

Registered number: 03226333

Dunlop Aircraft Tyres Limited
Annual report and financial statements
for the year ended 31 December 2020



Dunlop Aircraft Tyres Limited

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Dunlop Aircraft Tyres Limited

Company information

Directors

G Roper
S Ray
A Thompson
S Brady
S Bentzen

Company Secretary

S Ray

Registered number in England & Wales

03226333

Registered office

40 Fort Parkway
Birmingham
B24 9HL

Banker

Royal Bank of Scotland

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Dunlop Aircraft Tyres Limited

Strategic report for the year ended 31 December 2020

Business review

The loss before tax for the financial year amounted to £4,319,000 (2019: profit before tax £15,421,000 restated). The current year result includes exceptional headcount restructuring costs of £1,896,000 and the prior year result included profit of £12,701,000 on the sale of a fixed asset as part of a property sale and leaseback agreement.

Turnover for the financial year amounted to £42,453,000 (2019: £52,642,000), representing a decrease of 19.2% year on year.

The financial performance in 2020 has been significantly impacted by the COVID 19 pandemic that has severely impacted the amount of civil aviation air traffic. However, the development of new business in the freighter sector in recent years successfully provided a robust revenue stream and the supply of aircraft tyres to the military sector has been less affected by the pandemic.

The retread processing and new tyre distribution facility owned by Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited, a 63% owned investment in China, is an important strategic investment supporting the global expansion of the Company, providing an important gateway to the growing Asia Pacific region.

Gross profit of the Company fell to £10,812,000 (2019: £17,760,000) reflecting the sales decrease.

Due to the impact of the pandemic on the business, a headcount restructuring was required and unfortunately it was necessary to reduce the number of employees in the business by 160 people in the period from the end of 2019 and the end of 2020. Whilst an element of this was achieved through natural wastage, restructuring costs of £1,896,000 were incurred and these have been shown separately as an exceptional cost.

The overall operating loss in 2020 was £3,998,000 (2019: operating profit £16,484,000). The operating profit in 2019 included a profit on the sale and leaseback undertaken of the factory premises, whilst the operating loss in 2020 is after the headcount restructuring costs referred to above of £1,896,000.

The Company has maintained its commitment to product development, both for new products, such as radial tyres, and improvements to existing products. Capital expenditure (including intangible spend) in the year totalling £1,607,000 (2019: £6,017,000) has reduced in order to prioritise cashflow management during a period of reduced sales revenue due to the COVID-19 pandemic.

At 31 December 2020, total equity amounted to £67,945,000 (2019 restated: £60,437,000 restated) and cash at bank and in hand at the end of 2020 was £4,604,000 and an overdraft of £93,000 (2019: cash at bank £nil and overdraft of £131,000).

In February 2020, the revolving credit facility provided by RBS was increased from £7,500,000 to £10,000,000. Recognising the impact of COVID 19 on the business, shareholders financially supported the company by subscribing for new share capital during 2020 of £11,264,000.

In addition, on 1st December 2020 the UK business has secured a new £7,500,000 revolving credit facility under the UK Coronavirus Large Business Interruption Loan Scheme (CLBILS) repayable at the end of 2022.

Principal risks and uncertainties

The Company faces four main areas of risk and uncertainty, namely strategic, commercial, operational and financial. The Board, which meets on a monthly basis, reviews and considers these key risks as an integral part of its normal business.

Strategic report for the year ended 31 December 2020 (continued)

Strategic risk

The Company trades on a global basis and does not have any significant exposure to one particular regional or national market, nor does any one customer make up a significant proportion of the Company's turnover or operating profit. The Company's future trade is somewhat dependent upon global economic performance and the resultant changes in the aviation industry.

The adverse impact on the civil aviation sector of the COVID 19 pandemic has been far reaching but there is now the visibility of an expected recovery in a number of regions.

Commercial risk

The Company's continued commitment to research and development ensures that new products are continually added to the range. The Company ensures that new product development is completed to a standard which allows it to undertake volume manufacturing, and to produce products against the high reliability and safety criteria demanded in the aviation industry.

Operational risk

Health & safety

The nature of the Company's manufacturing activities is such that the Company considers health and safety to be a key area of focus in managing risk. Accordingly, health and safety is included on the agenda for discussion at the monthly Executive Committee meeting and continues to involve a cross section of the workforce on a regular basis.

Business interruption

The Company recognises that a significant incident at its Erdington site could result in the business being inoperable for a period of time. Crisis management and business recovery procedures are in place to prevent or mitigate any interruptions.

Financial risk

Price risk

The Company operates in a number of different markets with a wide range of customers. Market practices differ but wherever possible the Company seeks to obtain an agreed contractual price adjustment that may match the price movements of natural rubber, its primary raw material. Primary raw material costs are fixed for a period of time ranging from 3 to 12 months, dependent upon particular suppliers and market conditions at the time of negotiation. Electricity and gas prices are contracted on a forward basis to mitigate the risk of significant short term volatility.

Credit risk

The Company seeks to insure its receivables relating to sales wherever possible via a third party credit insurance agency.

In circumstances where credit insurance is not available, the directors' will assess a wide range of factors and circumstances before offering credit terms and these are closely monitored on an ongoing basis.

Liquidity risk

Liquidity risk is managed on a Group basis. Cash management reviews are performed on a daily basis supported by a rolling 13 week cash forecasting process together with the wider business quarterly forecasting and annual Budget processes.

Whilst the business has been adversely impacted by the COVID 19 pandemic, shareholders have further invested share capital into the business and the business has secured a new £7,500,000 revolving credit facility under the UK Coronavirus Large Business Interruption Loan Scheme (CLBILS).

Strategic report for the year ended 31 December 2020 (continued)

Liquidity risk (continued)

In addition, the covenant measures relating to the existing bank facilities have been modified to reflect the impact of COVID 19 and to provide appropriate headroom based upon the latest forecasts for the group.

As a consequence of the above actions, it is considered that the group has adequate liquidity available based upon current forecasts.

Foreign exchange risk

The Company typically exports approximately 90% of its products overseas and a large proportion of this turnover is denominated in either US Dollars or Euros. The majority of the Company's costs are Sterling denominated, although some raw materials are purchased in Euros. Consequently, surpluses are generated in US Dollars and, to a lesser extent, Euros. Wherever possible, these surpluses are used to pay overseas suppliers. Thereafter, the Company uses financial instruments to manage the foreign exchange risk and details of these can be found in note 24.

Interest rate cash flow risk

Interest rate cash flow risk is managed on a Group basis and financial instruments are used to mitigate the risks identified where considered appropriate. No financial instruments to manage the interest rate risk were in place at either the 31 December 2020 or 31 December 2019.

Brexit risk

Some of the practical effects of Brexit remain uncertain. Sales to countries in the European Union, but excluding the UK, comprise approximately 20% of total sales. Brexit did result in some minor disruptions on the movement of goods between the UK and the EU but these have not had a significant impact on the business. The Company is part of a global group with facilities in the USA and China which would allow the movement of goods to the EU from these facilities if necessary.

A significant proportion of our sales are exported and priced in US dollars and Euros. Sterling weakness against other currencies, particularly US dollars, therefore has a net beneficial impact on the business although short term volatility is managed via foreign currency hedging policies.

The majority of raw materials are procured from within the UK or none EU countries. The main raw material supply risk would relate to practical delays and increased administration on the transportation of non-UK supplied materials across borders. The workforce in the UK are predominantly UK Nationals.

Financial key performance indicators

The Company's strategy is underpinned by focusing on a number of key performance indicators.

Sales and gross margin

The moving annual totals ("MATs") for sales, gross margin and gross margin % looks at the trend in these categories for the preceding 12 months up to the reporting date. They are updated monthly.

	2020	2019
Moving annual total – sales £'000	42,453	52,642
Moving annual total – gross margin £'000	10,812	17,760
Moving annual totals – gross margin %	25.5	33.7

Strategic report for the year ended 31 December 2020 (continued)

Earnings before interest, tax, depreciation and amortisation and exceptional items

The Board considers that the EBITDA number is an important indicator of underlying profit and free cash flow.

	2020	2019
EBITDA excluding exceptional items - £'000	648	5,977
Interest	(321)	(1,063)
Amortisation	(338)	(265)
Depreciation	(2,412)	(1,929)
(Loss) / Profit before tax	(2,423)	2,720

As was indicated above in the Gross Margin section, the business has been adversely impacted by the effects of the global pandemic. There have been a number of notable improvements in efficiency measures and the business is well placed to benefit from a recovery in volume.

Debtor days

The number of days sales in trade debtors is one part of a number of statistics used to monitor trade working capital (see also below):

	2020	2019
No of days sales in debtors	33	44

The number of debtor days has decreased due to increased focus on working capital management.

Significant improvements have been made in managing this performance metric. There is a partial mix effect with payment terms often better for non-civil aviation customers, and generally with better adherence to those terms. Also due to some of the credit risks caused by the pandemic, some customers have been moved to cash-in-advance.

Trade working capital as a percentage of the sales moving annual total

Trade working capital is defined as trade debtors less trade creditors (including some trade related accruals) plus stock. Maintaining the correct level of working capital is vital to ensure customer service levels are maintained while managing the overall financial position within prudent limits.

	2020	2019
Trade working capital as a percentage of sales (%)	18	18

Trade working capital as a proportion of turnover has remained the same.

Other non-financial indicators

There are also various non-financial indicators that are monitored for a number of reasons including reportable injuries, diseases and dangerous occurrences ("RIDDOR") or near accidents and number of days lost through absence. However, these are not published here as they do not impact directly on the financial results.

Strategic report for the year ended 31 December 2020 (continued)

Statement by the Directors on performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Board of Directors of the Company have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company and the Group for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2020.

Overview of how the Board performed its duties

The Board sets out its vision for the long term, to be the first choice supplier of aircraft tyres, and then sets its strategic objectives, five year plan and annual budgets to help achieve that goal. More detailed objectives will be set and delegated to the appropriate level in the business, with these objectives being formally reviewed and re-prioritised on a quarterly basis.

Building on the investment in geographic expansion made in recent years, particularly in Mocksville, US the business is now better positioned to service global supply contracts. The impact of the pandemic on the business has created its challenges with the Board having to regularly assess the impact on sales volume combined with the likely timing of a recovery in the civil aviation market. Whilst some employee headcount restructuring was necessary during 2020, the Board believe the business is well placed to respond to market growth. The full Board formally meets four times per annum (January, April, July and October) with Operating Reviews involving the majority of the Board taking place one per month in the months when there isn't a formal meeting. The January Board meeting would formally approve the Budget for the year, taking into account the final results of the year just completed, with members of the Board actively participating in Budget reviews taking place ahead of this final approval process. The Board includes representatives of the shareholders.

The executive Senior Leadership Team work closely together and once per week review progress against the detailed quarterly objectives, agreeing appropriate involvement / intervention as necessary. Key Performance Indicators are used to monitor progress and these are part of the weekly review process.

Our people

When it comes to the interests of our employees, we aim in our approach to be a socially responsible employer. The pay and benefits scheme is designed to ensure a professional and uniform approach across the business. We manage our employees' performance, striving to provide an environment that enables development and progression, whilst ensuring we operate as efficiently as possible. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

The Senior Leadership Team works closely with the Trade Union and employee representatives (including a Works Council in the UK) to ensure that employee views and recommendations are fully taken into account.

The company runs a 360 degree performance appraisal system and regular undertakes employee engagement via a Climate Index system to monitor progress and identify areas of improvement. The Climate Index was established in the UK business but has now been rolled out to our sites in China and USA.

Culture, values and standards

Culture, values and standards underpin how a company creates and sustains value over the longer term. They are key elements of how high standards of business conduct are maintained. The standards set by the Board mandate certain requirements and behaviours with regards to the activities of its directors, employees and others associated with it.

The business operates an Internal Occurrence Reporting process for employees to report any concerns and additionally there is a separate whistleblowing policy & process.

Strategic report for the year ended 31 December 2020 (continued)

Business relationships

Our strategy focuses on quality and growth, working closely with customers and suppliers. Developing strong and long term relationships with our customers is important and in recent years a growing proportion of our sales are secured by multi-year contracts.

We work closely with our suppliers to maintain and develop raw materials that meet the quality needs and product performance requirements of our customers. The critical importance of this in the context of aircraft tyre performance cannot be under estimated.

Risk Management

The Board and the executive Senior Leadership Team regularly review the risks that the company faces, recognising the importance of effectively identifying, evaluating, managing and mitigating the risks that we face.

Details of our principal risks and uncertainties, together with how we manage those risks, are reported upon separately within the Strategic Report.

This report was approved by the board on 29 September 2021 and signed on its behalf.



G Roper
Director

Dunlop Aircraft Tyres Limited

Directors' report for the year ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities

The Company's principal activity during the year continued to be the manufacture and retreading of bias and radial aircraft tyres.

Results

The loss for the financial year (after exceptional items) amounted to £3,756,000 (2019: profit £13,079,000 restated).

Directors

The directors of the Company who served during the year or were in office up to the date of signing the financial statements were:

G Roper
S Ray
A Thompson
S Brady
S Bentzen

Future developments

Whilst the civil aviation sector continues to be adversely affected by the COVID 19 pandemic, the Group has started 2021 satisfactorily, and is currently tracking ahead of recent forecasts. Pricing remains competitive in all of the Group's markets and, as expected, there are some signs of upward pressure on the price of certain raw materials and evidence of some cost inflation. The Group continues to hedge its foreign currency exposure in order to manage the risks associated with servicing a global customer base.

Research and development activities

The directors consider that product development and innovation play an important role in the Company's future and, accordingly, will continue to further the Company's research and development programmes, including new design enhancements, development of materials and process improvements.

Dividends

The directors do not recommend a dividend (2019: £nil) and no further dividends have been proposed.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group and parent company can continue in operational existence for the foreseeable future being a period at least 12 months from the date of signing of these financial statements.

The Tyre Holdings Limited group, which includes the Company, is financed by a term loan facility from Permira totalling £32,945,000 which is fully drawn, a revolving credit facility provided by RBS of £10,000,000 of which £8,957,000 was drawn at year end and a Coronavirus Large Business Interruption Loan Scheme (CLBILS) Facility of £7,500,000 of which £2,100,000 was drawn at year end. These facilities are due to mature on 15 June 2023 for the term loan element, 15 December 2022 for the RCF and 1 January 2023 for the CLBILS facilities. There is also a \$3,000,000 (fully drawn) term loan from Standard Chartered Bank in Hong Kong that is scheduled to mature on 10 April 2023.

Dunlop Aircraft Tyres Limited

Directors' report for the year ended 31 December 2020 (continued)

The business (along with many other businesses servicing the civil aerospace sector) has been significantly impacted by the COVID 19 pandemic. Whilst the freight and military parts of the business have been less affected, the number of civil aviation flights in 2020 has been significantly reduced and this is one of the key drivers of the group's sales.

Recognising the impact of COVID 19 on the business, shareholders financially supported the company by subscribing for new ordinary share capital during 2020 of £11,264,000.

During 2020 the banking financial covenants relating to the Permira term loan and RCF were modified to reset them, with appropriate headroom, to fully reflect current market conditions. The latest cash flow forecasts for the Group that the directors have prepared, are based on their current best estimate of trading levels with the Group's key customers and the Group's expected cost base. They have been sensitised for reasonably possible scenarios and show that the Group can operate within the available facilities and existing covenants for the foreseeable future.

However, these cash flow forecasts also indicate that the Group will not generate sufficient cash flows to repay each of the Group's loans in full as they reach their respective terms at the end of 2022 and, for the Term Loans, into 2023. The expectation is that the existing debt will be refinanced as it falls due. The directors are not aware of any circumstances that would prevent such refinancing.

Based on their assessment, the directors have a reasonable expectation that the Group, the ultimate parent company and therefore the Company has adequate resources to continue in operational existence for the foreseeable future. The Group, parent company and the Company therefore continues to adopt the going concern basis in preparing its financial statements.

Employee involvement

The Company recognises that its employees are a key part of the business and strives to provide employees with information on matters of concern to them as employees.

Consultation, as appropriate, is undertaken with either the whole workforce or representatives from it so that the views of employees can be taken into account in making decisions which are likely to affect them.

During the year, the Company carried out regular briefings to achieve a common awareness of all employees to the financial and economic factors that affect the performance of the Company. In addition, a monthly letter is circulated to all employees providing an update on key events.

Disabled employees

The Company is an equal opportunities employer and, as such, gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. In addition, the Company recognises the need to continue the employment of and to arrange appropriate training for, employees who have become disabled during the period they are employed by the Company and to ensure fair treatment in terms of training, career development and promotion of disabled employees.

Qualifying third party indemnity provisions

All directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of signing this report.

Matters covered in the strategic report

The business review, principal risks and uncertainties and financial key performances indicators are covered in the Strategic Report.

Dunlop Aircraft Tyres Limited

Directors' report for the year ended 31 December 2020 (continued)

Energy & Carbon Report

Scope of emissions included in this report

Electricity, natural gas and direct transport mileage.

Methodology

This report is aligned with the GHG Protocol methodology. The GHG Protocol establishes comprehensive global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. The framework has been in use since 2001, and forms a recognised structured format, to calculate a carbon footprint.

Emissions factors applied

DEFRA 2019.

Exclusions

This is the first SECR report for Dunlop Aircraft Tyres and as there was no SECR requirement for previous FY no data for FY19 is included and hence no comparison made.

Annual Energy Usage

Electricity consumption during 2020 was 5,013,839 kWh.
Natural Gas consumption during 2020 was 25,835,834 kWh
Direct transport consumption during 2020 was 9,058kWh

Emissions Performance (tCO₂e)

Scope 1 emissions during 2020 were 4,752 tCO₂e.

Scope 2 emissions for 2020 were 1,282 tCO₂e

Intensity Ratio Performance

	kWh Energy Consumed YTD				tCO ₂ e Emitted YTD				Intensity Ratio
	Electricity	Natural Gas	Transport	Total	Scope 1	Scope 2 (LB)	Scope 3	Scope 1+2	
2020	5,013,839	25,835,834	9,058	30,858,731	4,752	1,282	-	6,034	142.0
2019	-	-	-	-	-	-	-	-	-

Intensity Ratio Used tCO₂e/Em

Dunlop Aircraft Tyres Limited

Directors' report for the year ended 31 December 2020 (continued)

Annual Energy Efficiency Statement

Dunlop Aircraft Tyres Limited have implemented the following improvements for the period 2019 through to 2021

Main Process Boilers

The company uses approximately 10Kg per hour of dry steam produced at 10.5bar. In 2020 we replaced two of our old Beel Minster 6,000Kg / hour boilers with new Cochran Equinox units rated at 7,000/Kg / hour. The Cochran ST37LN steam package boilers have been designed to achieve 100mg/Nm3 NOx emissions for Natural gas firing, each boiler supplied with flue gas economiser to maximise efficiency providing Nett. efficiency up to 95% based on EN12953 calculations.

Lighting Improvements

Dunlop Aircraft Tyres commenced a program in 2019 to replace all of its internal and external lighting with high efficiency LED fittings. The majority of our factory lighting was achieved using 5' twin fluorescent fittings. To date we have replaced over 1,400 light fittings with the new units, the remainder being replaced on a failure replacement policy.

New Extruder

Dunlop Aircraft Tyres are at present completing the installation of a new duplex cold feed extrusion line replacing a 1950's hot feed line fed from three open mills. The efficiency of this line will be considerably improved as the new system does not require open mills. As our current heaviest consumer of electricity, we expect over £100,000 per year in energy savings.

Financial risk management

Financial risk management has been detailed in the Strategic report.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Dunlop Aircraft Tyres Limited

Directors' report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Disclosure of information to auditor

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on 29 September 2021 and signed on its behalf.



S Ray
Director

40 Fort Parkway
Birmingham
B24 9HL

Dunlop Aircraft Tyres Limited

Independent auditors' report to the members of Dunlop Aircraft Tyres Limited

Report on the audit of the financial statements

Opinion

In our opinion, Dunlop Aircraft Tyres Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Dunlop Aircraft Tyres Limited

Independent auditors' report to the members of Dunlop Aircraft Tyres Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Dunlop Aircraft Tyres Limited

Independent auditors' report to the members of Dunlop Aircraft Tyres Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety legislation, product specification requirements, and employment and taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and profits and the manipulation of accounting estimates and judgements which could be subject to management bias. Audit procedures performed by the engagement team included:

- Understanding and evaluating the key elements of the company's internal controls related to estimates.
- Reviewing accounting estimates for management bias and validating support behind assumptions and judgments made by management, including challenging possible alternatives.
- Reviewing minutes of meetings of those charged with governance to identify any inconsistencies with other information provided by management.
- Identifying and testing journal entries relating to unusual account combinations, entries posted by unusual users, and entries including specific words.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matt Palmer

Matt Palmer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

30 September 2021

Dunlop Aircraft Tyres Limited

Profit and loss account for the year ended 31 December 2020

All amounts are in £ thousands unless otherwise stated	Note	2020 Before Exceptional Cost	2020 Exceptional cost (Note 7)	2020 Total	2019 Before Exceptional Income (restated)	2019 Exceptional Income	2019 Total (restated)
Turnover	5	42,453	-	42,453	52,642	-	52,642
Cost of sales		(31,641)	-	(31,641)	(34,882)	-	(34,882)
Gross profit		10,812	-	10,812	17,760	-	17,760
Distribution costs		(5,896)	-	(5,896)	(5,440)	-	(5,440)
Administrative expenses		(9,174)	(1,896)	(11,070)	(8,637)	-	(8,637)
Other operating income	6	2,156	-	2,156	100	-	100
Profit on disposal of fixed asset	7	-	-	-	-	12,701	12,701
Operating (loss) / profit	8	(2,102)	(1,896)	(3,998)	3,783	12,701	16,484
Interest payable and similar expenses	12 & 28	(321)	-	(321)	(1,063)	-	(1,063)
(Loss) / Profit before taxation		(2,423)	(1,896)	(4,319)	2,720	12,701	15,421
Tax on (loss) / profit	13	203	360	563	71	(2,413)	(2,342)
(Loss) / Profit for the financial year		(2,220)	(1,536)	(3,756)	2,791	10,288	13,079

The notes on pages 19 to 40 form part of these financial statements.

Dunlop Aircraft Tyres Limited

Balance Sheet as at 31 December 2020

All amounts are in £ thousands unless otherwise stated	Note	2020	2019 (restated)
Fixed assets			
Intangible assets	14	3,834	3,761
Tangible assets	15	19,459	20,500
Investments	16	2,575	2,575
		25,868	26,836
Current assets			
Stocks	17	9,722	10,175
Debtors (including £33,387,703, (2019: £30,612,000) due after more than one year)	18	58,517	51,926
Cash at bank and in hand		4,604	-
		72,843	62,101
Creditors: amounts falling due within one year	19	(17,567)	(20,286)
Net current assets		55,276	41,815
Total assets less current liabilities		81,144	68,651
Creditors: amounts falling due after more than one year	20	(11,057)	(6,453)
Provisions for liabilities			
Deferred tax	22	(1,670)	(1,399)
Other provisions	23	(472)	(362)
Net assets		67,945	60,437
Capital and reserves			
Called up share capital	25	3,617	801
Share premium account	25	8,448	-
Capital redemption reserve		175	175
Other reserves		138	138
Retained earnings		55,567	59,323
Total equity		67,945	60,437

The notes on pages 19 to 40 are an integral part of these financial statements.

The financial statements on pages 16 to 40 were authorised for issue by the board and were signed on its behalf on 29 September 2021.

S D Ray

S Ray
Director
Dunlop Aircraft Tyres Limited (Registered number: 03226333)

Dunlop Aircraft Tyres Limited

Statement of changes in equity for the year ended 31 December 2020

All amounts in £ thousands unless otherwise stated

	Called up share capital	Share premium account	Capital redemption reserve	Other Reserves	Retained earnings	Total
Balance as at 1 January 2019	801	-	175	138	46,244	47,358
Profit for the year (restated)	-	-	-	-	13,079	13,079
Balance as at 31 December 2019 and 1 January 2020 (restated)	801	-	175	138	59,323	60,437
Loss for the year	-	-	-	-	(3,756)	(3,756)
Shares issued	2,816	8,448	-	-	-	11,264
Balance as at 31 December 2020	3,617	8,448	175	138	55,567	67,945

The notes on pages 19 to 40 are an integral part of these financial statements.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

1. General information

Dunlop Aircraft Tyres Limited ("the Company") is a private company limited by shares and incorporated in England and Wales. The Company designs, manufactures and sells aircraft tyres. The Company has a manufacturing plant in the UK and a subsidiary in the People's Republic of China and sells its products worldwide. The address of its registered office is 40 Fort Parkway, Erdington, Birmingham, West Midlands, B24 9HL.

2. Statement of compliance

The individual financial statements of Dunlop Aircraft Tyres Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") including amendments introduced by the Triennial review 2017 and the Companies Act 2006.

3. Summary of significant accounting policies

a) Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on the going concern basis, under the historical cost convention as modified by having certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future being a period at least 12 months from the date of signing of these financial statements

The group, of which the Company is part, is financed by a term loan facility from Permira totalling £32,945,000 which is fully drawn, a revolving credit facility provided by RBS of £10,000,000 of which £8,957,000 was drawn at year end and a Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility of £7,500,000 which was £2,100,000 drawn at the year end. These facilities were due to mature on 15 June 2023 for the term loan element, 15 December 2022 for the RCF and 1 January 2023 for the CLBILS facility. There is also a \$3,000,000 (fully drawn) term loan from Standard Chartered Bank in Hong Kong that is scheduled to mature on 10 April 2023.

The business (along with many other businesses servicing the civil aerospace sector) has been significantly impacted by the COVID 19 pandemic. Whilst the freight and military parts of the business have been less affected, the number of civil aviation flights in 2020 has been significantly reduced and this is one of the key drivers of the group's sales.

Recognising the impact of COVID 19 on the business, shareholders financially supported the group by subscribing for new share capital during 2020 of £11,264,000.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

b) *Going concern (continued)*

As part of the CLBILS process and the amendments to the Term Loan and RCF facilities, the related covenants were modified to reset them, with appropriate headroom, to fully reflect current market conditions and the most up-to-date forecasts.

The cash flow forecasts for the Group that the directors have prepared, are based on their current best estimate of trading levels with the Group's key customers and the Group's expected cost base. They have been sensitised for reasonably possible scenarios and show that the Group can operate within the available facilities and existing covenants for the foreseeable future.

However, these cash flow forecasts also indicate that the Group will not generate sufficient cash flows to repay each of the Group's loans in full as they reach their respective terms at the end of 2022 and, for the Term Loans, into 2023. The expectation is that the existing debt will be refinanced as it falls due. The directors are not aware of any circumstances that would prevent such refinancing.

Based on their assessment, the directors have a reasonable expectation that the Group/parent company and the Company has adequate resources to continue in operational existence for the foreseeable future. The Group, parent company and the Company therefore continue to adopt the going concern basis in preparing its financial statements.

c) *Exemptions for qualifying entities under FRS 102*

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Tyre Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

d) *Consolidated financial statements*

The Company is exempt, by virtue of s400 of the Companies Act, from the requirement to prepare group financial statements as it and its subsidiary are included by full consolidation in the consolidated financial statements of Tyre Holdings Limited, a company incorporated in England and Wales. These financial statements are the Company's separate financial statements.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

e) Foreign currency

i. Functional and presentational currency

The Company's functional and presentation currency is the pound Sterling.

ii. 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 year 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 profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within "finance (expenses) / income". All other foreign exchange gains and losses are presented in the profit and loss account within "Other operating (losses) / gains".

f) Turnover and other operating income

Turnover comprises of revenue which is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

The Company bases its estimate of returns on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and when specific criteria relating to each of the Company's sales channels have been met, as described below.

i. Outright sale of goods and single unit price agreements

The Company manufactures and sells new and retread tyres to a range of markets both geographical and market types from distributors, stockist, original equipment manufacturers and airlines. Sales of goods under outright purchase and single unit price agreements are recognised when the agreed or contractual delivery conditions have been met, typically to the location specified by the customer, the risks of obsolescence or loss have been transferred to the

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

f) *Turnover and other operating income (continued)*

i. Outright sale of goods and single unit price agreements (continued)

customer, the customer has accepted the products in accordance with the sales contract or the Company has objective evidence that all criteria for acceptance have been satisfied.

Sales are normally made with a credit term of, on average 60 days. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

ii. Cost per landing contracts

The Company invoices the end user for the number of landings made by each tyre in an agreed period (typically a calendar month). Revenue is recognised in the month the landing is made.

iii. Testing income

The Company will charge third parties and its subsidiary companies for use of its testing facilities. Revenue is recognised on completion of the test report to the customer.

iv. Interest income

Interest income is recognised using the effective interest rate method.

v. Dividend income

Dividend income is recognised when the right to receive the payment is established.

vi. Furlough (JRS) scheme income

Income received as part of the coronavirus job retention scheme is shown as Other Operating Income (see note 6)

g) *Employee benefits*

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

i. Short term benefits

Short term benefits, including holiday pay and similar non-monetary benefits are recognised as an expense in the period in which the service is received.

ii. Defined contribution 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 when they are due. Amounts not paid are shown in other taxation and social security within creditors in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

iii. Annual bonus plan

The Company operates an annual bonus plan for some of its employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the current year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred tax arises from timing differences that are the difference between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

i) Investments

Investments held as fixed assets are stated at cost less provision for impairment. The investment in subsidiary undertakings is reviewed on a continuous basis for any impairment. To the extent that the carrying value exceeds the recoverable amount an impairment loss is recorded for the difference as an expense in the profit and loss account. The recoverable amount used for impairment testing is the higher of the value in use and its fair value less costs of disposal. For the purposes of impairment testing assets are grouped at the lowest levels for which there are separately identifiable cash flows.

j) Intangible fixed assets

i. Intangible assets are being amortised over the length of the agreement (see note 14)

ii. Deferred development expenditure is amortised over the first five years of the related tyre's commercial life.

Provision is made for any impairment if the commercial viability of the related tyres does not meet forecast demand.

iii. Patents and trademarks are included at cost and amortised in equal instalments over period of 99 years, their estimated useful economic life. Cost includes external purchase costs.

iv. Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

j) Intangible fixed assets (continued)

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The amortisation is recognised in administrative expenses in the profit and loss account.

k) Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price external costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

i. Leasehold improvements

Leasehold improvements includes the cost of improvements made to the leasehold factory and a leasehold distribution centre. Improvements are made to the leasehold property for operational requirements.

ii. Plant & machinery, fixtures and fittings.

Plant and machinery, including tooling costs, fixtures and fittings, including computer hardware costs, are stated at cost less accumulated depreciation and accumulated impairment losses.

iii. Assets under construction

Assets under construction are stated at cost plus any external costs incurred in the installation, commissioning and final production development phases. On final hand over to production, the costs associated with the asset are transferred to the appropriate category.

iv. Depreciation and residual values

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of fixed assets, less estimated residual value, of each asset over its expected useful lives as follows:

• Land	- not depreciated
• Buildings	- 25 years
• Plant and machinery	- 3 years to 20 years
• Fixtures and fittings	- 3 years to 5 years
• Assets under construction	- not depreciated

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

v. Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying value or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the costs can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

l) *Borrowing costs and Investments*

All borrowing costs are recognised in profit or loss in the period in which they are incurred. Investment in subsidiary companies are held at cost less accumulated impairment losses.

m) **Leased assets**

At inception the Company assesses agreements that transfer the right to use assets. The assessments consider whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at the commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, are included in the cost of the asset.

Assets are depreciated over the estimated useful life of the asset.

The capital element of the lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

In 2019, the Company undertook a Sale & Leaseback transaction of the main UK site in Erdington. The lease is for a minimum period of 25 years and is considered to be an operating lease with the rental costs being charge on a straight line basis over the term of the lease. There were no rent free periods or lump sum incentives.

iii. Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

n) **Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

n) *Impairment of non-financial assets (continued)*

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or the asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or the asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or the asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

o) *Stock*

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on a first in first out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

p) *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank balances. Bank overdrafts are shown within borrowings in current liabilities.

q) *Provisions and contingencies*

i. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued) q) Provisions and contingencies (continued)

i. Provisions (continued)

In particular the Company has made a provision for warranty costs based upon the 12 months warranty period offered by the Company on all products.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

ii. Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that an amount cannot be reasonably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

r) Financial Instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial instruments, including trade and other debtors, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying value does not exceed what the carrying value would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

3. Summary of significant accounting policies (continued)

s) *Financial instruments (continued)*

ii. Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, amounts owed to group undertakings and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

t) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u) *Distributions to equity holders*

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

4. Critical accounting judgements and estimation uncertainty

In 2019, the group undertook a Sale & Leaseback transaction of the main UK site in Erdington. The lease is for a minimum period of 25 years and is considered to be an operating lease, not a finance lease, with the rental costs being charge on a straight line basis over the term of the lease. There were no rent free periods or lump sum incentives.

Estimates and judgments 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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:

i. Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based upon technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the tangible fixed assets and note 3.k.iv for the useful economic lives for each class of asset.

ii. Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit insurance arrangements for and credit rating of the debtor, the aging profile of debtors and historical experience. See note 18 for the net carrying amount of the debtors and associated impairment provision.

ii. Warranty costs

The Company offers a basic 12 month warranty for all tyres sold by the Company and its subsidiaries.

The Company evaluates returned tyres and customer issues to assess responsibility or at fault status and determines future liabilities based on historic records, using that evaluation to set an appropriate provision for warranty costs.

iii. Valuation of stock

The Company designs, manufactures and supplies aircraft tyres and services to the world's aerospace industry which is subject to changing customer demands and technological change. As a result it is necessary to consider the valuation and provisioning. Management considers the nature and condition of stock, as well as assumptions for expected future demand for the products, when calculating the level of stock provisioning. See note 17 for the net carrying value of stock and associated provision.

iv. Valuation of derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

4. Critical accounting judgements and estimation uncertainty (continued)

v. Capitalised development costs

Time incurred on development projects is capitalised based on time records of individual staff members working on the respective projects to reduce the amount of judgemental estimates.

5. Turnover

An analysis of turnover by class of business is as follows:

	2020	2019
Manufacturing of tyres	42,453	52,642

A geographical analysis of turnover by destination is as follows:

	2020	2019
United Kingdom	5,305	8,134
Rest of European Union	8,423	14,875
The Americas	20,307	16,242
Middle East and Africa	3,640	7,769
Asia Pacific	4,778	5,622
	42,453	52,642

All the Company's turnover originated in the United Kingdom.

During 2020 and 2019, turnover invoiced in foreign currency was translated at the average monthly rate against the Pound Sterling.

6. Other operating income

	2020	2019
Other operating income	2,156	100
	2,156	100

Other operating income consists mainly of furlough coronavirus job retention scheme (£2,087,000) and also includes testing fees paid by customer for using the Test Facilities at Fort Dunlop and also monies received from a customer for a product development programme.

7. Profit of disposal of fixed asset

On 22 March 2019 the Land and Buildings were sold in a sale and leaseback transaction. The purchase price, net of expenses, was £16,834,000 resulting in a profit on disposal of £12,701,000. £5,500,000 of the proceeds were used to reduce the revolving credit facility at the time of the transaction.

2020 Exceptional costs of £1,896,000 relate to the redundancy costs due to the restructuring during the year.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

8. Operating profit

Operating profit is stated after (crediting)/charging:

	2020	2019
Depreciation of owned fixed assets	2,412	1,929
Amortisation of intangible fixed assets	338	265
Operating lease rentals	1,476	1,285
Foreign exchange losses	1,367	1,513
Impairment of trade receivables	-	-
Amounts written off inventory	-	401

9. Fees payable to the auditors

	2020	2019
Fees payable to the Company's auditors and its associates for the audit of the Company's financial statements	104	104
	104	104

Amounts receivable by the Company's auditor and its associates in respect of services to the company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Tyre Holdings Limited.

10. Staff costs

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

	2020	2019
Wages and salaries	13,417	16,232
Social security costs	2,619	1,825
Other pension costs – see note 26	718	915
	16,754	18,972

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

	2020	2019
	No.	No.
Administration	106	125
Manufacturing	326	321
	432	446

There is £126,000 of outstanding pension contributions in the current year (2019: £146,000).

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

11. Directors' remuneration

	2020	2019
Directors' remuneration	762	832
Company pension contributions to defined contribution pension schemes	41	44

During the year retirement benefits were accruing to 5 directors (2019: 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £213,000 (2019: £238,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,000 (2019: £13,000).

12. Interest payable and similar expenses

	2020	2019 (restated)
Interest payable	345	321
Total interest expense on financial liabilities not measured at fair value through profit or loss	345	321
Loss on derivative financial instruments	(24)	742
Total interest payable and similar expenses	321	1,063

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

13. Tax on profit

	2020	2019
Current tax		
UK corporation tax charge on (loss) / profit for the year	(535)	1,325
Adjustments in respect of prior periods	(299)	(40)
Total current tax	(834)	1,285
Deferred tax		
Origination and reversal of timing differences	(192)	1,063
Effect of increased tax on opening liability	203	(79)
Adjustments in respect of prior periods	260	73
Total deferred tax (see note 22)	271	1,057
Tax on (loss) / profit	(563)	2,342

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020	2019
(Loss) / Profit before tax	(4,319)	15,421
(Loss) / Profit before taxation multiplied by standard of corporation tax in the UK 19.00% (2019: 19.00%)	(820)	2,930
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	93	56
Income not taxable	-	(2,413)
Effects of group relief	-	1
Gains/rollover relief	-	1,815
Adjustments in respect of prior years	(39)	32
Tax rate changes	203	(79)
Tax (credit) / charge for the year	(563)	2,342

Factors that may affect future tax charges

The Company is continuing to invest in new plant and machinery to increase productive capacity and reduce energy costs. This will result in capital allowances continuing to exceed depreciation.

The UK Government announced in the Spring Budget on 3rd March 2021 that the rate of Corporation Tax will increase from 1st April 2023 to 25%.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated.

14. Intangible assets

	Patents and trademarks	Deferred development expenditure	Software	Total
At 31 December 2019				
Cost	4	4,938	490	5,432
Accumulated amortisation and impairment	(4)	(1,281)	(386)	(1,671)
Net book amount	-	3,657	104	3,761
Opening net book amount	-	3,657	104	3,761
Additions	-	411	-	411
Amortisation	-	(317)	(21)	(338)
Closing net book amount	-	3,751	83	3,834
At 31 December 2020				
Cost	4	5,349	490	5,843
Accumulated amortisation and impairment	(4)	(1,598)	(407)	(2,009)
Net book amount	-	3,751	83	3,834

15. Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Assets under construction	Total
At 31 December 2019				
Cost	23,867	1,817	4,138	29,822
Accumulated depreciation	(8,737)	(585)	-	(9,322)
Net Book amount	15,130	1,232	4,138	20,500
Opening net book amount	15,130	1,232	4,138	20,500
Additions	608	8	755	1,371
Depreciation	(2,291)	(121)	-	(2,412)
Closing net book amount	13,447	1,119	4,893	19,459
At 31 December 2020				
Cost	24,475	1,825	4,893	31,193
Accumulated depreciation	(11,028)	(706)	-	(11,734)
Net Book amount	13,447	1,119	4,893	19,459

The depreciation is recognised in administrative expenses in the profit and loss account.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

16. Investments

	2020	2019
Cost or valuation and net book value		
At 1 January	2,575	2,575
Disposals	-	-
At 31 December	2,575	2,575
Analysed as:		
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	2,575	2,575
Net book value	2,575	2,575

The Company's investments at the balance sheet date in the ordinary share capital of companies include the following:

Company name	Country of incorporation	Nature of business	Class of shares held	2020 ownership	2019 ownership
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	China	Retreading & distribution of aircraft tyres	Ordinary	63%	63%

The registered office of Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited incorporated in China is No.2 Taikoo Road, Quanzhou Export Processing Zone, Cizao, Jinjiang, 362200, Fujian, China.

17. Stocks

	2020	2019
Raw materials	917	1,039
Work in progress	242	723
Finished goods and goods for resale	8,563	8,413
	9,722	10,175

There is no significant difference between the replacement cost of the inventory and its carrying amount.

The write-down of stocks to net realisable value amounted to £Nil (2019: £401,000).

18. Debtors

	2020	2019 (restated)
Trade debtors	3,834	6,345
Amounts owed by group undertakings	52,113	43,461
Other debtors	993	653
Corporation tax	544	-
Derivative financial instruments	80	370
Prepayments and accrued income	953	1,097
	58,517	51,926

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

18. Debtors (continued)

Amounts owed by group undertakings consist of trading balances that are subject to normal trading terms, a long term loan extended to Castle Mezzanine Limited, the Company's immediate parent and a long term loan to another group company, Dunlop Aircraft Tyres Inc, both of the intercompany loans are unsecured, interest is not charged on these loans (2019: nil) and are due after more than one year. Trade debtors are stated after provision for impairment of £168,000 (2019: £25,000).

19. Creditors: amounts falling due within one year

	2020	2019 (restated)
Trade creditors	5,795	7,159
Amounts owed to group undertakings	9,083	10,634
Other taxation and social security	62	1
Other creditors	519	335
Bank loans and overdrafts	93	131
Corporation tax	-	183
Accruals and deferred income	2,015	1,843
	17,567	20,286

20. Creditors: amounts falling due after more than one year

Amounts falling due after more than one year:

	2020	2019
Revolving credit facility	8,957	6,453
CLBILS	2,100	-
	11,057	6,453

21. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2020	2019
Creditors: amounts falling due within one year		
Overdraft (part of RCF)	93	131
Creditors: amounts falling due after more than one year		
Revolving credit facility (RCF)	8,957	6,453
CLBILS	2,100	-
	11,057	6,584

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020	2019
RCF	GBP	LIBOR + 3.25%	2022	On maturity	6,596	4,266
RCF	USD	LIBOR + 3.25%	2022	On maturity	2,001	2,187
CLBILS	GBP	LIBOR + 2.30%	2022	On maturity	2,100	-

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

21. Interest bearing loans and borrowings (continued)

The loans are secured through a fixed and floating charge over the group's assets and cross guarantee structure.

22. Deferred tax

Movement in deferred tax during the year:

	2020	2019
At beginning of year	1,399	343
Adjustment in respect of prior years	260	72
Deferred tax charge to income statement for the year	11	984
At end of year	1,670	1,399

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Accelerated capital allowances	-	-	-	-	-	-
Fixed asset timing differences	-	-	2,197	1,479	2,197	1,479
Short term timing differences – trading	(77)	(80)	-	-	(77)	(80)
Losses	(380)	-	-	-	(380)	-
R&D expenditure credit	(70)	-	-	-	(70)	-
Net assets	(527)	(80)	2,197	1,479	1,670	1,399

23. Other provisions

	Dilapidation Provision	Warranty provision	Total Provisions
At 1 January 2020	197	165	362
Additional provisions made during the year	133	193	326
Amounts utilised in the year	-	(216)	(216)
At 31 December 2020	330	142	472

The warranty provision represents future costs expected to be incurred under warranty agreements for certain product lines. The warranty period is 12 months.

The dilapidation provision is for costs relating to a lease on the Company's distribution warehouse ending during 2019. Although the warehouse has now been exited, the dilapidations cost were only agreed or settled in March 2021.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

24. Derivative financial instruments

The Company enters into forward exchange contracts and swaps to mitigate the exchange rate risk for certain foreign currency receivables. At the 31 December 2020, the outstanding contracts mature within 12 months (2019: 12 months) of the year end. The Company is committed to sell US\$8,800,000 and receive a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using the valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP: USD.

25. Called up share capital and Share premium account

	2020	2019
Allotted, called up and fully paid		
800,869 (2019: 800,869) Ordinary shares of £1 each	801	801
2,816,081 Ordinary shares of £1 each, issued in the year	2,816	-
3,616,950 (2019: 800,869) Ordinary shares of £1 each	3,617	801

During the year, 2,816,081 ordinary shares of £1 each were issued (2019: none) at a price of £4 per share resulting in an increase in the Share premium account of £8,448,243 (2019: nil).

26. Pension commitments

The Company operates a defined contribution scheme. The pension cost charge for the year represents contributions payable by the Company which amounted to £718,000 (2019: £915,000).

Contributions amounting to £126,000 (2019: £146,000) were payable to the scheme at the end of the year and are included in other creditors within creditors (note 19).

27. Operating lease commitments

At 31 December 2020 the Company had the following commitments under non-cancellable operating leases as follows:

	2020	2019
Future minimum lease payments		
Within 1 year	1,330	1,330
Between 2 and 5 years	5,320	5,320
After more than 5 years	17,190	18,250

28. Capital commitments

	2020	2019
Amounts contracted for but not provided in the financial statements	146	96

The Company continues to modernise its production facilities at Fort Dunlop and continues to invest in new tyre building equipment and ancillary building work.

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

29. Contingent liabilities

The Company has provided a £27,350 (2019: £80,000) guarantee to the Royal Bank of Scotland in respect of deferred duty claims from HM Revenue and Customs, £18,000 guarantee to the Royal Bank of Scotland in respect of EC Community Transit from HM Revenue and Customs (2019: £18,000), and guarantees of £253,860 (2019: £278,250) for performance bonds and warranties also to the Royal Bank of Scotland.

30. Prior Year Adjustment

In the prior year, the derivative financial instrument position has been misstated. In the year ended 31 December 2019, the derivative position was incorrectly presented as a net liability when actually it was in a net asset position. The net liability was a £102,000 asset in derivative financial instruments and a £370,000 liability in accruals and deferred income, giving a net liability of £268,000. This has been corrected by increasing the derivative financial instruments by £268,000 and reducing accruals and deferred income by £267,000, with the net impact of a £535,000 reduction in Interest payable and similar expenses in profit and loss account. The adjustment increased Retained earnings and Net assets by £535,000 and there was no impact on the opening net assets at the beginning of the comparative period.

	As at 31 December 2019	Prior year adjustment	(Restated) as at 31 December 2019
As at 31 December 2019			
Derivative financial instruments (Debtors)	102	268	370
Accruals and deferred income	(2,110)	267	(1,843)
Interest payable and similar expenses	(1,598)	535	(1,063)
Retained earnings	58,788	535	59,323

31. Related parties

The Company has applied the exemptions available under paragraph 33.11 of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries.

As Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited is not a wholly owned subsidiary, we disclose the Company's transactions with Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited below.

	Sales to related party		Administrative expenses incurred from related party	
	2020	2019	2020	2019
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	2,045	3,349	1,208	1,540
	Receivables outstanding		Creditors outstanding	
	2020	2019	2020	2019
Dunlop Taikoo (Jinjiang) Aircraft Tyres Company Limited	2,779	1,298	1,125	1,273

Dunlop Aircraft Tyres Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

All amounts are in £ thousands unless otherwise stated

32. Ultimate controlling party

The ultimate parent and controlling party is Liberty Hall Capital Partners LP.

Tyre Holdings Limited is the immediate parent of the smallest and largest group of which Dunlop Aircraft Tyres Limited is a member and for which consolidated financial statements are prepared. Copies of the financial statements of Tyre Holdings Limited are available from:

40 Fort Parkway
Erdington
Birmingham
West Midlands
B24 9HL

The direct parent is Castle Mezzanine Limited.