Registered No. 02738056

# Reca-UK Limited

## Annual Report and Financial Statements

31 December 2021

# Company Information

## Directors
S Funnell
J Kavanagh

## Secretary
J Kavanagh

## Auditor
Ernst & Young LLP
No. 1 Colmore Square
Birmingham B4 6HQ
United Kingdom

## Banker
HSBC Bank Plc
8 Canada Square
London E14 5HQ
United Kingdom

## Registered Office
Doranda Way
West Bromwich
West Midlands B71 4LU
United Kingdom

## Solicitor
Massers Solicitors
15 Victoria Street
Nottingham
NG1 2JZ
United Kingdom

Registered No. 02738056

# Strategic report

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

## Principal activity and review of the business

The Company's principal activity is the sale of construction related consumables (nuts, bolts, cutting discs, anchor systems, tools, sealants and chemicals) direct to the end user via a large number of home/field based sales consultants. The business revolves around the correct recruitment, retention and training policies for these sales people. The product offering is dominated by our own brand 'Reca' which is known in the marketplace for its quality and longevity. The Company is a wholly-owned subsidiary of Adolf Würth GmbH & Co KG.

The key financial and other performance indicators for the year are presented below:

| | 2021 | 2020 | |
|---|---|---|---|
| | £'000 | £'000 | |
| Turnover | 11,571 | 10,079 | 14.8% |
| Operating profit | 277 | 79 | 250.6% |
| Profit for the financial year | 211 | 13 | |
| Gross profit margin % | 53.5 % | 53.9% | -0.4% |
| Average number of employees | 111 | 114 | -2.6% |
| Debtor days | 57.6 | 59.2 | |
| Stock turn months | 3.6 | 3.5 | |

Sales have increased by 14.8% to £11,571k even though we still endured the first quarter managing the coronavirus pandemic, which still effected the global market. The company's sales force however, reduced from 84 to 79 during the year. The reduction in sales force was wholly down to the pandemic affecting the sales staff numbers, but there was a positive development of the customer base albeit still below planned projections. The active customer base increased from 9,096 to 9,352 trading customers, an increase of 2.8%. The number of 'large' customers (based on our customer turnover classifications) increased by 34.1% from 182 to 244 and 'medium' customers increased by 7.8% from 2,398 to 2,585.

The Companies operating result increased by 250.66% against 2020. This was mainly down to the increased level of trade and continued measures to control the costs of business.

Stock turns finished the year at 3.6 compared to 3.5 in 2020. A significant proportion of the Company's products bought for resale are sourced directly from countries within the European Union.

Liquidity remained in focus as collection days improved by 1.6 days during the year.

During the year the Company received financial support from the UK Government Coronavirus Job Retention Scheme totalling £164,103 (2020: £505,296).

## Principal risks and uncertainties

The principal risks and uncertainties facing the Company in the UK are in the areas of market competition, operational delivery and finance and include ongoing impacts of COVID-19 pandemic.

Competitive pressures in the UK market are a continuing risk for the Company. The Company manages this risk by providing value to its customers and by maintaining strong relationships with them. Risk reviews are operated by management at the Company and within the Group to address all commercial, operational, and financial aspects of both prospects in pursuit and customer orders in execution. The Directors also specifically monitor and review all aspects of health and safety on a monthly basis. Training of all staff is undertaken to reduce the risk of failure to comply with best practice or legislative standards.

# Strategic report (continued)

## Principal risks and uncertainties (continued)

**Impact of COVID-19 pandemic**

The COVID-19 pandemic which first impacted on the UK in the first quarter of 2020 has brought with it significant additional risks for the UK economy as a whole and all businesses. The UK Government's job retention scheme has enabled the Company to mitigate a significant amount of the risk to its operating results. The Company has continued to trade throughout this period and being a supplier to the construction industry, which the UK Government has put at the forefront of the national recovery provides the Directors with confidence which has continued to be the case as we have progressed in 2022. A high focus on debtor management, ongoing assessments of the crisis and its impact on the market, appropriate use of the UK Governments job retention and VAT deferral schemes, along with continued Group financial support have enabled the Company to manage its liquidity adequately throughout 2021 and the Directors remain confident with the positive signs in terms of vaccines being rolled out and by the Company Management continuing to apply such policies and controls that the satisfactory management of liquidity will continue.

The Company relies heavily on its external sales force. The risk of an increase in staff turnover is therefore a primary concern of the business. The risk is managed through thorough induction and training, ongoing support from an experienced and established sales management team, and a thorough recruitment process.

**Brexit**

The Directors continue to monitor the potential effects on customers, suppliers, trade and the wider economy. The Directors are confident that appropriate measures have been taken and have not noticed significant impact on the supply chain activities and continue to be able to service our customers.

One of the implications of Brexit has been the impact on foreign exchange rates. However, the Company assesses movements and trends in relevant currencies on a daily basis and has access to Group hedging facilities to mitigate any impact of significant deviations

**Current situation in Ukraine**

The sanctions or changes due to the situation in Russia, Belarus and Ukraine do not have a significant impact on the Company's business directly. The overall impact of this situation on the wider economy, including inflation and sourcing of key materials is being monitored closely by the Directors who continue to adopt strategies to minimise the resultant impact on the Company.

In considering the ability of the Group to provide the support to the Company for Going concern purposes, the Directors have also confirmed that the Group have also evaluated this situation and there is no significant impact on the Group's ability' to support the Company for Going concern purposes.

## Financial risk management objectives and policies

The company operates a number of risk management policies designed to minimize its exposure to financial risks.

*Liquidity and Cashflow risk*

The Company produces monthly management accounts and forecasts, which enable the directors to monitor the cash position and to ensure that there is sufficient liquidity and cash flow to minimise the risk of the Company being unable to pay its debts as they fall due. In addition, the ultimate parent undertaking Adolf Würth GmbH & Co KG monitors the forecast to ensure funding availability for the Company, via the Group's in-house bank Wurth Finance International B.V.

# Strategic report (continued)

## Financial risk management objectives and policies (continued)

*Interest rate risk*
To manage the Company's exposure to interest rate fluctuations, the Company meets all its borrowing requirements by borrowing from Group companies at fixed rates of interest.

*Currency risk*
The Company is exposed to foreign exchange risk on its financial instruments mainly relating to product purchases in currencies other than the functional currency of the Company. The Company has access to the Group treasury to manage the risk associated with significant deviations in exchange rates.

*Credit risk*
The Company's principal credit risk arises from the ability of its customers to meet their contractual obligation to pay their debts as and when they fall due. The Company's approach to managing this risk is to continually monitor debt collection, performing appropriate credit checks on new and existing customers using third party credit reference agencies to assess creditworthiness and set appropriate credit limits and payment terms.

On behalf of the Board

J Kavanagh
Director

Date: 7TH DECEMBER 2022

# Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2021. Certain items required for the directors' report are included within the strategic report.

## Results and dividends

The profit for the year after taxation amounted to £211,000 (2020 – £13,000). The directors do not recommend a final dividend (2020 – £nil).

## Directors

The director who served the Company during the year was as follows:

S Funnell and J Kavanagh.

## Financial Instruments

The Company finances its activities with a combination of loans from the group, cash and short-term overdrafts. Other financial assets and liabilities, such as trade debtors and trade creditors arise directly from the Company's operating activities.

## Going concern

On their assessment of the Company's financial position, and future forecasts, the Company's Directors have a positive expectation that the Company will continue operationally for the foreseeable future.

The Company currently has outstanding financial liabilities to the Group (via the Group's in-house bank Wurth Finance International B.V.) in the sum of €1,943,000 as at 31 October 2022, representing the balance drawn on the credit facility explained below, and includes a loan in the sum of £300,000 and current bank account balances outstanding of €1,109,000 as at 31 October 2022.

As the Company is dependent on financial support from the Wurth Group, it has received a written undertaking from the Group's bank Wurth Finance International B.V which states that the current credit facility of €3.1m, will remain in place until the end of December 2023 unless the Company has sufficient funds to make such payments without adversely affecting the Company's ability to trade as a going concern. Due to the company being forecast to remain cash generative over the oncoming 12 months, this facility provides sufficient headroom on sensitising the forecasts to cover any expected or possible changes.

As the Company is reliant on the financial support from Wurth Group, the Directors made enquiries of Wurth Group management to ensure that the Group has the ability to provide such financial support to the company.

Based on the enquires made to the Group, the letter confirming the availability of the current credit facility to the end of December 2023, and the expected future cashflows of the Company, the Directors consider that this supports the preparation of the Company's financial statements on a going concern basis.

## Future developments

The Company's consistent management of gross profit, liquidity and sales force productivity, together with the focus on more and better quality customers, leaves the Company well placed to exploit opportunities in its market. The Company's previous business model, of sales expansion through multiplication of the sales force, will still remain the primary tool for growth. Recent developments have provided additional routes to market with an increased focus on tele-canvasing, on-line sales, 'C Parts Inventory Management' with production line based customers, and new product ranges specific to the automotive industry.

## Directors' Liabilities

There has been no qualifying third party indemnity provision in place for the benefit of the Directors during the year.

# Directors' report (continued)

## Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## Employee Involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through regular formal and informal meetings, conferences, one to one talks, and the Company magazine. The company management value greatly the feedback they receive from staff. A staff suggestion box is available to all staff, and employee appointed focus groups meet regularly to discuss matters affecting both the Company and its employees, and provide management with constructive comments and opinions.

## Environment, health and safety

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities.

The Company also recognises the importance and implications of the Health and Safety at Work Act 1974, the Environment Protection Legislation and all new Health and Safety legislation including that communicated through EU Directives.

## Disclosure of information to the auditors

So far as the directors at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## Post balance sheet events

On 23 February 2022, the Russian Government commenced its invasion of Ukraine, subsequently we have begun to see price increases for certain commodities starting to emerge. At this stage we are not seeing a significant impact on our projects, and we continue to work with our customers and supply chain partners to mitigate the impact on our projects wherever possible. The Company has determined that these events are non-adjusting subsequent events, the duration and impact of the conflict remains unclear at this time.

## Auditors

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board

J Kavanagh
Director

Date: 7TH DECEMBER 2022

Registered No. 02738056

# Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' 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 these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements of FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, that comply with that law and those regulations.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECA-UK LIMITED

### Opinion

We have audited the financial statements of Reca-UK Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of changes in equity, Balance Sheet, and the related notes1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern from when the financial statements are authorised for issue, through to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECA-UK 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**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.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are relating to FRS101, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including, furlough scheme rules, health and safety regulations, environmental regulations, GDPR, anti-bribery and corruption.

- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions and non-compliance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, making enquiries of management and those charged with governance.
    - We audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
    - We performed a detailed correlation analysis over the entire revenue process from revenue recognition through to invoice settlement. Where the postings did not follow our expectation, we investigated anomalies and tested a sample of these entries above a certain threshold to ensure their validity by agreeing back to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
    - We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management, and those charged with governance to understand where they considered there was susceptibility to fraud. We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and gained an understanding as to how those procedures and controls are implemented and monitored. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with all applicable reporting requirements.
    - We read minutes of meetings of those charged with governance.
    - We read financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Lorna McNeil (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

Date: 7 December 2022

# Profit and loss account

**for the year ended 31 December 2021**

| | Notes | *2021* *£000* | *2020* *£000* |
|---|---|---|---|
| ***Turnover*** | 3 | 11,571 | 10,079 |
| Cost of sales | | (5,379) | (4,644) |
| ***Gross profit*** | | 6,192 | 5,435 |
| Selling and distribution costs | | (5,005) | (4,757) |
| Administrative expenses | | (1,074) | (1,104) |
| Other operating income | 4 | 164 | 505 |
| ***Operating profit*** | 4 | 277 | 79 |
| Interest payable and similar charges | 7 | (25) | (44) |
| ***Profit before taxation*** | | 252 | 35 |
| Tax | 8 | (41) | (22) |
| ***Profit for the financial year*** | | 211 | 13 |

All amounts relate to continuing activities.

The company has no other comprehensive income for the current or previous year other than the results above.

The notes on pages 14 to 27 form part of these financial statements.

# Statement of changes in equity

for the year ended 31 December 2021

| | Share capital £000 | Profit and loss account £000 | Total share-holders' funds £000 |
|---|---|---|---|
| **At 1 January 2020** | **5,118** | **(3,104)** | **2,014** |
| Profit for the year | – | 13 | 13 |
| **At 1 January 2021** | **5,118** | **(3,091)** | **2,027** |
| Profit for the year | - | 211 | 211 |
| **At 31 December 2021** | **5,118** | **(2,880)** | **2,238** |

The notes on pages 14 to 27 form part of these financial statements.

# Balance sheet

**at 31 December 2021**

| | Notes | 2021 £00 | 2020 £000 |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Intangible assets | 9 | 52 | 52 |
| Tangible assets | 10 | 1,681 | 1,764 |
| Right of use asset | 11 | 491 | 625 |
| | | 2,224 | 2,441 |
| ***Current assets*** | | | |
| Stocks | 12 | 1,271 | 1,544 |
| Debtors | 13 | 1,948 | 1,864 |
| Cash at bank | | 8 | 1 |
| | | 3,227 | 3,409 |
| ***Creditors:*** amounts falling due within one year | 14 | (2,785) | (3080) |
| ***Net current assets*** | | **442** | **329** |
| ***Total assets less current liabilities*** | | **2,666** | **2,770** |
| ***Creditors:*** amounts falling due after more than one year | 17 | (428) | (743) |
| ***Net assets*** | | **2,238** | **2,027** |
| ***Capital and reserves*** | | | |
| Called up share capital | 18 | 5,118 | 5,118 |
| Profit and loss account | | (2,880) | (3,091) |
| ***Shareholders' funds*** | | **2,238** | **2,027** |

The notes on pages 14 to 27 form part of these financial statements.

The financial statements were approved by the Board of Directors and signed on its behalf by:

J Kavanagh

Director

Registered Number: 02738056

# Notes to the financial statements

**At 31 December 2021**

## 1. Authorisation of financial statements and statement of compliance with FRS

Reca-UK Ltd ('the Company') is a private company limited by share capital incorporated and domiciled in England and Wales. The address of its registered office is Doranda Way, West Bromwich, West Midlands B71 4LU.

These financial statements of Reca-UK Limited for the year ended 31 December 2021 were authorised for issue by the Board of directors and the balance sheet was signed on the Board's behalf by Mr J Kavanagh.

These financial statements were prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are individual entity financial statements.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

## 2. Accounting policies

***Basis of preparation***

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 Financial Instruments: Disclosures
b) the requirement in paragraph 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement)
c) the requirements of paragraph 38 of IAS 1'Presentation of Financial Statements' comparative information requirements in respect of paragraph 79 (a) (iv) of IAS 1 'Presentation of Financial Statements' and Paragraph 73(e) of IAS 16 'Property, Plant and Equipment' (reconciliation between the carrying amount at the beginning and end of the period.
d) the requirements of IAS 7 'Statement of Cash Flows'
e) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
f) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation)
g) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group
h) the requirements of the following paragraphs of IAS 1'presentation of financial statements'. 10 (d), (statement of cash flows), 10 (f), (statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements ), 16 (statement of compliance with IFRS ), 38A (requirement minimum of two primary statements, including cash flow statements), 38B-D (additional comparative information), 111 (cash flow statement information), and 134-136 (capital management disclosures)
i) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The company is eligible to apply the above exemptions as it is included in the consolidated financial statement of the ultimate parent.

# Notes to the financial statements

**At 31 December 2021**

## 2. Accounting policies (continued)

***Going concern***

On their assessment of the Company's financial position, and future forecasts, the Company's Directors have a positive expectation that the Company will continue operationally for the foreseeable future.

The Company currently has outstanding financial liabilities to the Group (via the Group's in-house bank Wurth Finance International B.V.) in the sum of €1,943,000 as at 31 October 2022, representing the balance drawn on the credit facility explained below, and includes a loan in the sum of £300,000 and current bank account balances outstanding of €1,109,000 as at 31 October 2022.

As the Company is dependent on financial support from the Wurth Group, it has received a written undertaking from the Group's bank Wurth Finance International B.V which states that the current credit facility of €3.1m, will remain in place until the end of December 2023 unless the Company has sufficient funds to make such payments without adversely affecting the Company's ability to trade as a going concern. Due to the company being forecast to remain cash generative over the oncoming 12 months, this facility provides sufficient headroom on sensitising the forecasts to cover any expected or possible changes.

As the Company is reliant on the financial support from Wurth Group, the Directors made enquiries of Wurth Group management to ensure that the Group has the ability to provide such financial support to the company.

Based on the enquires made to the Group, the letter confirming the availability of the current credit facility to the end of December 2023, and the expected future cashflows of the Company, the Directors consider that this supports the preparation of the Company's financial statements on a going concern basis.

***Intangible fixed assets***

All intangible fixed assets are initially recorded at cost.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Software - 4 years

Amortisation charge is included within Administrative expenses in the Profit and Loss account.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

***Tangible fixed assets***

Property, plant and equipment is stated in the balance sheet, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

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

| | | |
|---|---|---|
| Freehold Buildings | - | 50 years |
| Plant and machinery | - | 3-10 years |
| Fixtures and fittings | - | 3-10 years |
| Motor vehicles | - | 2-4 years |
| Computer equipment | - | 2-4 years |

# Notes to the financial statements

**At 31 December 2021**

## 2. Accounting policies (continued)

***Impairment***

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Impairment losses on continuing operations are recognised in the income statement.

***Right-of-use assets***

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities in respect of obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The asset's initial valuation is based on the actual value of future rents paid in exchange of the right to use the asset to the maturity of the lease contract (after analysis of eventual possibility of renewal). The rents are fixed or are considered fixed in substance and may include rents which fluctuate in line with an index or rate. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

***Lease liabilities***

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in Lease liabilities (see Note 15).

# Notes to the financial statements

**At 31 December 2021**

## 2. Accounting policies (continued)

***Company as a Lessor***

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

***Stocks***

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Goods for resale – purchase cost on a weighted average cost basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

***Trade receivables***

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

***Financial assets and liabilities***

***Classification***

The Company's financial assets include cash and short-term deposits, inter-company receivables and trade and other receivables. The company's financial liabilities include inter-company payables and operating payables.

***Recognition and measurement***

Financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Borrowings and other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

***Impairment of financial assets***

The company assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to note for trade receivables above. The impairment loss is recognised in the profit and loss account.

# Notes to the financial statements

**At 31 December 2021**

## 2. Accounting policies (continued)

***Trade payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

***Taxation***

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8

***Foreign currencies***

The Company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

***Pensions***

The company operates a defined contribution pension scheme, set up in July 2015 that is opened to new and auto-enrolled members, and contributions to the personal pension plans of certain employees as well as operating another existing defined contribution scheme for longer serving employees that is now closed to new members. Contributions are charges in the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the plan are held separately from the company in independently administered funds.

# Notes to the financial statements

**At 31 December 2021**

## 2. Accounting policies (continued)

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods have transferred to the customer and the customer has control of these.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. No element of financing is deemed present as the sales are made with agreed credit terms, consistent with market practice.

***Judgements and key sources of estimation uncertainty***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are no significant judgements or estimates that that have a significant effect on amounts recognised in the financial statements.

## 3. Turnover

The Company's turnover and pre-tax result were wholly attributable to the Company's principal continuing activity in the United Kingdom.

## 4. Operating Profit

This is stated after charging/ (crediting):

| | *2021* | *2020* |
|---|---|---|
| | *£000* | *£000* |
| Depreciation of right of use asset | 257 | 229 |
| Depreciation of owned fixed assets | 106 | 107 |
| Amortisation of intangible assets | 16 | 3 |
| Rental income | (36) | (36) |
| Grant: Coronavirus job retention scheme | (164) | (505) |

# Notes to the financial statements

**At 31 December 2021**

## 5. Auditor's remuneration

| | | 2021 £000 | 2020 £000 |
|---|---|---|---|
| Auditors' remuneration | - audit of financial statements | 22 | 17 |
| | - taxation | 6 | 6 |

## 6. Staff costs and director's remuneration

a) Staff costs

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Wages and salaries | 3,682 | 3,507 |
| Social security costs | 387 | 343 |
| Other pension costs | 180 | 171 |
| | 4,249 | 4,021 |

During the year the Company received financial support from the UK Government Coronavirus Job Retention Scheme totalling £164,000 (2020: 505,000). The above costs are reported gross of this support.

The average monthly number of employees during the year was made up as follows:

| | No. | No. |
|---|---|---|
| Administration | 10 | 10 |
| Distribution | 101 | 104 |
| | 111 | 114 |

b) Director's Remuneration

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Remuneration | 213 | 200 |
| Company contributions paid to defined contribution pension schemes | 12 | 12 |
| | 225 | 212 |

| | No. | No. |
|---|---|---|
| Members of defined contribution pension schemes | 2 | 2 |

In respect of the highest paid director:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Remuneration | 113 | 107 |
| Company contributions paid to defined contribution pension schemes | 7 | 3 |
| Aggregate remuneration | 120 | 110 |

# Notes to the financial statements

**At 31 December 2021**

## 7. Interest payable and similar charges

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Interest payable to Group undertakings | 19 | 38 |
| Interest payable on lease liabilities | 6 | 6 |
| | 25 | 44 |

## 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| ***Current tax:*** | | |
| UK corporation tax on the profit for the year | 91 | 34 |
| Adjustment in respect of prior years | (2) | 4 |
| Total current tax | 89 | 38 |
| ***Deferred tax:*** | | |
| Current year | (34) | (19) |
| Effect of changes in tax rates | (14) | 1 |
| Adjustment in respect of prior years | - | 2 |
| Total deferred tax (note 8 (c)) | (48) | (16) |
| Total tax on profit on ordinary activities | 41 | 22 |

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%). The differences are explained below:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Profit on ordinary activities before tax | 252 | 35 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 –19.00%) | 48 | 7 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | 10 | 18 |
| Adjustment in respect of prior years | (3) | (6) |
| Effect of changes in tax rates | (14) | 3 |
| Total tax for the year | 41 | 22 |

# Notes to the financial statements

**At 31 December 2021**

## 8. Tax (continued)

(c) Deferred tax (note 13)

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

| | Provided | | Not Provided | |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Fixed asset timing differences | (7) | (11) | - | - |
| Other timing differences | 67 | 23 | - | - |
| Tax losses | - | - | - | - |
| Deferred taxation asset/(liability) | 60 | 12 | - | - |

| | *£000* |
|---|---|
| At 1 January 2021 | 12 |
| Adjustment is respect of prior years | - |
| Effect of changes in tax rates | 14 |
| Deferred tax debit to income statement for the period | 34 |
| At 31 December 2021 | 60 |

The Company continues to generate taxable profits to support the future recoverability of the deferred tax asset recognised.

(d) Factors affecting future tax charges

The standard rate of Corporation Tax in the UK is the same as the prior year at 19%

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# Notes to the financial statements

**At 31 December 2021**

## 9. Intangible fixed assets

| | *Software* |
|---|---|
| | *£000* |
| Cost or valuation: | |
| At 1 January 2021 | 78 |
| Additions | 16 |
| At 31 December 2021 | 94 |
| Amortisation: | |
| At 1 January 2021 | 26 |
| Provided during the year | 16 |
| At 31 December 2021 | 42 |
| Net book value: | |
| At 31 December 2021 | 52 |
| At 1 January 2020 | 52 |

## 10. Tangible fixed assets

| | *Fixtures and fittings* | *Land and Buildings* | *Motor vehicles* | *Plant and machinery* | *Total* |
|---|---|---|---|---|---|
| | *£000* | *£000* | *£000* | *£000* | *£000* |
| Cost or valuation: | | | | | |
| At 1 January 2021 | 1,605 | 1,583 | 14 | 37 | 3,239 |
| Additions | 23 | - | - | - | 23 |
| Disposals | - | - | - | - | - |
| At 31 December 2021 | 1,628 | 1,583 | 14 | 37 | 3,262 |
| Depreciation: | | | | | |
| At 1 January 2021 | 1,308 | 116 | 14 | 37 | 1,475 |
| Provided during the year | 86 | 20 | - | - | 106 |
| Disposal | - | - | - | - | - |
| At 31 December 2021 | 1,394 | 136 | 14 | 37 | 1,581 |
| Net book value: | | | | | |
| At 31 December 2021 | 234 | 1,447 | - | - | 1,681 |
| At 31 December 2020 | 297 | 1,467 | - | - | 1,764 |

Included above is £520,000 (2020: £520,000) of freehold land that has not been depreciated.

# Notes to the financial statements

**At 31 December 2021**

## 11. Right-of-use of asset

Set out below is the carrying amount of right-of-use asset recognised and the movement during the period.

| | Motor Vehicles £000 |
|---|---|
| **Cost or valuation** | |
| At 1 January 2021 | 947 |
| Additions | 123 |
| Disposals | (125) |
| At 31 December 2021 | 945 |
| | |
| **Depreciation and impairment** | |
| At 1 January 2021 | (322) |
| Charge for the year | (257) |
| Eliminated on disposal | 125 |
| At 31 December 2021 | (454) |
| | |
| **Net book value** | |
| At 31 December 2021 | 491 |
| At 31 December 2020 | 625 |

## 12. Stocks

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| Finished goods and goods for resale | 1,271 | 1,544 |

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

## 13. Debtors

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| Trade debtors | 1,711 | 1,622 |
| Amounts owed by group undertakings | 123 | 174 |
| Deferred tax (note 8) | 60 | 12 |
| Prepayments and accrued income | 54 | 56 |
| | 1,948 | 1,864 |

# Notes to the financial statements

**At 31 December 2021**

## 14. Creditors: amounts falling due within one year

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Amounts owed to group undertakings | 1,026 | 907 |
| Trade creditors | 335 | 423 |
| Other taxes and social security costs | 283 | 1,021 |
| Other creditors | 66 | 50 |
| Lease liabilities (see note 15) | 217 | 186 |
| Accruals | 858 | 493 |
| | 2,785 | 3,080 |

In 2020 the Company took the benefit of Government's VAT deferral scheme, to defer a payment of £659,000 until March 2021, which was paid off subsequent to year end. No such deferral scheme has been utilised in 2021.

Included in amounts owed to group undertakings is unsecured loan owed to group undertakings.

Loans to group undertakings:

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| £150,000 fixed rate at 2.15% repayable 31 December 2022 | 150 | 150 |
| | 150 | 150 |

Other amounts owed to Group undertakings are unsecured non-interest bearing and repayable on demand.

Included within other creditors is nil (2020: nil) relating to outstanding contributions payable to the pension scheme.

## 15. Lease liabilities

Set out below is the carrying amount of lease liabilities recognised and the movement, including cashflows. during the period.

| | £000 |
|---|---|
| At 1 January 2021 | 629 |
| Additions | 123 |
| Accretion of interest | 6 |
| Payments | (263) |
| **As at 31 December 2021** | **495** |

The split of carrying value of lease liabilities in current and non-current portion is as follows;

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Current lease liabilities | 217 | 186 |
| Lease liabilities falling due after more than one year | 278 | 443 |
| **As at 31 December 2021** | **495** | **629** |

# Notes to the financial statements

**At 31 December 2021**

## 15. Lease liabilities (continued)

The table below summarises the maturity profile of the Company's lease liabilities based on gross contractual undiscounted cashflows:

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| *Gross obligation repayable* | | |
| Not later than 1 year | 220 | 189 |
| After 1 year but not more than 5 years | 281 | 577 |
| **Total lease liabilities (undiscounted)** | **501** | **766** |
| Impact of finance expenses | (6) | (137) |
| **As at 31 December 2020** | **495** | **629** |

The weighted average rate applied is 1.21% (2020: 1.34%).

## 16. Creditors: amounts falling due after more than one year

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| Loans owed to Group undertakings: | | |
| £150,000 fixed rate at 2.15% repayable 31 December 2023 | 150 | 300 |
| Lease liabilities (see note 15) | 278 | 443 |
| | 428 | 743 |

## 17. Authorised issued and called up share capital

| | | *2021* | | *2020* |
|---|---|---|---|---|
| *Authorised, Allotted, called up and fully paid* | *No.* | *£* | *No.* | *£* |
| Ordinary shares of £1 each | 5,118,000 | 5,118,000 | 5,118,000 | 5,118,000 |

## 18. Pensions

The Company operates a defined contribution pension scheme, set up in July 2015 that is open to new and auto-enrolled members, and contributes to the personal pension plans of certain employees, as well as operating another existing defined contribution scheme for longer serving employees that is now closed to new members. The assets of the schemes are held separately from those of the Company in an independently administered fund.

# Notes to the financial statements

**At 31 December 2021**

## 19. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Wurth Holding UK Ltd, its immediate parent, and is controlled by Adolf Würth GmbH & Co. KG.

The ultimate parent undertaking and controlling party is Adolf Würth GmbH & Co KG, incorporated in Germany. The largest and smallest group in which the results of the company are group is that headed by Adolf Würth GmbH & Co KG.

The financial statements can be obtained from Adolf Würth GmbH & Co KG, Reinhold Würth Strasse, 74650 Künzelsau, Germany.

## 20. Post balance sheet events

On 23 February 2022, the Russian Government commenced its invasion of Ukraine, subsequently we have begun to see price increases for certain commodities starting to emerge. At this stage we are not seeing a significant impact on our projects, and we continue to work with our customers and supply chain partners to mitigate the impact on our projects wherever possible. The Company has determined that these events are non-adjusting subsequent events, the duration and impact of the conflict remains unclear at this time.

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