

ZAFCO UK Holding Limited

Company Registration Number: 10279764 (England and Wales)

ZAFCO UK Holding Limited

Consolidated Financial Statements

For the year ended 31 December 2018

Russell Phillips Limited
Chartered Accountants
23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES



ZAFCO UK Holding Limited

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ZAFCO UK Holding Limited

Company Information

Directors	Zafar Hussain Amir Abbas Rashmi Bhola
Registered office	23 Station Road Gerrards Cross Buckinghamshire SL9 8ES
Auditors	Russell Phillips Limited Chartered Accountants 23 Station Road Gerrards Cross Buckinghamshire SL9 8ES

ZAFCO UK Holding Limited

Strategic Report

The directors' strategic report is presented for the year ended 31 December 2018.

Review of the business and development and performance

The principal activity of the group is that of the wholesale distribution of tyres and ancillary products. Turnover for the period ended 31 December 2018 was in line with the directors' expectations at £ 70.94 million.

The gross profit margin for the period was 16.46% resulting in a gross profit of £ 11.68 million.

The group's overheads for the reporting period totalled £9.61 million. This level of expenditure was in line with the directors' expectations.

The group's operating profit for the reporting period was £2.07 million. The directors consider this to be in line with expectations.

Net cash generated during the reporting period amounted to negative £0.68 million, resulting in net cash held at 31 December 2018 of £2.09 million. The directors consider the balance of cash held by the group to be satisfactory. It is necessary for the group to hold this level of cash reserve to be able to successfully compete in an increasingly competitive market and to develop new business relationships and investments in the Far East in order to secure the supply of its products at competitive prices and to be able to be responsive to changing market conditions.

The directors expect the group's level of trading to be maintained in the foreseeable future and no major changes are expected or other risks anticipated. The directors aim to maintain their current management policies.

Principal risks and uncertainties

The company's principal risks and uncertainties are considered to be as follows:

Suppliers - The group's major suppliers are based overseas. The directors continually monitor production and delivery times. Adequate insurance is maintained against possible losses of stock in transit.

Competition - The group operates in a very competitive environment. Products are kept under constant review to ensure that they meet the market demands.

Key staff - There are number of key employees who are considered to be crucial to the success of the business. Staff relationships and packages are such that key personnel are retained.

Foreign exchange movements - As the group's major suppliers are based overseas there is a greater exposure to movements in foreign currency. The group uses forward currency contracts to mitigate the risk on contracts and liabilities not denominated in pounds sterling.

ZAFCO UK Holding Limited

Strategic Report (continued)

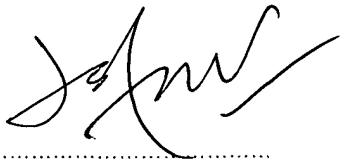
Key performance indicators

The directors monitor the progress of the group by reference to certain financial and non-financial key performance indicators in the following areas:

- Sales targets and margins
- Cash collected and debtor book
- Health and safety
- Staff welfare
- Environmental
- Customer satisfaction

The group performed in line with expectations for the key performance indicators.

ON BEHALF OF THE BOARD:



.....
Zafar Hussain
Director

Date: 10/12/2019

ZAFCO UK Holding Limited

Directors' Report for the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

The directors who held office during the period were as follows:

Amir Abbas
Rashmi Bhola
Rishi Vig (resigned 29 March 2018)
Zafar Hussain (appointed 29 March 2018)

Principal activity

The principal activity of the group is wholesale and retail of tyres and ancillary products.

Going concern

The Group is carrying an accumulated loss of £1,613,976 (2017 £3,683,771) and had net liabilities of £1,882,608 (2017 £3,631,562). However, its parent company Zafco Group Holding Limited has guaranteed financial support and, on this basis, directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from withdrawal of such support. The profit for the period was satisfactory and in line with expectations.

Disclosure in the strategic report

The Companies Act 2006 (Strategic Report and Directors' Report) regulations 2013 requires a Strategic Report to be prepared. Where mandatory disclosures in the Directors' Report are considered by the directors to be of strategic importance these have been included within the Strategic Report rather than the Directors' Report in accordance with s.414C (11) Companies Act 2006.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Group and parent company and of the profit or loss of the Group and parent company for that period. In financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

ZAFCO UK Holding Limited

Directors' Report for the year ended 31 December 2018 (continued)

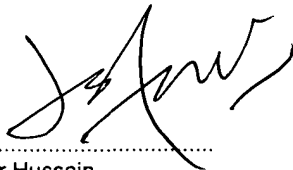
Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors, Russell Phillips Limited is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board on 10 December 2019 and signed on its behalf by:



.....
Zafar Hussain
Director

ZAFCO UK Holding Limited

Independent auditor's report to the members of Zafco UK Holding Limited

Opinion

We have audited the financial statements of Zafco UK Holding Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2018, which comprise the Consolidated Statement of Income and Retained Earnings, Consolidated Balance Sheet, Consolidated Cash Flow Statement and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company, in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 of the financial statements. In view of the significance of this uncertainty we consider that it should be brought to your attention but our opinion is not qualified in this respect.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

ZAFCO UK Holding Limited

Independent auditor's report to the members of Zafco UK Holding Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

ZAFCO UK Holding Limited

Independent auditor's report to the members of Zafco UK Holding Limited (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

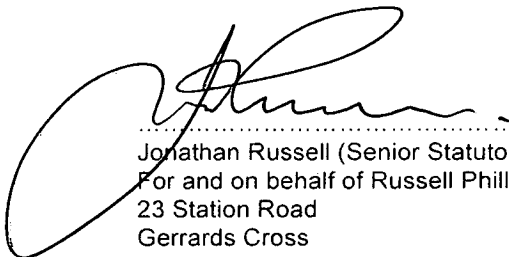
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Jonathan Russell (Senior Statutory Auditor)
For and on behalf of Russell Phillips Limited, Statutory Auditor
23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES

13 December 2019

ZAFCO UK Holding Limited

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	5	70,936,565	52,359,101
Cost of sales		(59,259,352)	(44,901,402)
Gross profit		11,677,213	7,457,699
Other operating income		378,181	-
Administrative expenses		(9,112,765)	(6,009,325)
Profit from operations		2,942,629	1,448,374
Finance expense		(365,298)	(325,735)
Finance income		6,200	9,588
Profit before tax	6	2,583,531	1,132,227
Tax expense	8	(538,280)	(1,021,250)
Profit from continuing operations		2,045,251	110,977
Profit/(loss) on discontinued operations, net of tax		24,544	(29,958)
Profit		2,069,795	81,019
Profit attributable to			
Owners of the parent		2,069,795	81,019

ZAFCO UK Holding Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018	2017
Profit		2,045,251	110,977
Other comprehensive income			
Items that will not be classified to profit or loss			
Loss from discontinued operations		24,544	(29,958)
		<u>24,544</u>	<u>(29,958)</u>
Items that will or may be reclassified to profit or loss			
Exchange gains arising on foreign operations		(119,301)	-
		<u>(119,301)</u>	<u>-</u>
Other comprehensive income for the year, net of tax		(94,757)	(29,958)
Total comprehensive income		<u>1,950,494</u>	<u>81,019</u>
Total comprehensive income for the year attributable to			
Owners of the parent		<u>1,950,494</u>	<u>81,019</u>

ZAFCO UK Holding Limited

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 £	2017 £	Company 2018 £	2017 £
Assets					
Current assets					
Inventories	12	13,904,888	11,599,943	-	73,467
Trade and other receivables	13	15,305,931	19,766,591	110,364	451,818
Cash and cash equivalents		2,092,531	3,279,787	340,024	401,516
		<u>31,303,350</u>	<u>34,646,321</u>	<u>450,388</u>	<u>926,801</u>
Non-current assets					
Property, plant and equipment	9	4,640,712	3,813,965	-	-
Investments in subsidiaries		-	-	7,444,233	15,062,984
Intangible assets	10	4,958,150	4,958,150	-	-
Deferred tax asset	17	1,127,728	1,389,583	-	-
		<u>10,726,590</u>	<u>10,161,698</u>	<u>7,444,233</u>	<u>15,062,984</u>
Total assets		<u>42,029,940</u>	<u>44,808,019</u>	<u>7,894,621</u>	<u>15,989,785</u>
Liabilities					
Current liabilities					
Trade and other payables	14	9,802,495	7,406,001	19,307	80,307
Loans and borrowings	15	25,499,557	19,814,209	8,056,666	16,122,963
		<u>35,302,052</u>	<u>27,220,210</u>	<u>8,075,973</u>	<u>16,203,270</u>
Non-current liabilities					
Loans and borrowings	15	8,589,497	21,168,275	-	-
Deferred tax liability	16	20,999	51,096	-	-
		<u>8,610,496</u>	<u>21,219,371</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>43,912,548</u>	<u>48,439,581</u>	<u>8,075,973</u>	<u>16,203,270</u>
NET ASSETS		<u>(1,882,608)</u>	<u>(3,631,562)</u>	<u>(181,352)</u>	<u>(213,485)</u>
Issued capital and reserves attributable to owners of the parent					
Share capital	18	50,000	50,000	50,000	50,000
Foreign exchange reserve	19	(318,632)	2,209	-	-
Retained earnings	19	(1,613,976)	(3,683,771)	(231,352)	(263,485)
		<u>(1,882,608)</u>	<u>(3,631,562)</u>	<u>(181,352)</u>	<u>(213,485)</u>
Equity attributable to ordinary shareholders		-	-	-	-
Non-controlling interest		-	-	-	-
TOTAL EQUITY		<u>(1,882,608)</u>	<u>(3,631,562)</u>	<u>(181,352)</u>	<u>(213,485)</u>

The financial statements on pages 9 to 29 were approved and authorised for issue by the Board of Directors on 10/12/2019 and were signed on its behalf by



Zafar Hussain
Director

ZAFCO UK Holding Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018	2017
Cash flows from operating activities			
Profit for the year		2,069,795	81,019
Adjustments for			
Depreciation of property, plant and equipment		574,401	559,142
Finance income		(6,200)	(9,588)
Finance expense		365,298	325,735
Loss/(gain) on sale of property, plant and equipment		45,301	1,158
		<u>3,048,595</u>	<u>957,466</u>
Increase in trade and other receivables		4,460,660	(21,156,174)
Increase in inventories		(2,304,945)	(11,599,943)
Increase in trade and other payables		2,396,494	48,276,194
Increase in provisions and employee benefits		231,758	163,387
		<u>7,832,562</u>	<u>16,640,930</u>
Cash generated from operations			
Income taxes paid		-	-
		<u>7,832,562</u>	<u>16,640,930</u>
Net cash flow from operating activities			
Investing activities			
Acquisition of subsidiary, net of cash acquired			(25,908,084)
Purchase of property, plant and equipment		(1,259,537)	(40,628)
Purchase of intangibles		-	(4,958,150)
Interest received		6,200	9,588
		<u>(1,253,337)</u>	<u>(30,897,274)</u>
Net cash used in investing activities			
Financing activities			
Issue of ordinary shares		-	50,000
Proceeds from loans and borrowings		687,197	19,144,444
Repayment of loans and borrowings		(7,580,627)	(1,657,777)
Interest paid on loans and borrowings		(365,298)	(325,735)
		<u>(7,258,728)</u>	<u>17,210,932</u>
Net cash (used in)/from financing activities			
Net increase in cash and cash equivalents		(679,503)	2,954,588
Cash and cash equivalents at beginning of year		3,279,787	-
Exchange (losses)/gains on cash and cash equivalents		(507,753)	325,199
		<u>2,092,531</u>	<u>3,279,787</u>
Cash and cash equivalents at end of year			

ZAFCO UK Holding Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital	Share premium	Foreign exchange reserve	Retained earnings	Total equity
	£	£	£	£	£
31 December 2017	50,000	-	2,209	(3,683,771)	(3,631,562)
Comprehensive income for the year					
Profit	-	-	-	2,045,251	2,045,251
Other comprehensive income	-	-	(320,841)	24,544	(296,297)
Total comprehensive income for the year	-	-	(320,841)	2,069,795	1,748,954
Contributions by and distributions to owners					
Issue of share capital	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
31 December 2018	50,000	-	(318,632)	(1,613,976)	(1,882,608)

	Share capital	Share premium	Foreign exchange reserve	Retained earnings	Total equity
	£	£	£	£	£
15 July 2016	-	-	-	-	-
Comprehensive income for the year					
Profit	-	-	-	81,019	81,019
Other comprehensive income	-	-	2,209	-	2,209
Total comprehensive income for the year	-	-	2,209	81,019	83,228
Contributions by and distributions to owners					
Issue of share capital	50,000	-	-	-	50,000
Acquisition of subsidiaries	-	-	-	(3,764,790)	(3,764,790)
Total contributions by and distributions to owners	50,000	-	-	(3,764,790)	(3,714,790)
31 December 2017	50,000	-	2,209	(3,683,771)	(3,631,562)

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 December 2018

1. Company information

The company is a private company limited by share capital, it was incorporated in England & Wales on 15th July 2016 and commenced trading on that date.

The address of its registered office is:
23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES

The principal place of business is:
Court Road Industrial Estate
Cwmbran
NP44 3AS

These financial statements were approved on December 2019.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (adopted IFRSs), together with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of Zafco UK Holding Limited and all its subsidiary undertakings drawn up to 31 December each year.

In presenting the parent company financial statements together with the group financial statements, the company has taken advantage of section 408 of the Companies Act 2006 and has not included its own individual income statement and related notes as part of these financial statements.

The parent company's (profit)/loss for the year ended 31 December 2018 was £32,131 (2017 (£263,485)).

Going concern

The group had net liabilities of £1,882,608 however its parent company Zafco Group Holding Limited has guaranteed financial support. After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Significant judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS **For the year ended 31 December 2018 (continued)**

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of trade debtors

An estimate of the collectible amount of trade debtors is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Additionally, a large number of minor trade debtors are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data.

At the reporting date, gross trade debtors were £ 14,662,915 (2017 £18,471,855) and the provision for doubtful debts was £245,698 (2017 £151,261). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When stock become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the stock type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross stock were £13,904,888 (2017 £11,599,943) with provisions for old and obsolete stock of £50,468 (2017 £12,219). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of intangible assets with indefinite useful lives (note 10)

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Useful lives of property and equipment and intangible assets

The Group's management determines the estimated useful lives of its property and equipment and definite useful life intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS **For the year ended 31 December 2018 (continued)**

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

4. Principal accounting policies

4.1. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

4.2. Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

4.3. Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

4.4 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Buildings	20 years
- Leasehold improvements	useful life not to exceed the term of the lease
- Plant and machinery	4 to 10 years
- Computer hardware	3 to 5 years
- Furniture and equipment	3 to 5 years
- Motor vehicles	3 to 5 years

4.5 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss

4.6 Investments

Investments comprise investments in unquoted equity instruments which are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is estimated by using a valuation technique.

4.7 Inventories

Inventories are stated at the lower of cost, on a weighted average basis, and net realisable value after making an allowance for any obsolete or slow moving items. Cost are those expenses incurred in bringing each product to its present location and condition, including fees charged for freight and import taxes and fees.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.8 Debtors

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

4.9 Creditors

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

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS **For the year ended 31 December 2018 (continued)**

4.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

4.11 Derivative financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

4.12 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

4.13 Taxation

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

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

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

Rendering of services

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

4.15 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

4.16 Foreign currency translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

5. Revenue

	2018	2017
Revenue, analysed geographically between markets, was as follows		
Europe	20,769,129	6,254,706
Rest of the world	50,167,436	46,104,395
	<u>70,936,565</u>	<u>52,359,101</u>
Revenue, analysed by category was as follows		
Sale of goods	70,936,565	52,192,049
Rental income	-	167,052
	<u>70,936,565</u>	<u>52,359,101</u>

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging

	2018	2017
Auditors' remuneration		
- Fees payable to the company's auditor for the audit of the company's annual accounts	16,168	21,000
- Tax compliance services	-	5,434
- Other assurance	18,600	19,437
- All other	-	6,474
Foreign exchange loss	(39,758)	18,094
Other operating lease rentals	695,575	376,407
	<hr/>	<hr/>

7. Employee benefit expenses

Employee benefit expenses (including directors) comprise:

	2018	2017
Wages and salaries	3,321,723	2,426,721
Defined contribution pension cost	134,366	22,737
Social security contributions and similar taxes	266,142	211,777
	<hr/>	<hr/>
	3,722,231	2,661,235

Key management personnel compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the company listed on page 4.

No compensation was paid to key management personnel during the year; in the prior period a total of £1,569,072 was paid.

Staff numbers

The average number of employees of the group during the year was as follows

	2018	2017
Sales and trading	17	13
Management	10	12
Warehousing	34	32
	<hr/>	<hr/>
	61	57

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

8. Tax expense

	2018	2017
Current tax expense		
Current tax on profits for the year	429,130	33,894
Adjustment for under/(over) provision in prior periods		2,483
Total current tax	<u>429,130</u>	<u>36,377</u>
Deferred tax expense		
Origination and reversal of temporary differences	109,150	984,873
Total deferred tax	<u>109,150</u>	<u>984,873</u>
	<u>538,280</u>	<u>1,021,250</u>

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

9. Property, plant and equipment

Current year - Group	Land and buildings	Warehouse machinery	Furniture and equipment	Vehicles	Total
Cost	£	£	£	£	£
At 1 January 2018	3,011,557	2,298,443	381,851	583,851	6,275,702
Additions	1,138,022	85,378	6,340	29,797	1,259,537
Disposals	-	(159,864)	-	-	(159,864)
Foreign exchange movements	158,262	93,395	19,675	984	272,316
At 31 December 2018	<u>4,307,841</u>	<u>2,317,352</u>	<u>407,866</u>	<u>614,632</u>	<u>7,647,691</u>
Depreciation					
At 1 January 2018	195,785	1,558,566	309,071	398,315	2,461,737
Depreciation	75,436	403,732	34,658	60,575	574,401
Disposals	-	(114,563)	-	-	(114,563)
Foreign exchange movements	9,649	59,021	15,833	901	85,404
31 December 2018	<u>280,870</u>	<u>1,906,756</u>	<u>359,562</u>	<u>459,791</u>	<u>3,006,979</u>
Net book values					
31 December 2018	<u>4,026,971</u>	<u>410,596</u>	<u>48,304</u>	<u>154,841</u>	<u>4,640,712</u>
31 December 2017	<u>2,815,772</u>	<u>739,877</u>	<u>72,780</u>	<u>185,536</u>	<u>3,813,965</u>

The net carrying amount of property, plant and equipment includes the following amounts held under finance lease: £- (2017 £-) Included within land and buildings is land of £3,340,965 (2017 £2,524,182) which is not depreciated.

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

9. Property, plant and equipment (continued)

Prior year - Group	Land and buildings	Warehouse machinery	Furniture and equipment	Vehicles	Total
Cost	£	£	£	£	£
At 15 July 2016	-	-	-	-	-
Additions	-	15,666	23,842	1,120	40,628
Acquired through business combinations	3,257,899	2,355,368	387,802	583,070	6,584,139
Disposals	-	-	(3,854)	-	(3,854)
Foreign exchange movements	(246,342)	(72,591)	(25,939)	(339)	(345,211)
At 31 December 2017	<u>3,011,557</u>	<u>2,298,443</u>	<u>381,851</u>	<u>583,851</u>	<u>6,275,702</u>
Depreciation					
At 15 July 2016	-	-	-	-	-
Depreciation	46,983	449,268	38,889	24,002	559,142
Acquired through business combinations	149,593	1,129,233	272,068	374,409	1,925,303
Disposals	-	-	(2,696)	-	(2,696)
Foreign exchange movements	(791)	(19,935)	810	(96)	(20,012)
31 December 2017	<u>195,785</u>	<u>1,558,566</u>	<u>309,071</u>	<u>398,315</u>	<u>2,461,737</u>
Net book values					
31 December 2017	<u>2,815,772</u>	<u>739,877</u>	<u>72,780</u>	<u>185,536</u>	<u>3,813,965</u>
15 July 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

10. Intangible assets

	Goodwill
Cost	
At 15 July 2016	-
Additions	4,958,150
Acquired through business combinations	
At 31 December 2017	<u>4,958,150</u>
Additions	
Acquired through business combinations	
At 31 December 2018	<u>4,958,150</u>
Accumulated amortisation and impairment	
At 15 July 2016	-
Amortisation charge	-
At 31 December 2017	<u>-</u>
Amortisation charge	-
At 31 December 2018	<u>-</u>
Net book values	
At 15 July 2016	<u>-</u>
At 31 December 2017	<u>4,958,150</u>
At 31 December 2018	<u>4,958,150</u>

11. Subsidiaries

The principal subsidiaries of Zafco UK Holding Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Class of share	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	
			2018	2017
United Tyre Company Limited	Ordinary	United Kingdom	100%	100%
ZAFCO Holdings US Inc	Ordinary	United States of America	100%	100%

12. Inventories

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Finished goods and goods for resale	13,904,888	11,599,943	-	73,467
	<u>13,904,888</u>	<u>11,599,943</u>	<u>-</u>	<u>73,467</u>

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

13. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade receivables	14,662,915	18,471,855	53,836	272,749
Less provision for impairment	(245,698)	(151,261)	-	-
Trade receivables - net	14,417,217	18,320,594	53,836	272,749
Other receivables	456,134	998,307	18,531	155,097
Total financial assets other than cash and cash equivalents classified at amortised cost	14,873,351	19,318,901	72,367	427,846
Amounts owed by group undertakings in which the company has a participating interest	-	-	37,997	23,972
Other prepayments	232,008	244,608	-	-
Tax expense	200,572	203,082	-	-
Total trade and other receivables	15,305,931	19,766,591	110,364	451,818

The deferred tax asset relates to carry forward trading losses as assessed for corporation tax purposes

14. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade payables	4,343,950	2,309,225	1,201	31,095
Other payables	2,181,001	1,772,388	-	49,212
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities at amortised cost.	6,524,951	4,081,613	1,201	80,307
Other taxes and social security	32,793	308,904	-	-
Tax expense	566,395	-	-	-
Provision for losses on forward currency contracts	61,222	29,881	-	-
Accruals and deferred income	2,617,134	2,985,603	18,106	-
Total trade and other payables	9,802,495	7,406,001	19,307	80,307

Amounts owed to group undertakings, and in which the company has a participating interest, are unsecured and repayable on demand.

15. Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Non-current				
Bank loans				
- Secured	632,268	-	-	-
- Unsecured	-	-	-	-
Amounts due to group undertakings	7,853,682	21,055,984	-	-
Deferred lease liability	103,547	112,291	112,291	-
Finance leases	-	-	-	-
	8,589,497	21,168,275	-	-
Current				
Overdrafts	1,481,003	-	-	-
Bank loans				
- Secured	1,055,253	-	-	-
- Unsecured	-	-	-	-
Amounts due to group undertakings	22,963,301	19,814,209	8,056,666	16,122,963
Finance leases	-	-	-	-
	25,499,557	19,814,209	8,056,666	16,122,963
Total loans and borrowings	34,089,054	40,982,484	8,056,666	16,122,963

The bank loans and overdrafts are secured by a fixed charge over the Group's freehold property and floating charges over the remaining assets of the group.

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

16. Provisions for liabilities and charges

Group	Lease Liability £	Deferred tax £	On acquisition £	Total £
At 1 January	-	(29,034)	80,130	51,096
Charged to profit or loss	-	50,033	(80,130)	(30,097)
At 31 December	-	20,999	-	20,999

17. Deferred tax

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
At 1 January	(29,034)	-	-	-
Recognised in profit and loss				
Tax expense	50,033	(29,034)	-	-
At 31 December	20,999	(29,034)	-	-

Details of the deferred tax liability, amounts recognized in profit or loss and amounts recognized in other comprehensive income are as follows:

Group	Asset £	Liability £	Net £
Accelerated capital allowances	-	(20,999)	(20,999)
Available losses	454,665	-	454,665
Other temporary and deductible differences	276,919	-	276,919
Business combinations	396,144	-	396,144
Net tax asset/(liabilities)	1,127,728	(20,999)	1,106,729

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

18. Share Capital

	2018		2017	
	Number	£	Number	£
Authorised				
Ordinary shares of £100 each	500	50,000	500	50,000
Issued and fully paid				
Ordinary shares of £100 each	500	50,000	500	50,000

19. Reserves

The following describes the nature and purpose of each reserve within equity.

Reserve	Description and purpose
Called up share capital	Represents the nominal value of shares that have been issued
Foreign exchange translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into Sterling (£)
Retained earnings	All other net gains/losses and transactions with owners (eg dividends) not recognized elsewhere

20. Leasing commitments

Non-cancellable operating lease rentals

Total commitments under non-cancellable operating leases are as follows

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Within one year	387,374	411,683	-	-
Between one year and five years	1,086,458	1,520,638	-	-
	<u>1,473,832</u>	<u>1,932,321</u>	<u>-</u>	<u>-</u>
Operating lease cost for the year in other operating expenses	<u>695,575</u>	<u>376,407</u>	<u>-</u>	<u>-</u>

ZAFCO UK Holding Limited

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (continued)

21. Contingent liabilities

Forward currency contracts

At 31 December 2018 the group had financial commitments of £ 5,296,303 (2017 £1,287,086) relating to forward currency contracts

Litigation

There are a number of cases representing claims by US Customs and Border Protection (CBP) against Zafco Holding US Inc in relation to duty payable on imported goods where additional duty is being assessed. The US company has provided amounts that are believed to be payable but collectively there is a further exposure of approximately \$2m

22. Parent and ultimate parent undertaking

The company's immediate and ultimate parent is Zafco Group Holding Limited, Incorporated in United Arab Emirates

23. Related party transactions

Details of directors' remuneration are given in note 7.

The company is a wholly owned subsidiary of its parent and ultimate parent ZAFCO Group Holding Limited and is included within its consolidated results and therefore has taken advantage of the exemption not to disclose related party transactions with its parent company and other wholly owned group companies.

Zafco UK Holding Limited has provided an unlimited guarantee in respect of the banking facilities of United Tyre Company Limited. This guarantee is in favour of Barclays Bank plc.

24. Financial risk management

The group has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange transactional currency exposure

The group is exposed to currency exchange rate risk due to a significant proportion of its purchases and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts, currency loans or overdrafts. The forward foreign exchange contracts all mature within 12 months.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.

25. Events after the reporting date

On 30 January 2019, Zafco Holding US Inc, entered into an asset based line of credit with a financial institution in the amount of \$20m. The company is subject to various affirmative and negative covenants under the agreement. Borrowings are subject to a borrowing based calculation which are provided to the financial institution to ascertain collateral sufficiency.

On the 25 June 2019 Zafco UK Holding Limited acquired 100% of the share capital of Zafco Europe GmbH for €25,000, being its nominal (par) value.