Registration number: 00207655

Linread Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

HOWMET AEROSPACE

Linread Limited

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Linread Limited

Company Information

Directors	T A Emerick
	G D Swan
	M Bugarcic
Company secretary	P Papinniemi-Ainger
Registered office	Linread Johnson Lane Ecclesfield Sheffield South Yorkshire S35 9XH
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cardiff CF10 3PW

Linread Limited

Strategic Report for the Year Ended 31 December 2021

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

Principal activity
The principal activity of the company continues to be the manufacture and sale of a wide range of hot and cold forged parts, machined special fasteners and other precision components to the Aerospace industry.

The Company is part of the Howmet Fastening Systems (HFS) business group.

Fair review of the business
The results of the Company for the year ended 31 December 2021 are shown in the profit and loss account on page 11 and show a loss for the financial year of £(2,663,000) (2020: profit £140,000).

The financial position of the Company as at 31 December 2021 is shown on the balance sheet on page 13.

The directors consider that the financial position of the Company as at 31 December 2021 was satisfactory.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Operating profit	£ 000	(2,954)	206
EBITDA	£ 000	(1,913)	1,335
Net current assets	£ 000	19,332	13,747
Operating profit / turnover	%	(16)	1
Net current assets / turnover	%	102	49

Principal risks and uncertainties

From the perspective of the Company the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Howmet Aerospace Inc, which include those of the Company are discussed in the section entitled "Risk factors" in the Howmet Aerospace Inc Group's 2021 Annual report which does not form part of this report. Details of where the annual report can be found are shown in note 24 to the financial statements or on the Howmet Aerospace Inc website (www.howmet.com).

Covid-19

The COVID-19 pandemic continued to have an impact in the UK with the development of the Omicron variant towards the end of the year, causing a significant number of infections. Measures taken to contain the virus have affected economic activity and include limiting the movement of people and the temporary closure of businesses and schools.

In the Going Concern section of the Directors' report, the directors set out the impact of the crisis on the going concern assessment. The directors do not consider the impact of Covid will have a material impact on the carrying value of the company's assets in the forthcoming financial year.

Section 172(1) statement

The Board acknowledges that the long-term success of the Company is dependent on the way it works with several important stakeholders. The board are supported in their duty by the management team of Howmet Aerospace, located in Pittsburgh, USA. Key stakeholders are considered in their decision making and in doing so ensure the directors' duty is discharged under section 172 of the Companies Act 2006. More information on the Howmet Aerospace leadership team is available from www.howmet.com/leadership.

The success of the Company is dependant on the workforce. The Company uses several tools to encourage employee development, inclusion and diversity, such as Employee Resource Groups, learning and development tools and quarterly performance and feedback meetings.

The Company works largely with strategic partners and look to develop long term relationships with our customers to support their growth plans. The level of market expectation is high in terms of quality, stock availability and product development. The Company has been developed on a reputation of the highest quality products and continuous strides are being made to maintain that position in the market.
The Company is subject to regular audits from its customer base. All audits during 2021 were successfully passed. The Company also holds accreditations from BSI, ISO9001 quality systems and AS9100 aerospace standards amongst others.

The Company uses a combination of strategic global suppliers which are managed at a Group level to leverage the scale of the Group as a whole, and local suppliers managed at a site level. Supplier relationships are governed in line with the Howmet Aerospace Supplier Standards and Supplier Sustainability statements, copies of which are available from www.howmet.com/supplier-information.

Howmet Aerospace are committed to having a positive impact on our customers, shareholders, employees, and the communities and markets in which we operate. To that effect, Howmet Aerospace publish an annual Environmental, Social and Governance Report in line with Global Reporting Initiative (GRI) Standards. A full copy of this report is available from www.howmet.com/environmental-social-governance.

We're guided by our Values, Code of Conduct, and ethics and compliance program to make the right decision – every time. This includes Code of Conduct training for all employees, Anti-Corruption Program, Human Rights Program and 24/7 integrity helpline. For more information please visit www.howmet.com/ethics.

The Directors acknowledge their duty to act fairly between all members of the company. Key stakeholders are considered in the decision making process of the board with due consideration to the corporate policies referenced above.

Approved by the Board on 14 November 2022 and signed on its behalf by:

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M Bugarcic
Director

Linread Limited

Directors' Report for the Year Ended 31 December 2021

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

Directors of the company

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

C Brown (resigned 24 May 2021)

T A Emerick

V Rusakov (resigned 10 November 2022

M N Ryan (resigned 22 March 2022)

G D Swan

P Brown (resigned 26 February 2021)

M Bugarcic

Future developments

The future developments in the business are set out in the Strategic Report on page 2

Going concern

The directors wish to draw attention to note 2 of these financial statements regarding the basis of accounting. As noted in the strategic report the company has continued to trade but at levels that are lower than those levels experienced prior to lockdown. These lower levels of activity have continued but are expected to recover overtime in line with the recovery of the aerospace industry. In the meantime, steps have been taken to mitigate the trading losses being experienced as a result, and the directors have received confirmation of continued financial support from its parent, including access to cash pooling arrangements with the group global treasury service. On this basis the directors have concluded that it is appropriate that the financial statements be prepared on the going concern basis.

Directors' liabilities

The directors confirm under section 234 of the Companies Act 2006 that:

• at the time this directors' report is signed a qualifying third party indemnity provision (provided by the ultimate parent company, Howmet Aerospace Inc) was in force for the benefit of all the directors of the Company;

• for the financial year ending 31 December 2021 a qualifying third party indemnity provision (provided by the ultimate parent company, Howmet Aerospace Inc) was in force for the benefit of all the directors of the Company; and

• that there is no qualifying third party indemnity provision provided by the Company for one or more directors of an associated company either on the date the directors' report is signed or in the last financial year.

Employment of disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities 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 the appropriate training is arranged. It is the policy of the company that the training, career development and the promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement
Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the house newspaper and newsletters, briefing groups and the distribution of the annual report.

Financial instruments

Objectives and policies

The Company's operations expose it to a variety of financial risks, including commodity price risk, exchange rate risk, credit risk, liquidity risk and interest rate risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by its ultimate parent company, Howmet Aerospace Inc.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk
Where deemed appropriate the exposures to commodity price risk and exchange rate fluctuations are managed through the use of financial instruments such as forward exchange contracts, options and swaps. The Company's operations have no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk
Credit risk policies include appropriate credit checks on potential customers. Credit limits are defined within parameters set by Howmet Aerospace Inc

Liquidity risk
The Company maintains a mixture of long term and short term debt finance principally with the wider Howmet Aerospace Inc group. This is designed to ensure the Company has sufficient available funds for its operations.

Interest rate cash flow risk
The Company's operations have interest bearing assets and liabilities which are maintained on the basis of a mixture of fixed and floating rates. The interest rate levels are reviewed on a regular basis with Howmet Aerospace Inc.

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.

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Statement of Directors' Responsibilities

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 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Reappointment of auditors

The auditors PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 14 November 2022 and signed on its behalf by:

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M Bugarcic
Director

Independent auditors' report to the members of Linread Limited

Report on the audit of the financial statements

Opinion

In our opinion, Linread Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Profit and Loss Account, Statement of Comprehensive Income, and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover

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

the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to manufacturing, health and safety, and other employment matters, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the overstatement of the Company's result to exceed the expectations of its parent. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of know or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular those having unusual account combination;
- Challenging management on key accounting estimates and audited these to supporting third party documentation where applicable;
- Obtaining third party confirmations of all the Company's banking and financing arrangements.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Cardiff
Date: 15 November 2022

Linread Limited

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	4	18,894	27,972
Cost of sales		(20,574)	(26,701)
Gross (loss)/profit		(1,680)	1,271
Distribution costs		(873)	(955)
Administrative expenses		(815)	(955)
Other operating income	5	414	845
Operating (loss)/profit	6	(2,954)	206
Other interest receivable and similar income	7	1	21
(Loss)/profit before tax		(2,953)	227
Tax on (loss)/profit	11	290	(87)
(Loss)/profit for the financial year		(2,663)	140

The above results were derived from continuing operations.

Linread Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 £ 000	2020 £ 000
(Loss)/profit for the year	(2,663)	140
Total comprehensive income for the year	(2,663)	140

The notes on pages 15 to 33 form an integral part of these financial statements.

Linread Limited

(Registration number: 00207655)
Balance Sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	12	334	447
Tangible assets	13	9,298	9,555
		9,632	10,002
Current assets			
Inventories	14	5,665	6,040
Debtors	15	11,051	14,274
Cash at bank and in hand		-	1
		16,716	20,315
Creditors: Amounts falling due within one year	16	(4,942)	(6,569)
Net current assets		11,774	13,746
Total assets less current liabilities		21,406	23,748
Provisions for liabilities	17	(2,074)	(1,753)
Net assets		19,332	21,995
Capital and reserves			
Called up share capital	19	3,096	3,096
Share premium reserve		789	789
Other reserves		232	232
Profit and loss account		15,215	17,878
Shareholders' funds		19,332	21,995

The financial statements on pages 11 to 33 were authorised for issue by the Board on 20 September 2022 and signed on its behalf by:

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M Bugarcic
Director

Linread Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	3,096	789	232	17,878	21,995
Loss for the year	-	-	-	(2,663)	(2,663)
Total comprehensive expense	-	-	-	(2,663)	(2,663)
At 31 December 2021	3,096	789	232	15,215	19,332

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	3,096	789	232	17,738	21,855
Profit for the year	-	-	-	140	140
Total comprehensive income	-	-	-	140	140
At 31 December 2020	3,096	789	232	17,878	21,995

The notes on pages 15 to 33 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The principle activity of the Company continues to be the manufacture and sale of a wide range of hot and cold forged parts, machined special fasteners and other precision components to the Aerospace industry.

The Company is part of the Howmet Fastening Systems (HFS) business group.

The address of its registered office is:
Linread Johnson Lane
Ecclesfield
Sheffield
South Yorkshire
S35 9XH
United Kingdom

These financial statements were authorised for issue by the Board on 20 September 2022.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2 Accounting policies (continued)

Going concern

As noted in the strategic report the company has continued to trade but at levels that are lower than those levels experienced prior to lockdown. These lower levels are expected to recover in line with the recovery in the aerospace industry. In the meantime, steps have been taken to mitigate the trading losses being experienced as a result, and the directors have received confirmation of continued financial support from its parent, including access to cash pooling arrangements with the group global treasury service. On this basis the directors have concluded that it is appropriate that the financial statements be prepared on the going concern basis.

Summary of disclosure exemptions

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Howmet Aerospace Inc., includes the Company's cash flows in its own consolidated financial statements.

This information is included in the consolidated financial statements of Howmet Aerospace Inc. which can be obtained from Howmet Aerospace Inc. Corporate Office, 201 Isabella Street, Pittsburgh, PA 15212-5828, USA or the website, www.howmet.com

The Company has also taken advantage of the exemption, under FRS 102, from disclosing transactions with members of the same group that are wholly owned and key management personnel.

Name of parent of group

These financial statements are consolidated in the financial statements of Howmet Aerospace Inc.

The financial statements of Howmet Aerospace Inc may be obtained from Howmet Aerospace Inc. Corporate Office, 201 Isabella Street, Pittsburgh, PA 15212-5828, USA or the website, www.howmet.com.

Foreign currency transactions and balances

(i) Functional and presentation currency

The financial statements are presented in pound sterling and rounded to thousands. The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within administration expenses. All other foreign exchange gains and losses are presented in the profit and loss account within cost of goods sold.

2 Accounting policies (continued)

Finance income and costs policy
(i) Interest income
Interest income is recognised using the effective interest rate method.

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

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax. The following criteria must also be met before revenue is recognised:
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods sold;
- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transactions; and
- the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Share based payments
Where the company participates in a share-based payment arrangement established by a group company, the company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity.

Where the company is charged for the cost of share-based payment arrangements, the amounts are treated as reduction in the capital contribution. If the amount charged is in excess of the share-based payment charge, the company treats the excess as a notional distribution and charges this to retained earnings.

2 Accounting policies (continued)

Tax

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

Where relief is claimed against losses sustained by other companies in the group, this relief is charged to the Company by the donor company at the rate of £1 for every £1 of taxation not paid. Amounts payable for group relief are included in the taxation charge of the Company.

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

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2 Accounting policies (continued)

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

i. Land & buildings

Land and buildings include freehold and leasehold factories, retail outlets and offices. Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

ii. Plant and equipment

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

iii. Subsequent costs

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

Repairs, maintenance and minor inspection costs are expensed as incurred.

iv. Construction in progress

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

v. Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'other operating (losses)/gains'.

Amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate is amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	**Amortisation method and rate**
Computer software	Between 3 and 13 years straight line basis

Cash and cash equivalents

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

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the Standard Cost method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors 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 the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

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

Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the balance sheet.

2 Accounting policies (continued)

Leases

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

i. Finance leased assets

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

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

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

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

ii. Operating leased assets

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

iii. Lease incentives

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

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

2 Accounting policies (continued)

Financial instruments

Classification

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

Recognition and measurement

i) Financial assets

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

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

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

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

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

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

The Company considers if there is a trigger for impairment and if so whether investments are impaired. If there is an impairment review this requires consideration of the financial position and financial performance of the subsidiary companies as listed in note and the estimation of future revenues and future cash flows from the Company as well as the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

2 Accounting policies (continued)

Derivative financial instruments and hedging

Derivatives

Derivative financial instruments can be a financial asset or a financial liability and are not basic financial instruments.

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

Hedging

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as set out below. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Asset class	Depreciation method and rate
Buildings	25 year straight line basis
Plant and equipment	4 to 33 year straight line basis
Construction work in progress	Not depreciated
Land	Not depreciated

3 Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3 Critical accounting judgements and estimates (continued)

Useful economic lives and tangible assets - The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on the technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of debtors – The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Inventory provisioning – Due to changing customer requirements as a result of market conditions, it is necessary to consider recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and work in progress and future usage of raw materials.

4 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £ 000	2020 £ 000
Sale of goods	18,871	27,935
Other revenue	23	37
	18,894	27,972

The analysis of the company's turnover for the year by market is as follows:

	2021 £ 000	2020 £ 000
UK	10,681	12,344
Europe	6,223	12,649
Rest of world	1,990	2,979
	18,894	27,972

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £ 000	2020 £ 000
Government grants	414	845

6 Operating (loss)/profit

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense	921	970
Amortisation expense	120	159
Write-down of inventories to net realisable value	368	723
Foreign exchange losses/(gains)	14	(13)
Operating lease expense - property	855	709
Operating lease expense - plant and machinery	70	90
Operating lease expense - other	18	36
Loss on disposal of property, plant and equipment	-	1

7 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Other finance income	1	21

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	6,319	8,712
Social security costs	609	719
Pension costs, defined contribution scheme	390	458
Share-based payment expenses	35	57
	7,353	9,946

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Production	164	231
Administration and support	27	30
	191	261

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	321	408
Contributions paid to money purchase schemes	23	24
Compensation for loss of office	93	-
	437	432

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Received or were entitled to receive shares under long term incentive schemes	3	3
Exercised share options	1	1
Accruing benefits under money purchase pension scheme	3	3

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	181	193
Company contributions to money purchase pension schemes	2	5

During the year the highest paid director exercised share options and also received or was entitled to receive shares under a long term incentive scheme.

10 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	31	30

11 Tax on profit

Tax charged/(credited) in the income statement

11 Tax on profit (continued)

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	(613)	(19)
UK corporation tax adjustment to prior periods	1	18
	(612)	(1)
Deferred taxation		
Arising from origination and reversal of timing differences	322	88
Tax (receipt)/expense in the income statement	(290)	87

The tax on profit on ordinary activities before taxation for the year is the same as the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
(Loss)/profit before tax	(2,953)	227
Corporation tax at standard rate	(561)	43
Deferred tax expense relating to changes in tax rates or laws	182	40
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	48	(14)
Increase in UK and foreign current tax from adjustment for prior periods	1	18
Tax increase from effect of capital allowances and depreciation	40	-
Total tax (credit)/charge	(290)	87

11 Tax on profit (continued)

Deferred tax

Deferred tax assets and liabilities

2021	**Asset £ 000**	**Liability £ 000**
Accelerated capital allowances	-	764
Short term differences	5	-
	5	764

2020	Asset £ 000	Liability £ 000
Accelerated capital allowances	-	441
Short term differences	3	-
	3	441

Changes to the UK corporation tax rate were substantively enacted on 17 March 2020 to maintain the rate at 19%. Deferred taxes as at 31 December 2020 have been measured using this enacted rate.
Subsequent to the above the UK government announced in its 2021 budget an increase in the rate of corporation tax from 19% to 25% with effect from 1 April 2023. This was substantive enacted on 24 May 2021. Deferred taxes as at 31 December 2021 have been measured using this enacted rate.

12 Intangible assets

	Software £ 000	Total £ 000
Cost or valuation		
At 1 January 2021	1,385	1,385
Additions acquired separately	8	8
Disposals	(34)	(34)
At 31 December 2021	1,359	1,359
Amortisation		
At 1 January 2021	938	938
Amortisation charge	120	120
Amortisation eliminated on disposals	(33)	(33)
At 31 December 2021	1,025	1,025
Carrying amount		
At 31 December 2021	334	334
At 31 December 2020	447	447

The software intangible has a remaining amortisation period of 6 years (2020: 7 years).

13 Tangible assets

	Land and buildings £ 000	Plant and equipment £ 000	Construction in progress £ 000	Total £ 000
Cost or valuation				
At 1 January 2021	3,515	17,762	292	21,569
Additions	-	-	676	676
Disposals	(14)	(561)	-	(575)
Transfers	15	558	(581)	(8)
At 31 December 2021	3,516	17,759	387	21,662
Accumulated Depreciation				
At 1 January 2021	978	11,036	-	12,014
Charge for the year	209	712	-	921
Eliminated on disposal	(13)	(558)	-	(571)
At 31 December 2021	1,174	11,190	-	12,364
Carrying amount				
At 31 December 2021	2,342	6,569	387	9,298
At 31 December 2020	2,537	6,726	292	9,555

14 Inventories

	2021 £ 000	2020 £ 000
Raw materials and consumables	1,490	1,229
Work in progress	2,465	2,826
Finished goods and goods for resale	1,710	1,985
	5,665	6,040

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

15 Debtors

	Note	2021 £ 000	2020 £ 000
Trade debtors		2,052	1,466
Amounts owed by group undertakings	23	1,501	789
Amounts held on deposit with group undertakings		7,153	11,726
Prepayments and accrued income		345	293
		11,051	14,274

Trade debtors are stated after provisions for impairment of £39,000 (2020: £26,000).

Amounts owed by related parties are unsecured, interest free and have no fixed date of repayment and are repayable on demand. Loans to related parties are unsecured, have no fixed date of repayment and are repayable on demand. The deposit is with FR Acquisitions Corporation (Europe) Limited and bears a rate of interest based on a deposit spread.

16 Creditors: amounts falling due within one year

	Note	2021 £ 000	2020 £ 000
Due within one year			
Trade creditors		2,318	3,190
Amounts owed to group undertakings - group relief		-	675
Amounts due to group undertakings	23	1,264	1,628
Social security and other taxes		309	271
Other payables		183	-
Accruals		868	805
		4,942	6,569

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17 Provisions for liabilities

	Deferred tax £	Dilapidations £	Total £
At 1 January 2021	438,000	1,315,000	1,753,000
Additional provisions	321,000	-	321,000
At 31 December 2021	**759,000**	**1,315,000**	**2,074,000**

Costs provided relating to dilapidation costs are expected to be utilised over the remaining period of the lease term.

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £390,000 (2020 - £458,000).

19 Called up share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.25 each	12,384	3,096	12,384	3,096

Rights, preferences and restrictions

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	862	878
Later than one year and not later than five years	2,809	2,889
Later than five years	2,900	3,803
	6,571	7,570

21 Dividends

Final dividends paid

	2021 £ 000	2020 £ 000
Final dividend of £Nil per each ordinary	-	-

22 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £51,640 (2020 - £136,761).

23 Related party transactions

The Company has taken advantage of the exemption, under FRS 102, from disclosing transactions with members of the same group that are wholly owned and key management personnel.

24 Parent and ultimate parent undertaking

The company's immediate parent is Howmet Global Fastenings Limited, incorporated in the United Kingdom.

The ultimate parent and controlling party is Howmet Aerospace Inc, incorporated in United States of America, and forms the largest and smallest group in which the Company's results are consolidated.

The most senior parent entity producing publicly available financial statements is Howmet Aerospace Inc. These financial statements are available upon request from Howmet Aerospace Corporate Office, 201 Isabella Street, Pittsburgh, PA 15212-5828, USA or www.howmet.com.