Heywood Williams Components Limited

Annual report and financial statements for the year ended 31 December 2021

Registered number: 02523354

Registered No: 02523354

Company information

Directors
R H Balbi
O D Burgess
T Cooke
R M Gyde
S Nuckey
M J Richards
M Wardhaugh

Secretary
R H Balbi

Auditor
Grant Thornton UK LLP
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Leeds
LS1 4BN

Registered Office
4 Coop Place
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West Yorkshire
BD5 8JX

Strategic report

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

Principal activities, review of the business and future developments

The principal activity of the Company continues to be the design, development, sourcing and distribution of fenestration hardware products. It supplies manufacturers of doors and windows sold into the repair, maintenance and improvements (RMI) market, and also supplies products to home improvement retailers. Revenue also relates to the installation and maintenance of doors and windows.

Despite the continued challenges of COVID-19 during 2021, significant disruption to our supply chains, and rising input costs, the Company has had a very successful year.

The management team continues to work hard to grow the business and has a clear focus to grow sales and earnings by:

- Pushing ahead with new products and business initiatives;
- Continuing to innovate in products and services;
- Defending margins;
- Keeping costs under control; and
- Maximising cash flow through the efficient management of working capital.

Key performance indicators

The Directors focus on the following key performance indicators for the Company; revenue, operating profit, net current assets and net debt.

Results and dividends

The profit before tax for the year amounted to £4.0m (2020: £2.3m). The Directors recommend a dividend of £2.3m, paid during the year (2020: £1.25m). The retained profit of £0.9m after tax and dividend will be transferred to reserves.

The key financial results for the year are summarised below.

- Revenue of £54.8m (2020: £40.6m);
- Operating profit before exceptional items increased by £1.6m to £3.8m (2020: £2.2m);
- Net current assets of £22.0m increased by £1.3m from the previous year (2020: £20.7m);
- Shareholders' funds increased by £1.1m to £24.8m (2020: £23.7m) representing a strong, ongoing Statement of Financial Position;
- Net funds significantly improved to £4.0m (2020: £3.3m). Net funds is defined as cash in hand and at bank less bank borrowings.

Proposed sale of the Group to ASSA ABLOY

On 24 September 2021, Arran Isle (the Company's ultimate parent) signed a definitive agreement to sell the Group headed by Arran Isle Limited to ASSA ABLOY Limited. The transaction is subject to regulatory approval in the UK and Ireland, and customary closing conditions. The deal is expected to complete during the spring of 2022.

Strategic report continued

Risk management

The Company has integrated into its ultimate parent company's (Arran Isle Limited) comprehensive system of risk management, a process that allows the Directors to identify, evaluate and manage potential risks and uncertainties that could have a material impact on the Company's performance.

The primary risks and uncertainties faced by the Company are as follows:

Market performance
Although the Company's key markets are currently exhibiting signs of stability, it is inevitably very difficult to forecast future market trends in the current climate and a material decline in market activity could have an adverse impact on the Company's profit and cash generation.

Suppliers
The Company's ability to provide product differentiation and remain competitive depends on a small number of key suppliers. The reduction of finance available to the Company's key suppliers, coupled with reductions in insurance cover provided to certain suppliers by credit insurers, could lead to suppliers failing or attempting to change current credit terms which could have an adverse impact on the Company's results.

Also, as a distributor, the Company must compete with or capitalise on the low cost bases available in the Far East and is at risk of direct supply by manufacturers. If these risks are not managed effectively a loss of business could result which could have an adverse impact on the results of the Company.

Reliance on key customers and credit risk
The Company receives a significant proportion of its revenue from a limited number of key customers. A loss of any such customer could adversely impact the Company's prospects and financial performance.

The reduction in available finance to the Company's customers, along with a slow-down in demand, could result in an increased number of customers failing, which could expose the Company to bad debt charges and loss of future business. To mitigate this risk, the Company has rigorous credit control procedures in place. All customers are assigned credit limits which are regularly reviewed, outstanding and overdue debts are monitored continuously and high risk debts are analysed within the management accounts and are reviewed monthly with Arran Isle Group management.

Commodity and currency fluctuations
The Company is exposed to commodity price fluctuations for certain raw materials including steel, zinc, copper and brass. Also, a significant amount of purchases are from the Far East in US Dollars and mainland Europe in Euros and therefore costs are subject to currency fluctuations. An inherent risk to the Company is that it may not be able to fully recover the impact of future adverse commodity and currency fluctuations with a resultant negative impact on the Company's results.

Funding and liquidity risk
The Company is party to the Group's global asset-based funding facility with Wells Fargo Capital Finance (UK) Limited. This facility is £15.0m and runs to 30 June 2025. The facility is subject to a normal fixed charge cover ratio covenant.

Working capital management
The Company continues to be focused on the efficient management of working capital. Plans and monitoring procedures are in place in the Company, which have been effective to date but a risk remains to the achievement of this, which could have an adverse impact on the cash flows of the Company and in turn the wider Group.

Strategic report continued

Supply chain disruption
The post-pandemic increase in demand led to a global supply chain crisis which was further compounded internationally by the temporary blockage of the Suez Canal and, more locally, the implications of the reality of Brexit. Challenges persist in our Far East supply chain as China continues its zero-tolerance approach to COVID, resulting in capacity constraints in haulage and shipping. The most significant direct impacts on the Company have been a sharp increase in the cost of sea freight, an increased requirement to air freight in limited circumstances and substantially increased supplier lead times. The Company is expecting these challenges to persist into 2022 and is therefore anticipating that the judicious management of sea freight surcharges will continue to be required.

Failure in information technology or cybersecurity
The Company is dependent on its IT systems and a failure, breach or interruption could result in a loss of data, disruption to operations, reputational damage and adversely affect our financial condition. The Company maintains a programme of regular investment in its IT systems to ensure operational capability and to avoid or minimise the impact from cyber-attack. Examples of such investments include robust disaster and data recovery procedures, regular cybersecurity and privacy training for all system users, GDPR compliant data retention and security and a range of technologies designed to detect and prevent cyber-attack.

S172 statement

Under S172 of the Companies Act 2006, the Directors have a duty to promote the success of the Company for the benefit of the members as a whole and, in doing so, have regard to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct, and
- The need to act fairly between members of the Company.

The Directors of Heywood Williams Components Limited consider the following areas of key importance in its fulfilment of this duty:

Budgeting and planning
The Company's Budget and long-range Strategic Plan are designed to assess the long-term consequences of decisions made by Directors. They are compiled with involvement from a wide range of employees and are shared with key stakeholders such as the Company's parent company and lenders. The Company is then held to account in the delivery of these forecasts as actual results are regularly reported to key stakeholders.

Policies and procedures for employees
The Company maintains a rigorous training policy ensuring our employees have the correct skills and knowledge for their roles. The Company also maintains strict health and safety policies, supported by regular audits by a third-party assessor. Health & Safety procedures have recently been expanded to consider potential risks to employees from stress and other emotional issues, including additional training for H&S representatives.

Business conduct and corporate and social responsibility
The Company is committed to doing things right. This includes regular training to comply with the latest guidelines in areas such as modern slavery, anti-facilitation of tax evasion and anti-competitive behaviour. We are mindful of the impact our business and its supply chain has on the community and the environment and take all practical steps to minimise this impact.

Strategic report continued

Dealings with suppliers, customers and others
The Company encourages open and honest dealings both internally and externally. Regular dialogue is maintained with all key suppliers, customers and shareholders.

High standards in all we do
High standards are expected of our products and our people. Quality of our products is assured via rigorous testing and thorough supplier audits. Our people are suitably trained to deliver expertise in both products and service.

Interaction with local communities
The functions within the Company are actively encouraged to become involved with and support the local community.

Going concern

The Company's activities, together with factors likely to affect its future development and performance, are set out in the "Principal activities, review of the business and future developments" section and "Risk management" section on page 2.

The performance of the Company and source of the Company's funding are discussed in note 1 where it is concluded that, after making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. In making this assessment the Directors have considered the letter of support received from the parent company.

By order of the Board

R H Balbi
Director
4 March 2022

Directors' report

Directors

The Directors who served the Company during the year and since are listed on the Company Information page at the beginning of the annual report and financial statements.

Employee involvement

Employees are kept informed of the performance and objectives of the Company through established management procedures and by the availability to each employee of a copy of the Group's annual report and accounts.

Employee involvement in operational performance reviews forms an integral and essential part of the Company's management policies. Throughout the Company, all employees participate in structured training programmes to encourage continuous improvements in product and service quality.

The Company is committed to ensuring a safe and healthy working environment for all employees consistent with the requirements of health and safety legislation.

It is the Company's policy to treat all employees fairly and specifically to prohibit discrimination on the grounds of race, religion, sexual orientation, disability, gender or other protected characteristics as defined by the Equality Act 2010.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled people for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practical in the same or an alternative position and to provide appropriate training to achieve this aim.

Streamlined Energy and Carbon Reporting

The disclosures required under 'Streamlined Energy and Carbon Reporting' (SECR) are included below. The emissions were calculated using conversion factors set out by DEFRA and include estimates of fuel efficiency of vehicles.

	2021	2020
Scope 1 - Direct emissions (kWh)	**1,086,149**	912,552
Scope 2 - Indirect emissions (kWh)	**914,341**	720,478
Total energy use (kWh)	**2,000,490**	1,633,030
CO2e equivalent (kg CO_2e)	**380,796**	306,301
Intensity metric - kg CO_2e per £m revenue	**6,950**	7,545

The Company has a commitment to ensuring that its environmental impact is considered within decisions made throughout the businesses. Like many other businesses across the world, the pandemic accelerated our existing strategy of reducing our carbon footprint by working more flexibly. We have considerably reduced air miles and vehicle miles as we hold more virtual meetings internally, with customers and other stakeholders.

Directors' report continued

Additional measures to reduce our carbon footprint include:

- Projects to reduce packaging content generally, and specifically to eliminate the use of single use plastic packaging materials;
- All warehouse operations now use energy efficient lighting systems and renewable energy tariffs;
- Optimising shipping container fill to reduce void space; and
- New product development considers the environmental impacts of products, including extending product lives through greater use of stainless steel, the use of sustainable packaging and more robust operating mechanisms and a reduction in the number of products that need to be chrome plated.

Auditor

Grant Thornton UK LLP are the Company's auditor. Pursuant to s485, Companies Act 2006, resolutions excluding the Company from the obligation to hold annual general meetings and re-elect an auditor annually have been passed by the Company.

Information in the strategic report

Information is not shown in the Directors' report in relation to future developments, s172 statements, risk management and dividends because equal disclosure has been shown in the strategic report instead under S414C(11).

Financial instruments

The Company finances its activities with a combination of bank borrowings and cash. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Company's operating activities. The Company also enters into forward contract derivative transactions. The purpose is to manage the currency risks arising from the Company's operations. Financial instruments give rise to foreign currency, interest rate, credit, and liquidity risk. Information on these risks is set out in the Strategic Report.

The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. Hedge accounting is used when certain criteria is met as explained in the accounting policy note (note 1).

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 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 then 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.

Directors' report continued

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that:

- *so far as each Director is aware, there is no relevant audit information of which the Company's auditor is* unaware, and
- the Directors have taken all the steps that ought to have taken as Directors in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

R H Balbi
Director
4 March 2022

Independent auditor's report to the members of Heywood Williams Components Limited

Opinion

We have audited the financial statements of Heywood Williams Components Limited (the 'company') for the year ended 31 December 2021, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Independent auditor's report to the members of Heywood Williams Components Limited continued

Other information

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

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

We have nothing to report in this regard.

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 the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 for the financial statements

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

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

Independent auditor's report to the members of Heywood Williams Components Limited continued

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.

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

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 material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we obtained an understanding of the legal and regulatory frameworks applicable to the company, and the industry in which it operates. We determined that the following laws and regulations were most significant; Companies Act 2006 and the relevant tax compliance regulations for the company;
- we understood how the company is complying with those legal and regulatory frameworks by making inquiries of management. We corroborated our enquiries through our review of board minutes;
- we enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews. From the procedures performed we did not identify any material matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- to assess the potential risks of material misstatement, we obtained an understanding of:
    - the company's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement and
    - the company's control environment including the adequacy of procedures for authorisation of transactions.
- we assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - evaluating the processes and controls established to address the risks related to irregularities and fraud;
    - testing manual journal entries, in particular journal entries relating to management estimates and journal entries determined to be large or relating to unusual transactions;
    - challenging assumptions and judgements made by management in its significant accounting estimates;
    - identifying and testing related party transactions.
- we assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the client operates in, and their practical experience through training and participation with audit engagements of a similar nature;

Independent auditor's report to the members of Heywood Williams Components Limited continued

- these audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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.

Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
4 March 2022

Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	2	**54,792**	40,598
Costs and overheads		**(50,945)**	(38,430)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	3	**3,847**	2,168
Operating exceptional items	6	**-**	(38)
OPERATING PROFIT		**3,847**	2,130
Finance costs	7	**(50)**	(109)
Finance income	7	**159**	263
PROFIT BEFORE TAXATION		**3,956**	2,284
Taxation	8	**(739)**	(436)
PROFIT FOR THE YEAR		**3,217**	1,848
Gain/(loss) on foreign exchange hedge		**242**	(200)
Deferred tax relating to gain/(loss) on foreign exchange hedge	8	**(46)**	39
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR NET OF TAX		**196**	(161)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,413**	1,687

All of the activities of the Company are classed as continuing.

The notes on pages 16 to 33 form part of these financial statements.

Statement of Financial Position

as at 31 December 2021

		2021	2020
ASSETS	**Note**	**£'000**	£'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,933**	3,089
Intangible assets	10	**181**	256
Deferred income tax asset	17	**82**	157
		3,196	3,502
CURRENT ASSETS			
Inventories	13	**14,330**	8,211
Trade and other receivables	14	**16,302**	19,718
Cash at bank and in hand		**4,036**	3,630
		34,668	31,559
TOTAL ASSETS		**37,864**	35,061
EQUITY AND LIABILITIES			
Share capital	18	**1,000**	1,000
Foreign exchange reserve	19	**-**	(196)
Revaluation reserve	19	**1,148**	1,148
Retained earnings	19	**22,653**	21,736
TOTAL EQUITY		**24,801**	23,688
NON-CURRENT LIABILITIES			
Trade and other payables	15	**409**	527
Deferred income tax liabilities	17	**-**	1
		409	528
CURRENT LIABILITIES			
Borrowings	16	**-**	320
Trade and other payables	15	**12,654**	10,525
		12,654	10,845
TOTAL EQUITY AND LIABILITIES		**37,864**	35,061

The notes on pages 16 to 33 form part of these financial statements.

These financial statements were approved by the Directors on 4 March 2022 and are signed on their behalf by:

M J Richards
Director

R H Balbi
Director

Statement of Changes in Equity

for the year ended 31 December 2021

Attributable to the owners of the Company	Share Capital £'000	Foreign Exchange Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2020	1,000	(35)	1,148	21,138	23,251
Profit for the financial year	-	-	-	1,848	1,848
Loss on foreign exchange cashflow hedges	-	(200)	-	-	(200)
Deferred tax on loss on foreign exchange cashflow hedges	-	39	-	-	39
Total other comprehensive income	-	(161)	-	1,848	1,687
Dividends paid (£1.25 per share)	-	-	-	(1,250)	(1,250)
Transactions with owners	-	-	-	(1,250)	(1,250)
At 31 December 2020 and 1 January 2021	**1,000**	**(196)**	**1,148**	**21,736**	**23,688**
Profit for the financial year	**-**	**-**	**-**	**3,217**	**3,217**
Gain on foreign exchange cashflow hedges	**-**	**242**	**-**	**-**	**242**
Deferred tax on gain on foreign exchange cashflow hedges	**-**	**(46)**	**-**	**-**	**(46)**
Total other comprehensive income	**-**	**196**	**-**	**3,217**	**3,413**
Dividends paid (£2.30 per share)	**-**	**-**	**-**	**(2,300)**	**(2,300)**
Transactions with owners	**-**	**-**	**-**	**(2,300)**	**(2,300)**
At 31 December 2021	**1,000**	**-**	**1,148**	**22,653**	**24,801**

The notes on pages 16 to 33 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

Heywood Williams Components Limited is a private company limited by shares, incorporated and domiciled in England and Wales, registered number 02523354. The registered office address can be found on the Company information page.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and the principal accounting policies as summarised below. They have all been applied consistently throughout the year.

The financial statements have been prepared under the historical cost convention.

Parent company

The Company is a wholly owned subsidiary of Arran Isle Holdings Limited which is a wholly owned subsidiary of Arran Isle Limited. Arran Isle Limited prepares consolidated financial statements under IFRS as adopted by the European Union in which these accounts are included. These accounts are available from the Company's registered office.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- Preparation of a cash flow statement
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the Group that are each wholly owned within the Group
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- Disclosures in respect of standards in issue not yet effective

The following disclosure exemptions have also been adopted as equivalent disclosures are provided in the parent consolidated financial statements:

- Reduced financial instruments disclosures relating to IFRS 9
- Reduced revenue disclosures relating to IFRS 15
- Reduced lease disclosures relating to IFRS 16

Notes to the financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company has sufficient resources to enable it to continue operating and to meet its liabilities as they fall due. The Directors believe the going concern assumption to be appropriate for the reasons set out below.

The Company has made a profit after tax in the year and has net assets. The Company is party to the Group's global asset based funding facility ("facility") with Wells Fargo Capital Finance (UK) Limited ("Lender"). As at 31 December 2021 this was a £15.0m facility which runs to 30 June 2025.

The facility is based on the level of qualifying receivables and inventories which will fluctuate over the period of the facility. As is normal within these agreements, the level of qualifying assets is subject to periodic appraisal by the Lender. Included within the facility are operating conditions with which the Group will need to comply as well as a financial covenant for fixed charge cover ratio.

In assessing the Group's ability to operate within, and in compliance with, the terms of the facility in the foreseeable future, the Directors have taken consideration of the Group's financial projections and the current trading performance. They have also reviewed the sensitivities including their assessment of any likely changes to the assumptions that the Lender might make to the facility levels for the period through to June 2025.

The Group's forecasts and projections have been thoroughly reassessed for the period up to December 2023, taking account of reasonably possible risks. This exercise has demonstrated that it would require a significant and sustained reduction in the Group's revenue to cause the Group to be unable to comply with its responsibilities to its lender. The likelihood of such a reduction is deemed by the Directors as remote and the Group is well placed to operate within the level of its current bank facilities despite the current uncertain economic outlook.

Having considered the financial projections, the financial covenant and operating conditions and the sensitivity to changes in facility levels, the Directors have concluded that there is a reasonable expectation that the Group has sufficient liquidity and capital resources to meet its obligations in the normal course of business for the foreseeable future. Within this assessment, the going concern of the Company has also been considered. Following this exercise, the Directors continue to adopt the going concern basis in preparing the Company's financial statements.

Foreign currencies

The presentation and functional currency of the Company is Sterling. Assets and liabilities expressed in overseas currencies are translated into Sterling at the exchange rates ruling at the Statement of Financial Position date and trading results at average rates during the year. Exchange gains or losses of a trading nature are dealt with in the Statement of Comprehensive Income.

Notes to the financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of any rebates and VAT.

1. To determine whether to recognise revenue, the Group follows a 5-step process:
2. Identifying the contract with a customer
3. Identifying the performance obligations
4. Determining the transaction price
5. Allocating the transaction price to the performance obligations
6. Recognising revenue when/as performance obligation(s) are satisfied.

Sale of goods

Revenue is principally related to the distribution of fenestration hardware. Performance obligations are satisfied at a point in time when title and risk passes over to the customer and revenue can be reliably measured. This is either upon despatch or upon delivery of the goods depending on contract terms.

Variable consideration is substantially all related to customer rebates. Revenue is stated net of such costs.

Sale of services

Revenue is principally related to the installation and maintenance of doors and windows. Performance obligations are satisfied at a point in time when title and risk passes over to the customer and revenue can be reliably measured. This is dependent on contract terms, but usually occurs once the installation has been completed.

Where credit is offered to customers, payments terms are generally 30 – 90 days. No provision is made for customer returns or refunds as the level is immaterial to the Company.

Government grants

Income relating to Government grants is recognised where there is a reasonable expectation that the grant will be received and all attached conditions have been met. Where the grant covers an item of expense, it is recognised in the Statement of Comprehensive Income as a reduction in that expense on the same systematic basis as the costs, for which the grant compensates, are incurred.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is provided on all intangible fixed assets, and charged through Costs and overheads in the Statement of Comprehensive Income, 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 and other intangible assets	Between 3 and 5 years

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

Notes to the financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

On transition to FRS 101 in 2015, the previous revalued amount of land and buildings were treated as a basis for deemed cost. A cost basis has been applied from transition onwards.

Land and buildings are stated at deemed cost or actual cost as appropriate less accumulated depreciation on buildings. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Depreciation is provided on all other tangible 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:

Freehold buildings	40 years
Plant and equipment	Between 3 and 10 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

Inventories

Inventories are stated at the lower of cost, which is incurred in bringing each product to its present location and condition, and net realisable value. Provision is made for obsolete and slow moving items.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

(i) Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Statement of Financial Position date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the Statement of Financial Position date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

(ii) Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Deferred taxation continued

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Financial assets

Financial assets

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

All financial assets are classified as 'Financial assets at amortised costs' other than hedging instruments, explained below.

Hedging instruments

For the reporting periods under review, the Company has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate foreign currency exchange risk arising from certain highly probable purchases denominated in foreign currency. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Derecognition

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Notes to the financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Lease agreements

Under IFRS 16 right-of-use assets are initially measured at cost, comprising the initial amount of the lease liability plus any payments made prior to the commencement of the lease. The right-of-use asset is then depreciated on a straight-line basis over the life of the lease. Lease liabilities are measured at the present value of the remaining lease payments, discounted at a rate which reflects the incremental borrowing rate over a similar term. Interest is recognised on the lease liability and expensed through the Statement of Comprehensive Income.

Low-value and short term leases are expensed directly to the Statement of Comprehensive Income as incurred.

Pension costs

The Company operates a defined contribution pension scheme whose assets are held in separate trustee administered funds. The amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions. The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Rebate provision and impairment of receivables

The Company's receivables are short term and contain no financing element. The Company tests for impairment of trade and other receivables when there are indicators that the carrying amounts may not be recoverable. The provision for impairment of receivables comprises credit note provisions, customer rebate provisions and allowances for credit losses. In determining the recoverability of trade and other receivables the Company considers any change in the credit quality and the recoverable amount of the receivable at the reporting date. In calculating the rebate provision, the Company considers the value and likelihood of settling its customer rebates.

Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate. A loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Company measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

Impairment of inventories

The Company regularly reviews inventory to determine whether there are any indicators of impairment. Management estimates the level of provisions required by considering inventory holding levels, sales volumes and scrap values.

Recognition of deferred tax

Judgements around the recognition and non-recognition of deferred tax assets are discussed in notes 8 and 17.

Notes to the financial statements continued

for the year ended 31 December 2021

2. Revenue

Revenue, which is stated net of value added tax and customer returns and rebates, represents amounts invoiced in the year, in line with the accounting policy in note 1.

Revenue is attributable to continuing activities. These are the supply of components for windows, doors and other products used in the home improvements and new build markets (together 'sale of goods'), and the installation and maintenance of doors and windows in the social housing and commercial sectors (together 'sale of services').

An analysis of revenue by geographical market is given below:

	2021 £'000	2020 £'000
United Kingdom	**54,566**	40,371
Europe	**47**	86
Other	**179**	141
	54,792	40,598

All revenue relates to the sale of goods or services and is all recognised at a point in time. Of the above, £4,959,000 (2020: £3,189,000) relates to services.

3. Operating profit

Operating profit is stated after charging/(crediting):

	2021 £'000	2020 £'000
Cost of inventories recognised as an expense	**38,001**	29,023
Movement in inventory impairment	**255**	236
Cost of defined contribution scheme (note 4)	**276**	255
COVID-19 related Government support income (note 4)	**-**	(560)
Fees payable to the Company's auditor for the audit of the annual accounts	**40**	43
Amortisation of owned intangible assets (note 10)	**188**	262
Depreciation of owned tangible assets (note 11)	**251**	245
Depreciation of leased assets (note 11)	**484**	478
Low value and short-term lease rentals (note 12)	**36**	25

Notes to the financial statements continued

for the year ended 31 December 2021

4. Staff costs

	2021 £'000	2020 £'000
Wages and salaries	**6,295**	4,641
Social security costs	**610**	542
Pension costs	**276**	255
	7,181	5,438

In 2020 staff costs are stated net of COVID-19 related Government support income. No such income was received in the current year.

As at 31 December 2021, outstanding pension contributions of £40,000 were included in accruals (2020: £38,000). The monthly average number of employees during the year amounted to 158 (2020: 159).

5. Directors' emoluments

In the current year, four Directors were remunerated by the Company (2020: four).

	2021 £'000	2020 £'000
Emoluments	**704**	414
Company contributions paid to defined contribution pension schemes	**71**	61
	775	475

The costs of the remaining 3 Directors (2020: three) were borne by a fellow Group company and it is not practicable to split.

	2021 No.	2020 No.
Number of Directors who were members of the defined contribution scheme	**4**	4

The amounts in respect of the highest paid Director are as follows:

	2021 £'000	2020 £'000
Emoluments	**273**	151
Company contributions paid to defined contribution pension schemes	**38**	33
	311	184

Notes to the financial statements continued

for the year ended 31 December 2021

6. Operating exceptional items

These costs have been treated as exceptional since they are infrequent and material in nature. As such, the amounts earned or charged in any given year is not indicative of a trend in financial performance.

Exceptional operating charges comprise:

	2021 £'000	2020 £'000
Costs associated with the restructure of the Company	**-**	38

7. Finance income and costs

	2021 £'000	2020 £'000
Finance income		
Interest receivable from Group companies	**159**	263
Finance costs		
Bank interest	**(23)**	(71)
Interest expense for leasing arrangements	**(27)**	(38)
	(50)	(109)

8. Tax

(i) Profit for the year	**2021 £'000**	2020 £'000
Current taxation		
Corporation tax at 19% (2020: 19%)	**711**	442
Adjustments in respect of prior years	**-**	(2)
Deferred taxation (note 17)		
Current year	**59**	7
Adjustments in respect of prior years	**3**	1
Impact of change in tax laws and rates	**(34)**	(12)
	739	436

Notes to the financial statements continued

for the year ended 31 December 2021

8. Tax continued

(ii) The tax charge on the profit for the year is disclosed as follows:

	2021 £'000	2020 £'000
Income tax charge on continuing operations	**739**	436

(iii) Tax (expense)/income reported in Other Comprehensive Income

	2021 £'000	2020 £'000
Deferred tax on movement on foreign exchange contracts	**(46)**	39

(iv) Factors affecting total tax charge – the tax assessed on the profit for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £'000	2020 £'000
Profit on continuing operations before taxation	**3,956**	2,284
Taxation at the UK statutory rate of 19% (2020: 19%)	**751**	434
Movement on unrecognised deferred tax in respect of capital allowances in excess of depreciation	**(18)**	(12)
Movement on unrecognized deferred tax in respect of provisions	**(1)**	(1)
Disallowed expenses and non-taxable income	**4**	16
Adjustments in respect of previous periods current taxation	**-**	(2)
Adjustments in respect of previous periods deferred taxation	**3**	1
Total tax charge for the period	**739**	436

(v) Changes in current tax rates

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. However, in March 2021, Finance Bill 2021 included measures to increase the standard rate of corporation tax rate to 25% with effect from 1 April 2023. Finance Bill 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurement of UK deferred tax assets and liabilities at 31 December 2021 and deferred tax has been provided at 25%, being the rate at which temporary differences are expected to reverse.

Notes to the financial statements continued

for the year ended 31 December 2021

8. Tax continued

(vi) The net balance relating to income tax receivable and payable is as detailed below:

	2021	2020
	£'000	£'000
Income tax receivable	**-**	-
Income tax payable	**-**	-
	-	-

9. Dividends

	2021	2020
	£'000	£'000
Paid during the year (£2.30 per share (2020: £1.25 per share))	**2,300**	1,250

10. Intangible fixed assets

	Customer Contracts & Relationships £'000	Brands £'000	Software £'000	Total £'000
Cost				
At 1 January 2021	142	53	1,432	1,627
Additions	-	-	113	113
At 31 December 2021	142	53	1,545	1,740
Amortisation				
At 1 January 2021	142	43	1,186	1,371
Charge for the year	-	8	180	188
At 31 December 2021	142	51	1,366	1,559
Net book value				
At 31 December 2021	**-**	**2**	**179**	**181**
At 31 December 2020	-	10	246	256

All intangible fixed assets are owned assets. The Company has no intangible right-of-use fixed assets.

Notes to the financial statements continued

for the year ended 31 December 2021

11. Tangible fixed assets

	Owned assets		Right-of-use assets			
	Land & buildings £'000	Plant & equipment £'000	Land & buildings £'000	Plant & equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2021	2,656	3,201	1,113	171	503	7,644
Additions	20	355	14	14	178	581
Disposals	-	(3)	(35)	(11)	(132)	(181)
At 31 December 2021	2,676	3,553	1,092	174	549	8,044
Depreciation						
At 1 January 2021	825	2,892	490	75	273	4,555
Charge for the year	64	187	266	40	178	735
Disposals	-	(1)	(35)	(11)	(132)	(179)
At 31 December 2021	889	3,078	721	104	319	5,111
Net book value						
At 31 December 2021	**1,787**	**475**	**371**	**70**	**230**	**2,933**
At 31 December 2020	1,831	309	623	96	230	3,089

12. Leases

Lease liabilities are presented in the Statement of Financial Position as follows:

	2021 £'000	2020 £'000
Current (note 15)	**279**	468
Non-current (note 15)	**409**	527
	688	995

The Company has leases for warehouses and related facilities, motor vehicles and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Statement of Financial Position as a right-of-use asset and a lease liability.

Notes to the financial statements continued

for the year ended 31 December 2021

12. Leases continued

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over buildings and premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on the balance sheet:

As at 31 December 2021	No. of right-of-use asset leases	Range of remaining term	Average remaining lease term	No. of leases with extension options
Land & buildings	3	0-8 years	4 years	-
Plant & equipment	7	0-4 years	3 years	-
Motor vehicles	51	0-3 years	3 years	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

	Within 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Lease payments	297	314	129	740
Finance charge	18	28	6	52
Net present value	279	286	123	688

During the year, the Company made lease payments of £535,000 (2020: £534,000).

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability is as follows:

	2021 £'000	2020 £'000
Short-term and low value leases	36	25

At 31 December 2021 the Company was committed to make payments under short-term and low value leases and the total commitment at that date was £53,000 (2020: £61,000). The Company had not committed to any leases which had not yet commenced.

Notes to the financial statements continued

for the year ended 31 December 2021

13. Inventory

	2021	2020
	£'000	£'000
Finished goods	**14,330**	8,211

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

Inventory recognised in the Statement of Comprehensive Income during the year as an expense was £38,001,000 (2020: £29,081,000).

An impairment charge of £225,000 (2020: £236,000 charge) was recognised in the Statement of Comprehensive Income during the year related to slow-moving and obsolete inventory. The total provision is £1,383,000 (2020: £1,158,000).

Inventory is pledged as security for the Company's borrowings (see note 16).

14. Trade and other receivables

	2021	2020
	£'000	£'000
Amounts due within one year:		
Trade receivables	**6,712**	6,227
Other receivables	**162**	76
Amounts owed by Group undertakings	**8,384**	12,488
Prepayments and accrued income	**1,028**	927
Financial assets (note 21)	**16**	-
	16,302	19,718

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. The loan accrues interest at a rate of LIBOR plus 2.0% per annum (2020: LIBOR plus 1.85% per annum).

Certain trade receivables are pledged as security for the company's borrowings (see note 16).

The provision for impairment of receivables comprises credit note and customer rebate provisions of £202,000 (2020: £141,000) and allowances for credit losses of £71,000 (2020: £130,000).

Notes to the financial statements continued

for the year ended 31 December 2021

15. Trade and other payables

	2021 £'000	2020 £'000
Amounts due within one year:		
Lease liabilities (note 12)	**279**	468
Trade payables	**9,488**	7,800
Other payables	**40**	330
Amounts owed to Group undertakings	**6**	20
Tax and social security	**1,471**	965
Financial liabilities (note 21)	**-**	332
Accruals and deferred income	**1,370**	610
	12,654	10,525
Amounts due in greater than one year:		
Lease liabilities (note 12)	**409**	527

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

16. Borrowings

	2021 £'000	2020 £'000
Borrowings due in < 1 year	**-**	320
	-	320

The major committed bank facility of the Group is a £15.0m global asset-based funding agreement (the "Facility") with Wells Fargo Capital Finance (UK) Limited ("Wells Fargo") which runs until 30 June 2025.

The facility is based on the level of qualifying receivables and inventories which fluctuate over the period of the facility. As is normal within these agreements, the level of qualifying assets is subject to periodic appraisal by the Lender. Due to the nature of the facility, the loans against the receivable and inventory collateral represent a line of revolving credit and are classified as current liabilities. However, there are no such loans in the current year.

Notes to the financial statements continued

for the year ended 31 December 2021

17. Deferred taxation

Deferred tax is provided for at 25% (2020:19%).

	2021	2020
	£'000	£'000
Net deferred asset at the beginning of the year	**(156)**	(113)
Statement of Comprehensive Income	**46**	(39)
Charge for the year (note 8)	**59**	7
Adjustment in respect of prior years (note 8)	**3**	1
Impact of change in tax laws and rates (note 8)	**(34)**	(12)
Net deferred tax asset at 31 December	**(82)**	(156)

Amounts provided for deferred taxation are as set out below:

	2021	2020
	£'000	£'000
Deferred income tax asset	**(82)**	(157)
Deferred income tax liability	**-**	1
	(82)	(156)

	2021	2020
	£'000	£'000
Deferred income tax asset analysed as:		
Foreign exchange on commercial hedging contracts	**-**	(47)
Accelerated capital allowances	**(76)**	(105)
Other short term timing differences	**(6)**	(5)
	(82)	(157)

	2021	2020
	£'000	£'000
Deferred income tax liability analysed as:		
Intangible assets on business combination	**-**	1
	-	1

There is full recognition of deferred tax assets relating to short term timing differences as it is considered likely that they will be recoverable in the near future.

Notes to the financial statements continued

for the year ended 31 December 2021

18. Allotted, called up and fully paid share capital

	2021 **£'000**	2020 £'000
1,000,000 Ordinary shares of £1 each	**1,000**	1,000

19. Reserves

Called-up share capital	The nominal value of shares that have been issued
Foreign exchange reserve	Cumulative gains or losses arising on the fair value of foreign exchange forward contracts
Revaluation reserve	Cumulative gains or losses arising on the revaluation of the Company's property, plant and equipment. This reserve is not a distributable reserve
Retained earnings	All current and prior period retained profits and losses

20. Commitments

Capital commitments

As at 31 December 2021 the Directors had contracted for future capital expenditure of £280,000 (2020: £34,000).

Other commitments and guarantees

The Company is party to the Group's £15.0m global asset-based funding facility with Wells Fargo Capital Finance (UK) Limited. The facility runs until 30 June 2025. It is fully secured on the bulk of the Group's assets and has a normal fixed charge cover ratio covenant.

The Company is party to a net overdraft facility of £100 provided to the Group in the UK, which incorporates the right of set off. There is a composite Company limited multilateral guarantee dated 21 November 2013 given by the Group Companies.

21. Derivative financial instruments

Note 1 details the exemptions taken with respect to derivative financial instruments. The fair value of forward currency contracts held as at 31 December 2021 amounts to an asset of £16,000 (2020: liability of £332,000).

22. Related party transactions

Note 1 details the exemptions taken with respect to related parties. In 2021, the Company made sales of £143,000 to UAB Mila Baltics, a company in which the Company's intermediate parent has an 83.25% holding (2020: £116,000). £6,000 was outstanding at the year end (2020: £4,000). There were no other related party transactions in 2021 (2020: £nil).

Notes to the financial statements continued

for the year ended 31 December 2021

23. Ultimate parent company and controlling party

The ultimate parent undertaking (Arran Isle Limited) is the only group of undertakings for which group accounts are drawn up and of which the Company is a member. Arran Isle Limited is registered in England and Wales. Copies of Arran Isle Limited accounts can be obtained from the Company's registered office.

The Directors consider there to be no controlling party.