

Company Registration No. 02189095 (England and Wales)

VALMIERA GLASS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



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VALMIERA GLASS UK LIMITED

COMPANY INFORMATION

Directors	A Palms R Hallett-Andrews S Jugel I Bleier
Secretary	Michelmores LLP
Company number	02189095
Registered office	Valmiera Glass UK Limited SHERBORNE Dorset DT9 3RB
Auditor	Old Mill Audit LLP Maltravers House Petters Way YEOVIL Somerset BA20 1SH
Bankers	SEB UK One Carter Lane LONDON EC4V 5AN
Solicitors	Michelmores LLP Broad Quay House Broad Quay BRISTOL Somerset BS1 4DJ

VALMIERA GLASS UK LIMITED

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VALMIERA GLASS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the business

Results for the period

As shown in the company's profit and loss statement on page 10, the company's sales have decreased by 29.2% compared with the prior year (2019 – decrease of 0.3%), primarily due to the global economic downturn resulting from the COVID-19 pandemic. The aerospace composites business was particularly affected because of the global reduction in air travel, but the impact of this being offset where possible by the production of the higher margins that can be achieved with successful production of products for the smoke and fire market.

The company expects to continue to concentrate on the smoke and fire market during 2021, whilst looking for other opportunities whilst the aerospace composites downturn continues.

The company's key measure of effectiveness of its operations is operating profit. The company achieved an operating profit after direct costs of £433,337 (2019 – profit of £324,563, although it should be noted that the 2019 operating profit was hampered by a change in inventory account policy that reduced the carrying stock level by £1,688,702).

Financial position

The position of the company at the end of the year is set out in the statement of financial position (balance sheet) on pages 12- 13 and the notes thereto.

Future prospects and going concern

As other entities in the industry, the company has been adversely affected by the global downturn in economic activity due to the COVID-19 pandemic during 2020 and continuing into 2021. However, despite the very difficult trading conditions and unprecedented situation, particularly with the aerospace composite business, the company continues to remain profitable and is forecast to do so during 2021 and thereafter.

On the 31st December 2020 the United Kingdom (UK) left the European Union (EU) following the referendum decision on the 23rd of June 2016. Upon leaving the EU, trade between the EU and the UK uses the EU-UK Trade and Cooperation Agreement which was agreed on the 24th December 2020. This agreement ensured that a "no-deal" scenario (meaning that the UK left the EU without a trade agreement in place and would have resulted in the imposition of Tariffs and the World Trade Organization (WTO) rules) was not applicable and trade could continue with only limited disruption to export sales to the EU for the company.

As exporters of manufactured goods, depreciation of Sterling against the Euro has been advantageous to the company, particularly during 2020 and the Brexit transition at the year end. Although there has been an appreciation of Sterling against the Euro in the first quarter of 2021, this trend is considered likely to flatten and remain within acceptable bounds of the budgeted exchange rate of 1.15 EUR per GBP average for the year and therefore not considered a material concern.

The company meets its day-to-day working capital requirements through its positive cash balance and continues to hold an overdraft facility of £1m with the bank to meet seasonal peak demands in cash flow obligations. The company's forecasts and projections, taking account of COVID-19 related trading performance and the funding requirements in respect of the pension deficit, show that the company will continue to operate within its facility. The directors are comfortable that there are no concerns in relation to the renewal of the overdraft facility.

Although difficult with the COVID-19 pandemic, the company has and will continue to invest in the research and development of new and improved products and these developments are expected to bring further positive contribution to the company's results during subsequent years.

VALMIERA GLASS UK LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Whilst the director's acknowledge uncertainty arising from various factors as disclosed within the going concern accounting policy, they have reasonable expectation that operations will generate sufficient cash and profit within the next 12 months to ensure 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 financial statements.

Principal risks to the business

The company has an ISO 9001 accreditation and within those quality standards, principal risks to the company are considered and, where appropriate, action taken to mitigate those risks. The most significant medium to long term risk is the ongoing COVID-19 pandemic. Although there are indications that the worst of the pandemic are now over and that the UK and wider global economy is recovering, the associated risks of further disruption to the implementation of further lockdowns and the associated trading difficulties around the world continue to be monitored closely. The directors believe that there is sufficient inventory held to cover short-term disruption and that the implementation of any further action over and above the steps taken by the directors is not sufficiently justified due to the cost benefit considerations.

Financial risk management objectives and policies

The company's activities expose it to several financial risks including price risk, credit risk, cash flow risk and liquidity risk.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, although these are mitigated where possible through the use of current accounts in the three main trading currencies (specifically: EUR, GBP and USD). Short term currency hedging is considered where necessary, primarily through the company's head office, but only used where there is an operational and financial benefit. The directors believe that this action has limited the company's exposure.

Credit risk

The company's credit risk is attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. The company also holds credit insurance assigned by an international credit-rating agency to cover the majority of trade receivables and, where cover is unavailable, new accounts will only be opened on a pro forma basis where payment is received in advance of goods. Therefore, the exposure to any credit risk is limited.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a short-term overdraft facility.

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations, although long term price agreements for major suppliers are considered and realised where it is commercially beneficial to the company.


VALMIERA GLASS UK LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Foreign currency translation risk

The company's activities are exposed to the financial risks associated with changes in foreign currency. The company primarily operates using the EUR, GBP and USD currencies, with bank accounts held in each of these currencies to avoid realising exchange rate gains and losses where possible. This enables the company to cover the majority of our foreign currency exposure by a natural hedge between our sales and purchases in the respective currencies. However, it is sometimes necessary to convert a surplus of any particular currency to another (predominately EUR to GBP) to cover operation expenses. Hedging in the format of forward contracts is used when appropriate, after consideration of relevant forecasts, as is conversion at the spot rate and the appropriate use of short-term overdraft facilities.

Approval

This report was approved by the Board of Directors and signed on its behalf by:


.....
R Hallett-Andrews
Director
26 May 2021

VALMIERA GLASS UK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the company continued to be that of the manufacture of glass fibre products.

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Palms

B Deubel

(Resigned 31 May 2020)

R Hallett-Andrews

S Jugel

I Bleier

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 26 day's purchases, based on the average daily amount invoiced by suppliers during the year.

Research and development

The research and development (R&D) projects will continue during 2021, following the successful outcomes of previous projects. Overall the company is satisfied that the investment in R&D is worthwhile and that it will continue to bring long term benefits and improved financial results.

Future developments

An analysis of the company's future prospects can be found in the Strategic Report starting on page 1 of the financial statements.

Financial risk management

An analysis of the company's financial risk management can be found in the Strategic Report starting on page 1 of the financial statements.

Auditor

Old Mill Audit LLP were appointed auditor to the company and, in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

VALMIERA GLASS UK LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

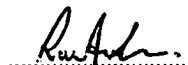
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Company information

Valmiera Glass UK Limited is a company limited by shares and registered in England.

On behalf of the board



R Hallett-Andrews

Director

Date: 26 May 2021

VALMIERA GLASS UK LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

VALMIERA GLASS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VALMIERA GLASS UK LIMITED

Opinion

We have audited the financial statements of Valmiera Glass UK Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of Profit and Loss, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union; 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 related to going concern

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

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

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

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 our 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.

VALMIERA GLASS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VALMIERA GLASS UK LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

How the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

VALMIERA GLASS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF VALMIERA GLASS UK LIMITED

Other matters which we are required to address

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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.

Old Mill Audit LLP

Andrew Moore BA FCA (Senior Statutory Auditor)
for and on behalf of Old Mill Audit LLP
Statutory Auditor

26 May 2021

Maltravers House
Petters Way
YEOVIL
Somerset
BA20 1SH

VALMIERA GLASS UK LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Revenue	3	14,511,495	20,489,879
Change in stocks of finished goods and work in progress		(1,228,602)	(1,166,564)
		<u>13,282,893</u>	<u>19,323,315</u>
Raw materials and other consumables		(6,139,163)	(11,198,836)
Other external charges		(223,993)	(212,157)
Staff costs		(3,370,670)	(4,050,758)
Depreciation and amortisation		(311,572)	(273,872)
Other operating charges		(2,839,071)	(3,301,479)
Other operating income		34,912	38,350
		<u>(12,849,557)</u>	<u>(18,998,752)</u>
Operating profit/(loss)		433,336	324,563
Exceptional item	4	-	(2,542,104)
Other interest receivable and similar income	8	118,999	127,344
Finance costs	9	(90,841)	(140,483)
Profit/(loss) before taxation		461,494	(2,230,680)
Income tax income	11	9,760	5,276
Profit/(loss) for the year	6	471,254	(2,225,404)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

VALMIERA GLASS UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Profit/(loss) for the year	<u>471,254</u>	<u>(2,225,404)</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	-	128,000
Actuarial gain/(loss) on defined benefit pension schemes	432,000	(87,000)
Tax relating to items not reclassified	(142,120)	(51,460)
Total items that will not be reclassified to profit or loss	<u>289,880</u>	<u>(10,460)</u>
Total comprehensive income for the year	<u>761,134</u>	<u>(2,235,864)</u>

VALMIERA GLASS UK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
Non-current assets			
Property, plant and equipment	12	3,244,726	3,174,223
Deferred tax asset	21	640,110	782,230
		<u>3,884,836</u>	<u>3,956,453</u>
Current assets			
Inventories	13	4,357,283	6,163,725
Trade and other receivables	15	6,062,700	6,180,784
Cash and cash equivalents		1,497,865	353,096
		<u>11,917,848</u>	<u>12,697,605</u>
Total assets		<u>15,802,684</u>	<u>16,654,058</u>
Current liabilities			
Trade and other payables	22	1,047,888	1,545,741
Current tax liabilities		99,257	122,443
Obligations under finance leases	20	87,447	64,957
Borrowings	17	-	436,406
		<u>1,234,592</u>	<u>2,169,547</u>
Net current assets		<u>10,683,256</u>	<u>10,528,058</u>
Non-current liabilities			
Retirement benefit obligations	24	3,369,000	4,117,000
Deferred tax liabilities	21	521,562	539,841
Obligations under finance leases	20	194,130	105,404
		<u>4,084,692</u>	<u>4,762,245</u>
Total liabilities		<u>5,319,284</u>	<u>6,931,792</u>
Net assets		<u>10,483,400</u>	<u>9,722,266</u>

VALMIERA GLASS UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

Equity			
Called up share capital	23	4,566,197	4,566,197
Share premium account	25	2,588,260	2,588,260
Revaluation reserve	26	1,197,598	1,209,421
Retained earnings	27	2,131,345	1,358,388
Total equity		<u>10,483,400</u>	<u>9,722,266</u>

The financial statements were approved by the Board of directors and authorised for issue on ...26 May 2021

Signed on its behalf by:



R Hallett-Andrews
Director

Company Registration No. 02189095

VALMIERA GLASS UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Revaluation reserve	Retained earnings	Total
	£	£	£	£	£
Balance at 1 January 2019	4,566,197	2,588,260	1,114,110	3,689,563	11,958,130
Year ended 31 December 2019:					
Loss for the year	-	-	-	(2,225,404)	(2,225,404)
Other comprehensive income:					
Revaluation of property, plant and equipment	-	-	128,000	-	128,000
Actuarial gains on defined benefit plans	-	-	-	(87,000)	(87,000)
Tax relating to other comprehensive income	-	-	(24,320)	(27,140)	(51,460)
Total comprehensive income for the year	-	-	103,680	(2,339,544)	(2,235,864)
Transfers	-	-	(8,369)	8,369	-
Balance at 31 December 2019	4,566,197	2,588,260	1,209,421	1,358,388	9,722,266
Year ended 31 December 2020:					
Profit for the year	-	-	-	471,254	471,254
Other comprehensive income:					
Actuarial gains/(losses) on defined benefit plans	-	-	-	432,000	432,000
Tax relating to other comprehensive income	-	-	-	(142,120)	(142,120)
Total comprehensive income for the year	-	-	-	761,134	761,134
Transfers	-	-	(11,823)	11,823	-
Balance at 31 December 2020	4,566,197	2,588,260	1,197,598	2,131,345	10,483,400

VALMIERA GLASS UK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Cash generated from operations	32		1,744,693		1,197,151
Interest paid			(16,841)		(21,483)
Tax paid			(1,317)		(382,991)
Net cash inflow from operating activities			<u>1,726,535</u>		<u>792,677</u>
Investing activities					
Purchase of property, plant and equipment		(157,850)		(39,589)	
Proceeds on disposal of property, plant and equipment		6,500		-	
Increase in loans and receivables		-		(507,093)	
Interest received		118,999		127,344	
Net cash used in investing activities			<u>(32,351)</u>		<u>(419,338)</u>
Financing activities					
Payment of obligations under finance leases		(113,009)		(82,794)	
Net cash used in financing activities			<u>(113,009)</u>		<u>(82,794)</u>
Net increase in cash and cash equivalents			<u>1,581,175</u>		<u>290,545</u>
Cash and cash equivalents at beginning of year			(83,310)		(373,855)
Cash and cash equivalents at end of year			<u>1,497,865</u>		<u>(83,310)</u>
Relating to:					
Bank balances and short term deposits			1,497,865		353,096
Bank overdrafts					(436,406)

VALMIERA GLASS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Valmiera Glass UK Limited is a company limited by shares incorporated and domiciled in England and Wales. The registered office is Valmiera Glass UK Limited, Sherborne, Dorset, DT9 3RB. The company's principal activity is that of the manufacture of glass fibre products.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis except for the revaluation of property and valuation of the defined benefit pension scheme. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Valmiera Glass UK Limited is a wholly owned subsidiary of AS Valmieras Stikla Skiedra and the results of Valmiera Glass UK Limited are included in the consolidated financial statements of AS Valmieras Stikla Skiedra which are available from Cempu 13, Valmiera, LV-4201, Latvia.

1.2 Going concern

The company meets its day-to-day working capital requirements through its positive cash balance, although an overdraft facility of £1m is available with the bank. The current economic conditions create uncertainty over the level of demand for the company's products and the renewal of the facility provided by the bank covers this uncertainty.

The company's forecasts and projections, taking account of predicted changes in trading performance and the funding required in respect of the pension deficit, show that the company should continue to operate within its facility. The directors are comfortable that there are no concerns in relation to the renewal of the overdraft facility.

Despite Coronavirus having a significant impact on the markets in which the company operates, the directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.3 Revenue

The company recognises revenue from the sale of glass fibre products, which are made to order. There are no long-term contracts that have multiple performance obligations or stages of completion.

Revenue is measured based on the fair value of the consideration receivable for the goods, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account settlement and volume discounts. Timing of settlement after the balance sheet date does not have a material impact upon the financial statements.

The company recognises revenue when it transfers control of a product to a customer. The timing of transfer of control varies in accordance with the specific International Commercial Terms (Incoterms) agreed with the customer in advance. This could be upon despatch, delivery to a specified port, or delivery to the customer.

The company is entitled to invoice the customer at the time of delivery or when the goods are ready for collection. Payment is in accordance with agreed credit terms or in advance of production.

The nature, timing of satisfaction of performance obligations and significant payment terms of the company's revenue are in accordance with the terms of the company's terms of trade.

1.4 Property, plant and equipment

With the exception of freehold property, property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses. Freehold property is stated in the statement of financial position at revalued amounts, being the fair value on the date of revaluation less any subsequent depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which could be determined using fair values at the reporting end date.

Any revaluation arising from the revaluation of such property is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the statement of profit and loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is charged as an expense to the extent that it exceeds the balance, if any, held on the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is charged to income. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining is transferred directly to retained earnings.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	straight line over 50 years
Fixtures and fittings	straight line over 3 to 10 years
Plant and equipment	straight line over 5 to 25 years

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of profit and loss.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The cost of raw materials and finished goods are measured at average cost and standard cost respectively.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The directors consistently review the application of its accounting policies to ensure they provide the most relevant and reliable financial information for users. Stock is provided with an ageing provision at 5% provision for goods over 1 year old, 10% for goods over 2 years old, 40% for goods over 4 years old, 80% for goods over 5 years old, 90% for goods over 7 years old, 99% for goods over 8 years old and 100% for goods over 9 years old. Furthermore, 100% provision has also been established for all inventory items with no movement (sale, purchase, usage in production) in a period of more than 360 days.

1.7 Cash and cash equivalents

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

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Trade Receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.14 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

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 and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and 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 earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. 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 unpaid 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 fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

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; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.15 Grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the statement of profit and loss for the period.

Presentational currency is that of pound sterling.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Fair value of freehold land and buildings

In estimating the fair value of freehold land and building the company engages third party qualified valuers to perform the valuation. The most recent valuation was performed in 2019, which the directors consider to still represent the current fair value. Information about the valuation techniques and inputs used in determining the fair value of freehold land and building is disclosed later in the notes.

Useful economic lives of property, plant and equipment

The company reviews the estimated useful economic lives of property, plant and equipment at the end of each reporting period and these are changed if necessary to reflect management's current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic use of the asset and their physical condition.

Net realisable value of inventories

The company's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories, allowance is recorded.

Discount rate used to determine the carrying amount of the company's defined benefit obligation

The company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In this respect an independent actuary is used to determine the discount rate used and calculate the net defined benefit obligation. The sensitivity of the discount rate is considered in the notes to the financial statements.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Critical accounting estimates and judgements

(Continued)

Guaranteed Minimum Pension equalisation

A landmark judgement on a case concerning Lloyds Bank was released on 26 October 2018. It confirmed that the Lloyds Bank schemes are required to equalise Guaranteed Minimum Pension (GMP) between men and women. This usually involves paying higher GMPs to males to equal what would be paid to equivalent females, but it can also result in females receiving higher pensions. The Scheme holds GMPs and therefore is likely to be impacted by this judgement. Typically equalising GMPs might add between 0% and 3% to the liabilities, but it does depend on the amount of GMP in the Scheme, the Scheme's benefits and administrative practices, as well as the calculation method used. In the prior year the company made an allowance for the effects of GMP equalisation in the calculation equal to 2.5% of the value of the liabilities at the reporting end date. This amount was £428,000. However, while there was a charge passing through the profit and loss account in the prior year and the value of the liabilities was accordingly higher, the financial position overall has not been impacted as a result of the adjustment required under IFRIC14.

More recently a High Court ruling was handed down on 20 November 2020, again in relation to the Lloyds Banking Group pension scheme. The latest ruling implies that trustees will need to revisit historic transfer values which have been paid since 1990 and adjust these for inequalities in GMP.

It is not currently clear when all the uncertainties surrounding the issue of GMP equalisation will be resolved. As a result, further adjustments to the pension costs and / or Other Comprehensive Income may therefore be required in future years.

3 Revenue

An analysis of the company's revenue from contracts with customers for the sale of goods is as follows:

	2020	2019
	£	£
United Kingdom	1,916,260	4,166,526
Continental Europe	11,001,350	14,651,973
North America	513,705	789,247
Rest of the world	1,080,180	882,133
	<u>14,511,495</u>	<u>20,489,879</u>

The number of customers who have contributed more than 10% of total sales during the year was 1 (2019 - 1). Sales of £2,444,500 (2019 - £4,005,706) were made to this customer, being 16.8% (2019 - 19.4%) of total sales.

Segmental information

Information reported to the chief operating decision maker (CODM) for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. In this respect the company has one reportable segment under IFRS 8 that of glass fibre fabrics.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4	Exceptional items	2020	2019
	Exceptional item	-	(2,542,104)

Following the group's US subsidiary entering Chapter 11 insolvency proceedings the company has made a 100% provision of £2,599,368 against amounts due from this entity, of which £2,542,104 has been written off through the exceptional item line in the statement of profit and loss in the comparative period.

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Production	105	112
Sales and distribution	15	17
Administration	5	5
Total	125	134

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	3,120,183	3,825,685
Social security costs	264,593	337,978
Pension costs	121,634	121,569
Total	3,506,410	4,285,232

6	Profit for the year	2020 £	2019 £
	Profit for the year is stated after charging/(crediting):		
	Net foreign exchange (gains)/losses	(224,435)	316,728
	Research and development costs	24,025	60,542
	Government grants	(296,855)	-
	Depreciation of property, plant and equipment	311,572	273,872
	Profit on disposal of property, plant and equipment	(6,500)	-
	Cost of inventories recognised as an expense	7,982,856	12,145,427
	Staff costs	3,506,410	4,285,232

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	141,588	232,397
Company pension contributions to defined contribution schemes	6,174	5,950
	147,762	238,347
	147,762	238,347

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	n/a	119,414
Company pension contributions to defined contribution schemes	n/a	3,782
	n/a	3,782

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

8 Investment income

	2020	2019
	£	£
Interest income		
Other interest income	118,999	127,344
	118,999	127,344
	118,999	127,344

9 Finance costs

	2020	2019
	£	£
Interest on bank overdrafts and loans	9,214	15,388
Interest on lease liabilities	7,627	5,358
Net interest on net defined benefit liability	74,000	119,000
Other interest payable	-	737
	90,841	140,483
Total interest expense	90,841	140,483

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Auditor's remuneration	2020	2019
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the company's financial statements	18,800	18,450
For other services		
Tax services	5,650	5,540
Other services	6,500	6,360
Total non-audit fees	12,150	11,900
11 Income tax expense	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	8,519	-
Deferred tax		
Origination and reversal of temporary differences	(18,279)	(5,276)
Total tax (credit)	(9,760)	(5,276)
The charge for the year can be reconciled to the profit/(loss) per the statement of profit and loss as follows:		
	2020	2019
	£	£
Profit/(loss) before taxation	461,494	(2,230,680)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2019: 19.00%)	87,684	(423,829)
Effect of expenses not deductible in determining taxable profit	(20,768)	498,567
Depreciation on assets not qualifying for tax allowances	24,875	17,290
Other non-reversing timing differences	(77,230)	(138,890)
Under/(over) provided in prior years	(24,321)	(11,388)
Tax effect of transition adjustments	-	(16,098)
Loss relief utilised	-	69,072
Taxation credit for the year	(9,760)	(5,276)

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Income tax expense

(Continued)

In addition to the amount charged to the statement of profit and loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020	2019
	£	£
Deferred tax arising on:		
Revaluation of property	-	24,320
Actuarial differences recognised as other comprehensive income	142,120	27,140
	<u>142,120</u>	<u>51,460</u>

Deferred tax charge for the year

A deferred tax asset of £640,110 (2019 - £782,230) at the year end has been recognised as detailed in the deferred tax note.

12 Property, plant and equipment

	Freehold buildings	Fixtures and fittings	Plant and equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2019	1,800,000	1,081,447	10,467,266	13,348,713
Additions	-	9,381	283,363	292,744
Disposals	-	-	(16,798)	(16,798)
Revaluation increase	100,000	-	-	100,000
	<u>1,900,000</u>	<u>1,090,828</u>	<u>10,733,831</u>	<u>13,724,659</u>
At 31 December 2019	1,900,000	1,090,828	10,733,831	13,724,659
Additions	-	38,499	343,576	382,075
Disposals	-	(22,200)	-	(22,200)
	<u>1,900,000</u>	<u>1,107,127</u>	<u>11,077,407</u>	<u>14,084,534</u>
At 31 December 2020	1,900,000	1,107,127	11,077,407	14,084,534
Accumulated depreciation and impairment				
At 1 January 2019	12,000	982,521	9,326,841	10,321,362
Charge for the year	16,000	17,263	240,609	273,872
Eliminated on disposal	-	-	(16,798)	(16,798)
Eliminated on revaluation	(28,000)	-	-	(28,000)
	<u>-</u>	<u>999,784</u>	<u>9,550,652</u>	<u>10,550,436</u>
At 31 December 2019	-	999,784	9,550,652	10,550,436
Charge for the year	18,000	24,269	269,303	311,572
Eliminated on disposal	-	(22,200)	-	(22,200)
	<u>18,000</u>	<u>1,001,853</u>	<u>9,819,955</u>	<u>10,839,808</u>
At 31 December 2020	18,000	1,001,853	9,819,955	10,839,808

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Property, plant and equipment

(Continued)

	Freehold buildings £	Fixtures and fittings £	Plant and equipment £	Total £
Carrying amount				
At 31 December 2020	1,882,000	105,274	1,257,452	3,244,726
At 31 December 2019	1,900,000	91,044	1,183,179	3,174,223
At 31 December 2018	1,788,000	98,926	1,140,425	3,027,351

Fair value of freehold land and buildings

The company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The fair value measurement was performed by Alder King LLP, independent valuers regulated by the Royal Institute of Chartered Surveyors (RICS) and not related to the company. The valuation report dated 31 December 2019 was prepared in accordance with the RICS Valuation – Global Standards 2017 – including the International Valuation Standards (Red Book) and the UK national supplement. The directors consider this to represent fair value at 31 December 2020.

The fair value of the freehold land and buildings was determined by comparison to recent open market transactions of similar properties. Thus the key assumption on which the valuation is based is the similarity of properties. The fair value of the land and buildings is deemed to have a residual amount of £1,000,000.

At 31 December 2020, had the revalued assets been carried at historic cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £503,843 (2019 - £539,433).

The revaluation surplus is disclosed later in the financial statements.

The whole of the above carrying amount of property, plant and equipment has been pledged to secure borrowings of the parent company. The company is not allowed to pledge these assets as security for other borrowings.

Property, plant and equipment includes right-of-use assets, as follows:

	2020 £	2019 £
Right-of-use assets		
Net values		
Plant and equipment	277,706	168,430
Additions	224,225	253,155
Depreciation charge for the year		
Plant and equipment	114,949	84,725

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Property, plant and equipment

(Continued)

Sensitivity of critical accounting estimates and judgements

Fair value of freehold land and buildings

To have a material effect on the financial statements the fair value of freehold land and buildings would need to change by more than 8%.

Useful economic lives of property, plant and equipment

The estimated useful economic lives of property, plant and equipment would need to change significantly to have a material effect on the financial statements.

13 Inventories	2020	2019
	£	£
Raw materials	1,222,543	1,800,383
Work in progress	393,929	272,998
Finished goods	2,740,811	4,090,344
	4,357,283	6,163,725
	4,357,283	6,163,725

At the balance sheet date the provision against old items of stock totalled £2,370,229 (2019 - £2,568,609). The movement in the year of £198,380 (2019 - £2,093,826) is recognised as an expense in the period.

14 Subsidiaries

Separate company financial statements are required to be prepared by law. Consolidated financial statements for the Valmiera Group are prepared and publicly available.

These financial statements are separate company financial statements for Valmiera Glass UK Limited

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Principal activities	% Held	
			Direct	Voting
Alpha International Associates Limited	Westbury, Sherborne, Dorset, DT9 3RB	Dormant	100.00	100.00
CS-I Sherborne Limited	Westbury, Sherborne, Dorset, DT9 3RB	Dormant	100.00	100.00
Marglass Limited	Westbury, Sherborne, Dorset, DT9 3RB	Dormant	100.00	100.00

The investments in subsidiaries are all stated at cost being £nil.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Trade and other receivables

	Current	
	2020	2019
	£	£
Trade receivables	1,488,714	1,608,785
Other receivables	-	320,000
Corporation tax recoverable	177,934	185,136
VAT recoverable	61,820	47,993
Amount due from parent undertaking	4,216,607	3,901,539
Prepayments	117,625	117,331
	6,062,700	6,180,784
	6,062,700	6,180,784

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

There are no trade and other receivables due more than one year (2019 - £nil).

16 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

There has been no movement in the allowances for doubtful debts in the current year or prior year. Therefore, the carried forward amount is £nil (2019 - £nil).

17 Borrowings

	2020	2019
	£	£
Unsecured borrowings at amortised cost		
Bank overdrafts	-	436,406
	-	436,406
	-	436,406

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£	£
Current liabilities	-	436,406
	-	436,406
	-	436,406

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

19 Liquidity risk

The following table details the remaining contractual maturity for the company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Less than 1 month £	1 – 3 months £	3 months to 1 year £	1 – 5 years £	Total £
At 31 December 2019					
Financial liabilities	814,315	586,701	797,731	4,762,245	6,960,992
	<u>814,315</u>	<u>586,701</u>	<u>797,731</u>	<u>4,762,245</u>	<u>6,960,992</u>
At 31 December 2020					
Financial liabilities	370,785	170,588	693,222	4,103,387	5,337,982
	<u>370,785</u>	<u>170,588</u>	<u>693,222</u>	<u>4,103,387</u>	<u>5,337,982</u>

20 Lease liabilities

	2020 £	2019 £
Maturity analysis		
Within one year	87,447	68,680
In two to five years	73,677	97,993
In over five years	137,165	13,299
Total undiscounted liabilities	<u>298,289</u>	<u>179,972</u>
Future finance charges and other adjustments	(16,712)	(9,611)
Lease liabilities in the financial statements	<u>281,577</u>	<u>170,361</u>

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Lease liabilities

(Continued)

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£	£
Current liabilities	87,447	64,957
Non-current liabilities	194,130	105,404
	<u>281,577</u>	<u>170,361</u>

	2020	2019
	£	£
Amounts recognised in profit or loss include the following:		

Interest on lease liabilities	<u>7,627</u>	<u>5,358</u>
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The fair value of the company's lease obligations is approximately equal to their carrying amount.

Lease liabilities represent rentals payable by the company for certain items of machinery. Leases are negotiated for an average term of 5 years with fixed rentals over the term.

Other leasing information is included in note 28.

21 Deferred taxation

	2020	2019
	£	£
Deferred tax liabilities	521,562	539,841
Deferred tax assets	(640,110)	(782,230)
	<u>(118,548)</u>	<u>(242,389)</u>

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Deferred taxation

(Continued)

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs	Revaluations	Retirement benefit obligations	Total
	£	£	£	£
Deferred tax liability at 1 January 2019	464,729	56,068	-	520,797
Deferred tax asset at 1 January 2019	-	-	(809,370)	(809,370)
Deferred tax movements in prior year				
Credit to profit or loss	(5,276)	-	-	(5,276)
Credit to other comprehensive income	-	24,320	27,140	51,460
Deferred tax liability at 1 January 2020	459,453	80,388	-	539,841
Deferred tax asset at 1 January 2020	-	-	(782,230)	(782,230)
Deferred tax movements in current year				
Credit to profit or loss	(18,279)	-	-	(18,279)
Credit to other comprehensive income	-	-	142,120	142,120
Deferred tax liability at 31 December 2020	441,174	80,388	-	521,562
Deferred tax asset at 31 December 2020	-	-	(640,110)	(640,110)

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

22 Trade and other payables

	2020	2019
	£	£
Trade payables	429,920	813,692
Amount due to parent undertaking	458,002	267,168
Accruals	147,770	451,657
Other payables	12,196	13,224
	<u>1,047,888</u>	<u>1,545,741</u>

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23	Share capital	2020	2019
		£	£
	Ordinary share capital		
	Authorised		
	4,566,197 Ordinary C Shares of £1 each	4,566,197	4,566,197
		<u> </u>	<u> </u>
	Issued and fully paid		
	4,566,197 Ordinary C Shares of £1 each	4,566,197	4,566,197
		<u> </u>	<u> </u>

24 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £121,634 (2019 - £121,569).

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Retirement benefit schemes

(Continued)

Defined benefit scheme

The company operates a defined benefit pension scheme for certain employees and for eligible employees, a scheme providing benefits based on final pensionable pay.

On 27 May 2003, normal contributions to the defined benefit pension scheme were discontinued and members' benefits ceased to accrue for additional periods of service after 27 May 2003. The scheme will continue to fund benefits accrued up to 27 May 2003. Members have the option of joining the company's defined contribution pension scheme.

The assets of the pension scheme are held separately from those of the company being invested by independent investment managers.

A landmark judgement on a case concerning Lloyds Bank was released on 26 October 2018. It confirmed that the Lloyds Bank schemes are required to equalise Guaranteed Minimum Pension (GMP) between men and women. This usually involves paying higher GMPs to males to equal what would be paid to equivalent females, but it can also result in females receiving higher pensions.

The Scheme holds GMPs and therefore is likely to be impacted by this judgement. Typically equalising GMPs might add between 0% and 3% to the liabilities, but it does depend on the amount of GMP in the Scheme, the Scheme's benefits and administrative practices, as well as the calculation method used.

Prior to 2018 no allowance had been included for any potential additional liability as a result of GMP equalisation. In terms of the accounting treatment prior to 2018, the effect of allowing for GMP equalisation constituted a benefit change and therefore needed to be accounted for as a Past Service Cost through the profit and loss account.

The employer made an allowance for the effects of GMP equalisation in the disclosures equal to 2.5% of the value of the liabilities at the previous reporting end date. This amount was £428,000. However, while there was a charge passing through the profit and loss account and the value of the liabilities was accordingly higher, the financial position overall was not impacted as a result of the adjustment required under IFRIC14.

In the current year an allowance has again been made of 2.5% of total Scheme liabilities based on the IAS19 assumptions at the reporting end date. Whilst the adjustment to the liabilities to allow for the effects of GMP equalisation has remained at 2.5%, as the total value of the liabilities has changed at the reporting end date compared to the previous reporting end date, the value of the allowance for GMP equalisation has changed. The change in value has been recognised in Other Comprehensive Income (OCI) and has been spread proportionately across the split of remeasurement gains and losses, rather than through the profit and loss account.

It is not currently clear when all the uncertainties surrounding the issue of GMP equalisation will be resolved. As a result, further adjustments to the pension costs and / or Other Comprehensive Income may therefore be required in future years.

Valuation

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2020. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

24 Retirement benefit schemes

(Continued)

Risks

The Employer operates a final salary defined benefit pension scheme in the UK. The Scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. Details of the benefits provided by the Scheme are set out in the Trust Deed and Rules dated 12 April 1999 (as amended).

The disclosures in the accounts below are based on calculations carried out at 31 December 2020 by a qualified independent actuary.

The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to beneficiaries. The Trustees of the Scheme are required to act in the best interest of the beneficiaries.

The appointment of the Trustees is determined by the trust documentation.

The Trustees of the Scheme invest the assets in line with the Statement of Investment Principles. The Statement of Investment Principles has been established taking into consideration the liabilities of the Scheme and the investment risk that the Trustees are willing to accept.

Under the Scheme Funding regime introduced by the Pensions Act 2004, the Trustees are required to carry out regular Scheme Funding Assessments and establish a Schedule of Contributions and a Recovery Plan when there is a shortfall in the Scheme. The Recovery Plan details the amount and timing of the contributions required to eliminate the shortfall in the Scheme. Scheme Funding Assessments are carried out at least every three years. Approximate funding updates are produced annually in years where a full Scheme Funding Assessment is not being completed.

At each Scheme Funding Assessment the present value of the contributions detailed in the current Recovery Plan is compared with any shortfall revealed. Where the contributions under the current Recovery Plan are no longer sufficient to remove the shortfall by the end of period specified in the Recovery Plan, a new Recovery Plan will need to be agreed between the Trustees and the Employer. Options include increasing contributions due from the Employer, extending the recovery period with additional contributions paid after the expiry of the current recovery period or some combination of the two. The affordability to the Employer of any increase in contributions is a primary factor in the agreement of any new Recovery Plan.

Where the contributions are more than sufficient to remove the shortfall by the end of the recovery period, options include reducing contributions due, keeping the recovery period the same, or shortening the recovery period.

As part of the Scheme Funding Assessment as at 31 March 2019, a Recovery Plan was agreed between the Trustees and the Employer to meet the shortfall over the period ending 31 May 2024. The contributions payable under this recovery plan are £92,970 per month from January 2021 until December 2022 and £70,834 per month from January 2023 until the end of May 2024, subject to review at future scheme funding assessments.

Due to Covid-19, payments were temporarily paused and half of the May, June and July 2020 payments were deferred into 2021. Full contributions have been resumed in 2021.

The defined benefit pension scheme exposes the Employer to actuarial risks, such as longevity risk, interest rate risk, salary risk, market (investment) risk and currency risk.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Retirement benefit schemes (Continued)

Key assumptions

	2020	2019
	%	%
Discount rate	1.2	1.9
Future increases in deferred pensions	2.45	2.15
Rate of increase in pension payments - RPI (max 5%)	3.05	3.1
Rate of increase in pension payments - CPI (max 3%)	2.15	1.95

Discount rate

IAS19 requires the discount rate to be determined by reference to investment market yields at the reporting end date on high quality corporate bonds. The currency and term of the corporate bonds should be consistent with the currency and estimated term of the benefit obligations. In common with wider investment market practice, the term "high quality corporate bonds" has been taken to be represented by those bonds that are AA-rated or equivalent.

The average term (or "duration") of the Scheme's liabilities was around 14 years at the reporting end date. This has been derived from the results of the scheme funding assessment at 31 March 2019.

For the purpose of deriving the discount rate, zero coupon yield curve data has been used as provided to Capita Employee Solutions by Markit Indices Limited based on the constituents of the iBoxx £ Corporates AA index.

Markit only provides yield data out to a term of 50 years. The curve has been extrapolated under the assumption that spot rates beyond 50 years are constant and equal to the spot rate at a term of 50 years. There are various approaches to extrapolating yield curves; the constant spot rate approach is a fairly simple but commonly adopted approach.

To derive the discount rate the iBoxx £ Corporates AA spot yield curve has been applied to a projection of the Scheme's future cash flows. The data points from the curve have been used to discount the projected scheme benefit amounts for each year. The single discount rate has then been calculated for presentation in the IAS19 disclosures which gives the same overall liability in relation to the projected benefit payments. This single discount rate can then be considered to be appropriate to the Scheme's liability profile.

To place a value on the liabilities, the iBoxx £ Corporates AA spot yield curve has been applied to a projection of the Scheme's future cash flows. While the full yield curve is used to carry out these calculations (i.e. each yield at each duration on the curve is applied to the relevant Scheme cashflows at that duration), for presentational purposes in the disclosures the single equivalent discount rate is shown which would give the same overall liability. This single equivalent discount rate presented in the disclosures can be considered to be appropriate to the Scheme's liability profile.

Using the above approach and yield curve data as at the reporting end date a single discount rate of 1.20% pa has been calculated.

This is consistent with the approach taken in setting the discount rate at the previous reporting end date, when the single equivalent discount rate was 1.90% pa.

The approach described above is considered to be consistent with the requirements of setting a discount rate under IAS19.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Retirement benefit schemes	(Continued)	
<i>Mortality assumptions</i>		
Assumed life expectations on retirement at age 65:		
	2020	2019
	Years	Years
Retiring today		
- Males	21.9	21.8
- Females	24.2	24.0
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	23.2	23.1
- Females	25.6	25.5
	<u> </u>	<u> </u>
Amounts recognised in the income statement		
	2020	2019
	£	£
Net interest on defined benefit liability/(asset)	18,000	51,000
	<u> </u>	<u> </u>
Amounts recognised in other comprehensive income		
	2020	2019
	£	£
Actuarial changes arising from changes in demographic assumptions	51,000	(288,000)
Actuarial changes arising from changes in financial assumptions	1,912,000	1,864,000
Actuarial changes arising from experience adjustments	(28,000)	(175,000)
Actuarial changes related to plan assets	(1,420,000)	(1,718,000)
Change in the effect of the asset ceiling	(891,000)	472,000
	<u> </u>	<u> </u>
	<u>(376,000)</u>	<u>155,000</u>

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Retirement benefit schemes

(Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2020	2019
	£	£
Present value of defined benefit obligations	18,815,000	17,560,000
Fair value of plan assets	(17,516,000)	(16,404,000)
Deficit in scheme	<u>1,299,000</u>	<u>1,156,000</u>
Recognition of the committed liability to make future contributions	2,070,000	2,961,000
Liability recognised in statement of financial position	<u><u>3,369,000</u></u>	<u><u>4,117,000</u></u>

Movements in the present value of defined benefit obligations

	2020	2019
	£	£
At 1 January 2020	17,560,000	16,328,000
Benefits paid	(1,004,000)	(610,000)
Actuarial gains and losses	1,935,000	1,401,000
Interest cost	324,000	441,000
At 31 December 2020	<u><u>18,815,000</u></u>	<u><u>17,560,000</u></u>

The defined benefit obligations arise from plans which are wholly or partly funded.

Movements in the fair value of plan assets:

	2020	2019
	£	£
At 1 January 2020	16,404,000	14,056,000
Interest income	306,000	390,000
Return on plan assets (excluding amounts included in net interest)	1,420,000	1,718,000
Benefits paid	(1,004,000)	(610,000)
Contributions by the employer	390,000	850,000
At 31 December 2020	<u><u>17,516,000</u></u>	<u><u>16,404,000</u></u>

The actual return on plan assets was £1,726,000 (2019 - £2,108,000).

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Retirement benefit schemes

(Continued)

Sensitivity of the net obligation to changes in assumptions

The sensitivity analysis shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant).

The total employer contributions to the scheme in 2021 is estimated to be £1,022,670. The duration of the defined benefit obligation is around 13 years.

	2020 £	2019 £
0.25% pa decrease in discount rate	715,000	645,000
0.25% pa increase in inflation and related assumptions	100,000	94,000
1 year increase in life expectancy	1,042,000	978,000
	<u> </u>	<u> </u>

The fair value of plan assets at the reporting period end was as follows:

	Quoted 2020 £	Quoted 2019 £
Equity instruments	1,751,000	5,299,000
Active corporate bond fund	8,933,000	8,530,000
Gilts	4,572,000	2,329,000
Cash	403,000	246,000
Liability-driven investment	1,857,000	-
	<u> </u>	<u> </u>
	17,516,000	16,404,000
	<u> </u>	<u> </u>

25 Share premium account

	2020 £	2019 £
At the beginning and end of the year	2,588,260	2,588,260
	<u> </u>	<u> </u>

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

26 Revaluation reserve

	£
At 1 January 2019	1,114,110
Revaluation surplus arising in the year	128,000
Deferred tax on revaluation of PPE	(24,320)
Transfer to retained earnings	(8,369)
	<hr/>
At 31 December 2019	1,209,421
Transfer to retained earnings	(11,823)
	<hr/>
At 31 December 2020	<u>1,197,598</u>

27 Retained earnings

	2020	2019
	£	£
At 1 January 2020	1,358,388	3,689,563
Loss for the year	471,254	(2,225,404)
Transfer from revaluation reserve	11,823	8,369
Actuarial differences recognised in other comprehensive income	432,000	(87,000)
Tax on actuarial differences	(142,120)	(27,140)
	<hr/>	<hr/>
At 31 December 2020	<u>2,131,345</u>	<u>1,358,388</u>

28 Other leasing information

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2020	2019
	£	£
Expense relating to short-term leases	<u>55,610</u>	<u>76,535</u>

Information relating to lease liabilities is included in note 20.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

29 Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of debt, cash and cash equivalents and equity comprising share capital, reserves and retained earnings. The company reviews the capital structure annually and as part of this review considers that cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end is 0% (2019 - 0%).

The company is not subject to any externally imposed capital requirements.

30 Related party transactions

Remuneration of key management personnel

The remuneration of the directors and key management personnel is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2020	2019
	£	£
Short-term employee benefits	276,509	387,167
	<u>276,509</u>	<u>387,167</u>

Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2020	2019	2020	2019
	£	£	£	£
Parent company	1,002,874	1,414,069	2,792,155	4,538,475
Other related parties	-	414,093	-	15,990
	<u>1,002,874</u>	<u>1,828,162</u>	<u>2,792,155</u>	<u>4,554,465</u>

	Management charges paid		Loan interest received	
	2020	2019	2020	2019
	£	£	£	£
Parent company	210,485	447,233	118,684	85,438
Other related parties	-	-	-	41,906
	<u>210,485</u>	<u>447,233</u>	<u>118,684</u>	<u>127,344</u>

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	2020	2019
	£	£
Amounts due to related parties		
Parent company	458,002	358,481
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	2020		
	Balance	Provision	Net
	£	£	£
Amounts due from related parties			
Parent company	4,216,607	-	4,216,607
Other related parties	2,599,368	2,599,368	-
	<u>6,815,975</u>	<u>2,599,368</u>	<u>4,216,607</u>
	<u> </u>	<u> </u>	<u> </u>
	2019		
	Balance	Provision	Net
	£	£	£
Amounts due in previous period			
Parent company	3,901,539	-	3,901,539
Other related parties	2,599,368	2,599,368	-
	<u>6,500,907</u>	<u>2,599,368</u>	<u>3,901,539</u>
	<u> </u>	<u> </u>	<u> </u>

Included in the above amounts due from the parent company are two loans with annual interest charged at 4% and 2.5%. The loans are all due for repayment within one year. The aggregate amount of loans owed at the reporting end date is £3,929,004 (2019 - £3,684,456).

Included in the above amounts due from other related parties are loans with annual interest charged at 2.5%. The loans are due for repayment within one year, however, a provision in full has been made against the balances. The amount owed at the reporting end date is £2,599,368 (2019 - £2,599,368).

Other information

A guarantee has been given for the bank borrowings of the parent company.

VALMIERA GLASS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Controlling party

The parent of the company is A/S Valmieras Stikla Skiedra, a company incorporated in Latvia.

The company is ultimately controlled by Warwick European Opportunities Fund III LLP, a company incorporated in the Cayman Islands.

32 Cash generated from operations	2020	2019
	£	£
Profit/(loss) for the year	471,254	(2,225,404)
Adjustments for:		
Income tax expense recognised in profit or loss	(9,760)	(5,276)
Finance costs recognised in profit or loss	90,841	140,483
Investment income recognised in profit or loss	(118,999)	(127,344)
Gain on disposal of property, plant and equipment	(6,500)	-
Depreciation and impairment of property, plant and equipment	311,572	273,872
Cash paid to pension scheme not recognised in profit or loss	(390,000)	(850,000)
Movements in working capital:		
Decrease in inventories	1,806,442	884,703
Decrease in trade and other receivables	110,882	3,148,705
Decrease in trade and other payables	(521,039)	(99,853)
(Decrease)/increase in provisions	-	57,264
Cash generated from operations	1,744,693	1,197,150