	<u>16,557,911</u>	<u>10,975,215</u>

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.

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

	2022 £	2021 £
Bank loans	540,000	780,000
Other loans	-	191,695
Net obligations under finance leases and hire purchase contracts	4,060	15,561
Amounts owed to group undertakings	1,597,810	1,321,773
	<u>2,141,870</u>	<u>2,309,029</u>

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.

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

Notes to the financial statements
For the year ended 31 December 2022

20. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Bank loans	2,673,774	1,165,736
Other loans	431,295	958,400
	<u>3,105,069</u>	<u>2,124,136</u>
Amounts falling due 1-2 years		
Bank loans	540,000	240,000
Other loans	-	191,695
	<u>540,000</u>	<u>431,695</u>
Amounts falling due 2-5 years		
Bank loans	-	540,000
	<u>3,645,069</u>	<u>3,095,831</u>

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	12,532	20,275
Between 1-5 years	4,060	15,561
	<u>16,592</u>	<u>35,836</u>

Notes to the financial statements
For the year ended 31 December 2022

22. Deferred taxation

	2022 £
At beginning of year	126,000
Charged to profit or loss	(423,000)
At end of year	549,000

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	577,000	826,500
Short term timing differences	(28,000)	(35,500)
Losses and other deductions	-	(665,000)
	549,000	126,000

23. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
975,000 (2021 - 975,000) Ordinary A shares shares of £1 each	975,000	975,000

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

24. 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.

Notes to the financial statements
For the year ended 31 December 2022

25. Capital commitments

At 31 December 2022 the company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in these financial statements	<u>248,740</u>	<u>-</u>

26. 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 £273,788 (2021: 165,253). Contributions totalling £65,588 (2021: £66,807) were payable to the fund at the balance sheet date and are included in creditors.

27. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	284,250	379,000
Later than 1 year and not later than 5 years	-	284,250
	<u>284,250</u>	<u>663,250</u>

28. Related party transactions

At the balance sheet date an amount of £Nil was owed to a director of the company (2021: £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.

29. Controlling Party

At 31 December 2022, the immediate parent undertaking is Hongkong Dayan International Company Limited, a company incorporated in China. Copies of the consolidated financial statements for Hongkong Dayan International Company Limited can be obtained from its registered office.

At 31 December 2022, the Directors considered the ultimate controlling party to be Shijun Wang, by virtue of his shareholding held in Zhejiang Dazhi Import & Export Company Limited, which is the ultimate parent undertaking of Hongkong Dayan International Company Limited.