Worthington Armstrong U.K. Limited

Annual report and financial statements

Registered number 03316435

31 December 2020

Contents

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is the manufacture and sale of suspended ceiling components, as well as the design, manufacture and supply of aluminium extrusions. The Company produces metal ceiling grids that can be sold individually or combined with Ceiling Solutions Limited's ceiling boards as a complete package.

On 30 September 2019 the Company's former ultimate parent undertaking sold its EMEA and Pacific Rim Businesses, including the company and its subsidiaries to Knauf International GmBH. Following a ruling from the European Commission Knauf were required to divest part of the European business and an announcement was made in August 2019 confirming contracts had been signed for the acquisition of the divestiture by AURELIUS Development Eleven GmbH.

The transaction was completed on 31 March 2020.

Business review

Performance

The results for the year are set out on page 9. The Company's turnover for the year decreased by 30% to £8.7 million *(2019: £12.4 million)*. Profit before taxation amounted to £13.4 million *(2019: £3.3 million)*. The large profit recorded in 2020 is due to the group restructure transactions shown in profit on sale of fixed asset investments of £11.1m,

The balance sheet as at 31 December 2020 demonstrates that the financial position of the Company has reduced with net assets of £4 million *(2019: £11.1 million)*, which is attributable to the net profit of £13.1m and the dividend payment made during the year of £20.2m.

Risks and uncertainties

The directors have carefully considered the principal risks and uncertainties facing the business. The Company operates in a competitive market place where continuing growth is dependent on maintaining existing customer relationships and developing new business by offering high quality products and services. The key to success is to leverage the Company's position through the premium which its service offering demands. Competition within foreign markets is a continuing risk to the Company, which could result in it losing sales to its key competitors. The Company mitigates this risk by providing value added services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

The directors continue to investigate entry into further markets whilst remaining flexible in matching capacity and production costs to actual demand.

Impact of Covid-19

Operations

As a result of the national lockdown resulting from Covid-19, customer demand was severely reduced, and the operations of the business disrupted. The government lockdown impacted large parts of our industry with several of our customers completely closing. Consequently, our production operations were closed for a period of time with our sales, distribution centre and administrative functions running on a skeleton staff. Home working was deployed within the business where possible. Where this was not possible, work environments were adapted following government guidance. The company was able to quickly switch to a virtual environment with great success.

Strategic report *(continued)*

Short Term Focus

The company acted quickly to utilise the government's Job Retention Scheme for a portion of its employees in order to protect as many jobs as possible. The vast majority of those employees who were placed on furlough have now returned to work and, although demand continues to be softer than expected, the use of the Job Retention Scheme has now been discontinued. This support, in addition to general lower business activity and cost containment programs has protected the company against the catastrophic impacts of the pandemic. Whilst profitability in 2020 was somewhat lower than initial expectations, performance overall remains positive.

Long Term Focus

The company has returned to almost full operations, following government guidance on social distancing and PPE. Demand for our remaining markets and product sectors is expected to return to the 2019 level based on economic forecasts for our industry which has been borne out by sales in the initial months of 2021. Accordingly, we expect the business to return to its previous levels of profitability and cash generation. The pandemic is not expected to materially alter the strategy of the company. New branding for the business was launched in November 2020 in which we will continue to invest and develop in 2021 and beyond. The Directors continue to monitor ongoing developments in the pandemic, along with government advice on operating safely for our staff, customers and suppliers.

Measurement

The Company uses a number of financial and non-financial Key Performance Indicators ("KPIs") to measure performance and these are reported both at management group and employee level. These KPIs include delivery performance, customer complaints, internal rejections and yield, production reliability and productivity, sales plan achievement, cost and a number of health and safety performance indicators. As far as financial performance is concerned the key measures are gross margin and operating profit as reported on page 9. The directors consider that the Company has a very effective measurement and reporting system, consistent with its size and complexity.

Future developments

The Company continues to invest in its capital equipment to improve operating efficiency. The external commercial environment remains competitive albeit with a return to pre-pandemic levels of activity. Focus within the Company will be on maintaining market share and price achievement in its existing markets along with the development of new and additional products to effectively service our customer demand

By order of the board

L Davidson

L A Davidson
Director

Unit 401
Princesway Central Team Valley Trading Estate
Gateshead
NE11 0TU

10 June 2021

Directors' report

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

Proposed dividend

The directors authorised and paid a dividend of £20.2m in the year *(2019: £3.5m)*.

Included within the £20.2m dividend, £1.2m was paid in cash whilst £19m was a distribution related to the waiver of an intercompany loan between Worthington Armstrong U.K. Limited and Ceiling Solutions Limited.

Directors

The directors who held office during the year, and changes since the year end, were as follows:

Willem A Middel	(resigned 31 March 2020)
Dirk Jaspers	(appointed 11 January 2021)
Lee A Davidson	
Christophe Lloret-Linares	(resigned 11 January 2021)

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2019: £nil)*.

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

L Davidson

L A Davidson
Director

Unit 401
Princesway Central Team Valley Trading Estate
Gateshead
NE11 0TU

10 June 2021

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Worthington Armstrong U.K. Limited

Opinion

We have audited the financial statements of Worthington Armstrong U.K. Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

Independent auditor's report to the members of Worthington Armstrong U.K. Limited *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition the risk that management may be in a position to make inappropriate accounting entries.
We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected pairings of journals crediting revenue.
- Evaluated the business purpose of significant unusual transactions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, employment law, anti-bribery and money laundering, environmental protection legislation and consumer rights, recognizing the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Worthington Armstrong U.K. Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Worthington Armstrong U.K. Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.

David Mitchell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne

NE1 3DX

16 June 2021

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	2	**8,710,974**	12,419,508
Cost of sales		**(6,033,977)**	(7,251,217)
Gross profit		**2,676,997**	5,168,291
Administrative expenses		**(368,872)**	(2,548,265)
Other operating income/(expenses)	3	**34,804**	(253,057)
Operating profit		**2,342,929**	2,366,969
Interest receivable	7	**14,567**	-
Interest payable	8	**(53,646)**	(58,179)
Profit on sale of fixed asset investments		**11,104,336**	-
Dividends received from shares in subsidiary undertakings		**-**	1,181,023
Profit before taxation	3-6	**13,408,186**	3,489,813
Tax on profit	9	**(285,967)**	(442,902)
Profit for the financial year		**13,122,219**	3,046,911
Other comprehensive income		**-**	-
Total comprehensive income for the year		**13,122,219**	3,046,911

Balance Sheet
at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	10		-		-
Tangible assets	*11*		895,278		1,035,573
Right of use assets	*12*		1,397,053		1,667,742
Investments	*13*		-		6,999,147
			2,292,331		9,702,462
Current assets					
Stocks	*14*	1,491,205		1,588,049	
Debtors	*15*	2,530,768		225,843	
Cash at bank and in hand	*16*	396,550		2,327,471	
		4,418,523		4,141,363	
Creditors: amounts falling due within one year	*17*	(1,403,116)		(1,215,260)	
Net current assets			3,015,407		2,926,103
Total assets less current liabilities			5,307,738		12,628,565
Creditors: amounts falling due in more than one year	*18*		(1,170,426)		(1,427,187)
Provisions for liabilities					
Deferred tax liability	*19*		(121,781)		(138,512)
Net assets			4,015,531		11,062,866
Capital and reserves					
Called up share capital	*21*		1		1
Share premium account	*22*		477,184		477,184
Profit and loss account	*22*		3,538,346		10,585,681
Shareholders' funds			4,015,531		11,062,866

These financial statements were approved by the board of directors on *10 June 2021* and were signed on its behalf by:

L Davidson

L A Davidson
Director

Company registered number: 03316435

Statement of Changes in Equity

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2019	1	477,184	11,038,770	11,515,955
Total comprehensive income for the year				
Profit or loss	-	-	3,046,911	3,046,911
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,046,911	3,046,911
Transactions with owners, recorded directly in equity				
Dividends	-	-	(3,500,000)	(3,500,000)
Total transactions with owners	-	-	(3,500,000)	(3,500,000)
Balance at 31 December 2019	1	477,184	10,585,681	11,062,866
Balance at 1 January 2020	**1**	**477,184**	**10,585,681**	**11,062,866**
Total comprehensive income for the year				
Profit or loss	-	-	**13,122,219**	**13,122,219**
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**13,122,219**	**13,122,219**
Transactions with owners, recorded directly in equity				
Dividends	-	-	**(20,169,554)**	**(20,169,554)**
Total transactions with owners	-	-	**(20,169,554)**	**(20,169,554)**
Balance at 31 December 2020	**1**	**477,184**	**3,538,346**	**4,015,531**

Notes
(forming part of the financial statements)

1 Accounting policies

Worthington Armstrong U.K. Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 03316435 and the registered address is Unit 401 Princesway Central Team Valley Trading Estate, Gateshead, United Kingdom, NE11 0TU.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The presentation currency of these financial statements is sterling.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance of the Company is provided in note 29.

The Company's ultimate parent undertaking, Aurelius Equity Opportunities SE & Co KGaA includes the Company in its consolidated financial statements. The consolidated financial statements of Aurelius Equity Opportunities SE & Co KGaA are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Aurelius Equity Opportunities SE & Co. KGaA :Ludwig – Ganghofer – StraBe 6, 82031 Grunwald.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Aurelius Equity Opportunities SE & Co KGaA include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures.

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2019 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

Notes *(continued)*

1 Accounting policies

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

Basis of preparation - WAVE

The directors have prepared the financial statements on a going concern basis which they consider to be appropriate for the following reasons.

As at 31 December 2020 the company had cash at bank of £396,550, net current assets of £2,799,457 and net assets of £3,799,581. The company has historically funded its operations through the cash generated from operations. In November 2019 the Company entered into an asset backed lending agreement with BNP Paribas, as part of the sale of the Company. This agreement is a revolving credit facility based on eligible inventory of £5,000,000 and has a term of three years from initial drawdown, and attached financial covenants of inventory cover which are tested quarterly. On 31 March 2020 £385,297.25 was drawn on the facilities and immediately passed to Aurelius Equity Opportunities ("Aurelius"), the Company's ultimate parent company, and this debtor balance remains at 31 December 2020. The outstanding balance on the facility at 31 December 2020 was £223,296.

As at 31 May 2021 the company had cash at bank of £979,260 and had an outstanding balance of £122,561 on the facilities agreement (unaudited).

The company generates its revenue primarily through sales to CSL, who combine the metal grids with their ceiling boards to sell to third parties as a complete package.

Management have prepared a base case cash flow forecast for a period of at least twelve months from the date of approval of these financial statements which has been used as their basis of assessing the going concern basis of preparation. Management have also prepared a severe but plausible downside scenario forecast for the same period as part of this assessment which considers reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources. This forecast considers the potential ongoing macro-economic implications of COVID-19 on the Company's volume deliveries and also consideration of the performance of the Company during the UK lockdowns to date, and assumes volumes throughout the forecast period are consistent with those experienced in 2020. There are also mitigating actions, not incorporated into the severe but plausible scenario, that management has considered, such as the suspension of non-committed, non-essential capital expenditure. Both the base case forecast, and the severe but plausible downside forecast show that the company will have sufficient funds to continue to meet its liabilities as they fall due, and will operate within its covenants for the forecast period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Notes *(continued)*

1 Accounting policies (continued)

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes *(continued)*

1 Accounting policies (continued)

Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Leasehold land and building	-	10 years
Plant and machinery	-	5 to 12 years
Fixtures and fittings	-	7 years
Computer equipment	-	5 years
Office machines	-	5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Business combinations

All unincorporated business combinations are accounted for by applying the acquisition method. The company measures goodwill at the acquisition date as the fair value of the consideration (excluding contingent consideration) transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Costs relating to the acquisition are expenses as incurred.

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 3 years.

Notes *(continued)*

1 Accounting policies *(continued)*

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes *(continued)*

1 Accounting policies (continued)

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes *(continued)*

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Revenue

The goods sold by the company are predominately metal ceiling grid. Revenue is measured at the fair value of the consideration receivable. This is the invoices value of the goods supplied, excluding value added tax. Revenue is recognised when the customer obtains control of the goods, in most cases this is at the point in time of transfer of legal title of the goods, which is when the goods are delivered to the customer.

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Government grants

Government grants are shown gross in the profit and loss in other operating income. The grants are recognised in the period to which they relate. During 2020 the company received government assistance in the form of the Coronavirus Job Retention Scheme, there are no unfulfilled conditions and no other government assistance.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences between accumulated depreciation and tax allowances for the cost of a fixed asset are not provided for if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation (continued)

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred [and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located], less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Notes *(continued)*

2 Turnover

	2020 £	2019 £
Sale of goods	**8,710,974**	12,419,508

The Company's turnover arose from its principal activity being the sale of a singular product line, metal ceiling grid. The analysis of turnover by geographical destination is as follows:

	2020 £	2019 £
UK	**4,889,662**	7,974,406
Rest of Europe	**3,821,312**	4,445,102
	8,710,974	12,419,508

3 Other operating income/(expenses)

	2020 £	2019 £
Income from HMRC Job Retention scheme	**96,500**	-
Royalties payable to parent company	**(61,696)**	(253,057)
	34,804	(253,057)

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £	2019 £
Depreciation of tangible fixed assets	**209,702**	223,047
Depreciation on right of use assets	**270,689**	269,075
Impairment loss on inventories	**6,937**	4,874
Overall net foreign exchange (gains)/losses	**(1,098,613)**	31,960

Auditor's remuneration:

	2020 £	2019 £
Audit of these financial statements	**30,000**	20,000
Amounts receivable by the auditors and their associates in respect of:		
Taxation compliance services	**6,900**	6,900
All other services	**1,300**	1,300

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2020	2019
Production	**19**	23
Administration	**7**	8
	26	31

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	**820,987**	973,197
Social security costs	**81,964**	93,899
Pension costs (note 20)	**42,485**	35,745
	945,436	1,102,841

6 Directors' remuneration

None of the directors received any emoluments for their services as directors of the company *(2019: £nil)*.

7 Interest receivable

	2020	2019
	£	£
Receivable on loans to related undertakings	**14,567**	-
	14,567	-

8 Interest payable

	2020	2019
	£	£
Interest payable on factoring facility	**4,999**	-
Interest payable on right of use liability	**48,647**	58,179
	53,646	58,179

Notes *(continued)*

9 Taxation

Tax expense recognised in the profit and loss account

	2020		2019	
	£	£	£	£
UK corporation tax				
Current tax on income for the period	**292,434**		459,994	
Adjustments in respect of prior periods	**10,264**		2,211	
Total current tax		**302,698**		462,205
Deferred tax (see note 19)				
Origination of timing differences	**(16,731)**		(19,303)	
Total deferred tax		**(16,731)**		(19,303)
Total tax expense recognised in profit and loss		**285,967**		442,902

Reconciliation of effective tax rate

	2020	2019
	£	£
Profit for the year	**13,122,219**	2,872,101
Total tax expense	**285,967**	442,902
Profit excluding taxation	**13,408,186**	3,315,003
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**2,547,555**	629,851
Non-taxable income	**(2,325,774)**	-
Expenses not deductible for tax purposes	**53,922**	(189,160)
Adjustments to tax charge in respect of previous periods	**10,264**	2,211
Total tax expense recognised in profit or loss	**285,967**	442,902

Factors that may affect future current and total tax charges
Increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2020 has been calculated based on these rates. An increase in the rate to 25% (effective from 1 April 2023) was not substantively enacted until 11 March 2021 and has therefore not been considered for the deferred tax calculation. This rate increase would increase the deferred tax liability by £38,367

Notes *(continued)*

10 Intangible assets

	Goodwill
	£
Cost	
Balance at 1 January 2020 and at 31 December 2020	786,647
Impairment	
Balance at 1 January 2020 and at 31 December 2020	786,647
Amortisation for the year	-
Balance at 31 December 2020	786,647
Net book value	
At 31 December 2020	-
At 31 December 2019	-

The goodwill relates to the acquisition made in a previous period. It is the directors' opinion that the goodwill was fully impaired prior to the transition date due to changes in the related market and the assets brought into the company no longer providing an expected economic benefit.

11 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Plant, machinery, tools and equipment	Assets under construction	Total
	£	£	£	£	£
Cost					
Balance at 1 January 2020	436,356	23,535	3,989,511	19,835	4,469,237
Additions	-	-	3,810	65,597	69,407
Balance at 31 December 2020	436,356	23,535	3,993,321	85,432	4,538,644
Depreciation					
Balance at 1 January 2020	347,219	23,535	3,062,910	-	3,433,664
Charge for year	11,093	-	198,609	-	209,702
Balance at 31 December 2020	358,312	23,535	3,261,519	-	3,643,366
Net book value					
At 31 December 2020	**78,044**	-	**731,802**	**85,432**	**895,278**
At 31 December 2019	89,137	-	926,601	19,835	1,035,573

Notes *(continued)*

12 Right of use assets

	Leasehold land and buildings £	Plant, machinery, tools and equipment £	Total £
Cost			
Balance at 1 January 2020	1,861,563	75,254	1,936,817
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2020	1,861,563	75,254	1,936,817
Depreciation			
Balance at 1 January 2020	242,813	26,262	269,075
Charge for year	242,813	27,876	270,689
Disposals	-	-	-
Balance at 31 December 2020	485,626	54,138	539,764
Net book value			
At 31 December 2020	**1,375,937**	**21,116**	**1,397,053**
At 31 December 2019	1,618,750	48,992	1,667,742

13 Fixed asset investments

	Shares in group undertakings £
Cost and net book value	
Balance at 1 January 2020	6,999,147
Disposals	(6,999,147)
Balance at 31 December 2020	-

Due to the sale and carve out on 31 March 2020 all of the shares in group undertakings were disposed.

14 Stocks

	2020 £	2019 £
Raw materials and consumables	**1,091,755**	1,085,135
Finished goods	**399,450**	502,914
	1,491,205	1,588,049

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £5,771,989 *(2019: £7,202,128)*.

Stock is stated after provisions for impairment of £61,967 *(2019: £75,198)*.

Notes *(continued)*

15 Debtors

	2020	2019
	£	£
Trade debtors	**231,833**	-
Amounts owed by related undertakings	**1,803,822**	188,566
Other debtors	**170,507**	20,473
Other taxation and social security	**324,606**	-
Prepayments and accrued income	-	16,804
	2,530,768	225,843
Due within one year	**2,530,768**	225,843

Trade debtors is stated after provisions for impairment of £nil *(2019: £nil).*

Amounts owed by group undertakings are unsecured, interest bearing (between 3% and 5%) and are repayable on demand.

16 Cash and cash equivalents/bank overdrafts

	2020	2019
	£	£
Cash at bank and in hand	**396,550**	2,327,471

17 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	**710,564**	588,188
Factoring facility	**223,296**	-
Right of use liability	**256,253**	260,174
Amounts owed to related undertakings	-	20,881
Other taxation and social security	**28,055**	16,853
Other creditors	**6,843**	-
Corporation tax	**41,421**	150,833
Accruals and deferred income	**136,684**	178,331
	1,403,116	1,215,260

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

The factoring facility relates to inventory and has an interest rate of 2.25% and is repayable on demand.

18 Creditors: amounts falling due in more than one year

	2020	2019
	£	£
Right of use liability	**1,170,426**	1,427,187

Notes *(continued)*

19 Deferred tax liabilities

	2020 £	2019 £
Balance at 1 January	**138,512**	157,815
Credit to the profit and loss for the year	**(16,731)**	(19,303)
Balance at 31 December	**121,781**	138,512

The elements of deferred taxation are as follows:

	2020 £	2019 £
Difference between accumulated depreciation and capital allowances	**121,781**	138,512
	121,781	138,512

20 Employee benefits

The Company makes contributions to employees' personal pension schemes. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £35,745 *(2019: £35,745).*

Contributions amounting to £4,746 *(2019: £4,746)* were payable to the scheme and are included in creditors.

21 Called up share capital

	Ordinary shares 2020	2019
On issue at 1 January	**1**	1
Issued for cash	-	-
On issue at 31 December – fully paid	**1**	1

	2020 £	2019 £
Allotted and fully paid		
1 Ordinary share of £1	**1**	1
Shares classified in shareholders' funds	**1**	1
	1	1

The holder of the ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

Dividends

A dividend of £20,169,554 was paid in the year. The directors do not recommend the payment of a final dividend *(2019: £3.5 million pounds).*

Notes *(continued)*

22 Reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2019	477,184	11,038,770
Profit for the year	-	3,046,911
Dividend paid	-	(3,500,000)
Balance at 31 December 2019	477,184	10,585,681
Balance at 1 January 2020	477,184	10,585,681
Profit for the year	-	13,122,219
Dividend paid	-	(20,169,554)
Balance at 31 December 2020	**477,184**	**3,538,346**

23 Financial instruments

No financial assets or liabilities are measured at fair value through profit and loss.

The carrying amounts of the financial assets and liabilities include:

	2020	2019
Financial assets that are debt instruments measured at amortised cost	**£**	£
- Trade debtors	**231,833**	-
- Amounts owed by related undertakings	**1,803,822**	188,566
- Other debtors	**170,507**	20,473
	2,206,162	209,039
Financial liabilities measured at amortised cost		
- Trade creditors	**710,564**	588,188
- Amounts owed to related undertakings	**-**	20,881
	710,564	609,069

Notes *(continued)*

24 Ultimate parent company and parent company of larger group

The Company is a wholly owned subsidiary undertaking of Ceiling Solutions Limited, which is a wholly owned subsidiary undertaking of Aurelius Development Eleven GmbH, a company incorporated in Germany. As at the balance sheet date, Aurelius Development Eleven GmbH was a wholly owned subsidiary of Aurelius Equity Opportunities SE & Co KGAa. On 30 September 2019 Armstrong World Industries Inc. sold its EMEA and Pacific Rim business to Knauf. As a result of a ruling by the European Commission Knauf were required to carve out certain businesses, including Worthington Armstrong U.K. Limited. The carve out and sale of Worthington Armstrong U.K. Limited to AURELIUS Development Eleven GmbH was completed on 31 March 2020.

As at 31 December 2020 Worthington Armstrong UK Limited is a wholly owned subsidiary of Ceiling Solutions Limited, a company registered in the United Kingdom. The ultimate parent of Ceiling Solutions Limited is AURELIUS Equity Opportunities SE & CO KGaA.

25 Accounting estimates and judgements

In the preparation of the financial statements, it is necessary for the management of the company to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Impairment of debtors

The company recognises loss allowance for expected credit losses on financial assets measured at amortised cost. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Stock provisioning

The Company designs, manufactures and sells products which are subject to changing technological advances. As a result it is necessary to consider the 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 future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.

26 Explanation of transition to FRS101 from FRS102

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 and have been applied in preparing the financial statements for the year ended 31 December 2020, the comparative information presented in these financial statements for the year ended 31 December 2019 and in the preparation of an opening FRS 101 balance sheet at 1 January 2019 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (FRS 102). An explanation of how the transition from FRS 102 to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

26 Explanation of transition to FRS101 from FRS102 *(continued)*

Reconciliation of equity

		1 January 2019			**31 December 2019**		
		FRS 102	Effect of transition to FRS 101	FRS 101	**FRS 102**	**Effect of transition to FRS 101**	**FRS 101**
	Note	£	£	£	**£**	**£**	**£**
Fixed assets							
Intangible assets	C	174,810	(174,810)	-	-	-	-
Tangible fixed assets		1,192,569	-	1,192,569	**1,035,573**	-	**1,035,573**
Right of use assets	A	-	1,933,294	1,933,294	-	**1,667,742**	**1,667,742**
Investments		7,217,317	-	7,217,317	**6,999,147**	-	**6,999,147**
		8,584,696	1,758,484	10,343,180	**8,034,720**	**1,667,742**	**9,702,462**
Current assets							
Stocks		1,448,981	-	1,448,981	**1,588,049**	-	1,588,049
Amounts owed by group undertakings		393,529	-	393,529	**188,566**	-	**188,566**
Corporation tax recoverable		19,070	-	19,070	-	-	-
Other debtors		125,647	-	125,647	**20,473**	-	20,473
Prepayments and accrued income		37,814	-	37,814	**16,804**	-	16,804
Cash at bank and in hand		2,427,439	-	2427,439	**2,327,471**	-	**2,327,471**
		4,452,480	-	4,452,480	**4,141,363**	-	**4,141,363**
Creditors: amounts due within one year							
Trade creditors		813,099	-	813,099	**588,188**	-	**588,188**
Amounts owed to group undertakings		82,171	-	82,171	**20,881**	-	**20,881**
Right of use liability	A	-	249,069	249,069	-	**260,174**	**260,174**
Other taxation and social security		39,519	-	39,519	**16,853**	-	**16,853**
Corporation tax		-	-	-	**150,833**	-	**150,833**
Accruals and deferred income	B	248,311	5,495	253,806	**164,771**	**13,560**	**178,331**
		1,183,100	254,564	1,437,664	**941,526**	**273,734**	**1,215,260**
Net current assets		3,269,380	254,564	3,014,816	**3,199,837**	**273,734**	**2,926,103**

Notes *(continued)*

26 Explanation of transition to FRS101 from FRS102 *(continued)*

Reconciliation of equity *(continued)*

		1 January 2019			31 December 2019		
		FRS 102	Effect of transition to FRS 101	FRS 101	**FRS 102**	**Effect of transition to FRS 101**	**FRS101**
	Note	£	£	£	£	£	£
Creditors: amounts falling due after more than one year							
Right of use liability	A	-	1,684,225	1,684,225	-	**1,427,187**	**1,427,187**
Provisions for liabilities							
Deferred tax liability		157,815	-	157,815	**138,512**	-	**138,512**
		157,815	-	157,815	**138,512**	-	**138,512**
Net assets		11,696,261	(180,305)	11,515,956	**11,096,045**	**(33,179)**	**11,062,866**
Capital and reserves							
Called up share capital		1	-	1	**1**	-	**1**
Share premium account		477,184	-	477,184	**477,184**	-	**477,184**
Profit and loss account		11,219,076	(180,305)	11,038,771	**10,618,860**	**(33,179)**	**10,585,681**
Shareholders' equity		11,696,261	(5,495)	11,515,956	**11,096,045**	**(33,179)**	**11,062,866**

Notes *(continued)*

26 Explanation of transition to FRS101 from FRS102 *(continued)*

Reconciliation of profit for 31 December 2019

	Note	FRS 102	Effect of transition to FRS 101	FRS 101
		£	£	£
Turnover		12,419,508	-	12,419,508
Cost of sales		(7,251,217)	-	(7,251,217)
Gross profit		5,168,291	-	5,168,291
Administrative expenses	A	(2,753,570)	205,305	(2,548,265)
Other operating expenses		(253,057)	-	(253,057)
Operating profit		2,161,664	205,305	2,366,969
Income from shares in group undertakings		1,181,023	-	1,181,023
Interest payable on right of use liability	A	-	(58,179)	(58,179)
Profit before taxation		3,342,687	147,126	3,489,813
Taxation		(442,902)	-	(442,902)
Profit for the year		2,899,785	147,126	3,046,911

Notes to the reconciliation

A) IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As a result a right of use asset and liability have been recognised as at 1 January 2019 for the operating leases which were historically recognised in the profit and loss under FRS102.

The depreciation on the right of use assets for 2019 of £269,075 is shown in administrative expenses but this is offset by the rent charge reversed out of the profit and loss relating to the accounting of operating leases under FRS102 of £299,560 which is shown net in administrative expenses £30,495.

The interest on the right of use liability for 2019 of £58,179 is shown in interest payable and similar expenses

B) One of the operating lease contracts included a rent free period. Under FRS102 rent from an operating lease must be evenly spread and as a result an accrual for the rent free period was included in the balance sheet as at 1 January 2019. Due to the recognition of the right of use assets and liabilities the accrual was reversed on transition to FRS101.

C) Under FRS 102 goodwill is amortised over an estimated useful live whereas the requirements of IAS 36 are that goodwill should not be amortised, but should be tested annually for impairment. The goodwill relates to the acquisition made in a previous period. It is the directors' opinion that the goodwill was fully impaired prior to the transition date due to changes in the related market and the assets brought into the company no longer providing an expected economic benefit. Therefore, the carrying value of goodwill has been reduced to nil on the date of transition, and the amortisation charge of £174,810 which had been recognised in the income statement for the year ended 31 December 2019 has been reversed.