

Tri-Wall UK Limited

Annual report and financial statements

For the year ended 31 December 2021

Registered number: 08311508



Tri-Wall UK Limited

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Tri-Wall UK Limited

Officers and Professional advisers

DIRECTORS

K Baker
H Hori
Y Suzuki
G Peters

REGISTERED OFFICE

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NP25 5TW
United Kingdom

BANKERS

HSBC Bank PLC

AUDITOR

Deloitte LLP
Statutory Auditor
Cardiff
United Kingdom

Tri-Wall UK Limited

Strategic report

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

Principal Activities

Tri-Wall UK Group (TWUKG) operates as a leading supplier of industrial packaging, heavy duty corrugated packaging, automotive packaging, bespoke and pre-designed ready to use products. In addition, TWUKG, also specialise in dangerous goods packaging, timber and durable re-usable packaging solutions.

Strategy and objectives

As a business division of the worldwide Tri-Wall Group, TWUKG's objectives are:

- (1) **To be indispensable to our customers**, providing high quality multi-material packaging solutions to a global customer base, whilst providing customers with a more localised support team.
- (2) **To build and sustain a competitive, profitable heavy-duty and multi-material packaging solutions business**, serving predominantly industrial customers. We aim to achieve this by understanding our costs and providing value to our customers through total cost of ownership packaging solutions, through manufacturing excellence at our manufacturing sites across the UK, the development of loyal strategic partners and developing our owned fabricator network through acquisition where applicable. We also aim to adapt our current business model to seek best opportunities for growth in the current and future marketplaces.
- (3) **To attract, develop and retain talent that will lead our growth**. People are our greatest asset; they make our business unique. We look to invest in their education and development on a continuing basis. We are working on creating an environment of Honesty, Integrity and Trust between customers, leaders and employees of all levels of the business. Open communication is the foundation of this programme and is driven by our Cascade meetings, toolbox talks and business briefings. Through this we will nurture an organisation that is in constant touch with developments in technology, the markets, the Tri-Wall organisation and that anticipates and prepares for change, rather than reacts to it.

The business model

As of the reporting date, TWUKG employed 268 people in the UK, split approximately 98 in Monmouth, 44 at Swansea, 78 in North Shields / Gateshead, 32 in Wolverhampton and 16 in Manchester.

TWUKG has over 1,000 customers in the UK, Ireland and Continental Europe.

Geography	Percent Revenue		Corrugated	Timber	Ancillary
UK & Ireland	95%	Of which:	72%	22%	6%
Continental Europe	5%	Of which:	100%	-	-

The Monmouth plant in the UK manufactures heavy-duty corrugated material and converts 49% of this into product for shipment to fabricators and direct customers. The other 51% is sold as unconverted flat product known as sheet board to other businesses to convert for markets that we simply cannot supply, either due to service levels or small format size of packaging.

Tri-Wall UK Limited

Strategic report (continued)

The business model (continued)

We provide a unique combination of local service and global reach. This enables us to provide our fabricators access to a global customer base, as well as to design resources and engineering support in locations they otherwise would not be able to access.

Review of the business

Group revenue for the year increased to £41.2m (2020: £32.2m). This was due a combination of price increases and increased volumes. Volumes increased as a result of strong customer demand driven by rising online expenditure, greater awareness of the environmental hazards of plastic packaging and the partial recovery of the industrial sectors. The Monmouth site achieved revenue of £21m (2020: £15.8m), the Swansea site achieved revenue of £6.4m (2020: £5.7m), the North East sites achieved revenue of £9.4m (2020: £7.8m), the West Midlands site achieved revenue of £3.9m (2020: £2.6) and the Manchester site achieved revenue of £1.7m (2020: £1.4m).

Gross profit margins for the Group increased to 28.5% (2020: 22.8%). This was due to more efficient working practices following the restructuring that took place in 2020, economies of scale derived from higher volumes and reduced lag in passing on raw materials price increases to customers. Raw materials have seen further increases during 2022 which the group have continued to recover.

Group profit before tax was £3.6m (2020: Loss of £0.8m) due to gross profit increasing by £4.4m and partially offset by administrative expenses increasing by £2.1m. During 2020 the Group had incurred one off exceptional costs of £0.65m with regard restructuring and £1.27m with regard re-measurement of puttable options.

On 6 January 2021 the UK entered into a third lockdown. The Group continued to operate all manufacturing sites adhering to all government safety advice. Customer demand was resilient and increased each month throughout the first quarter. Increased volumes were reflected in revenues and profit generated.

During the second quarter of the year, as restrictions were gradually eased, demand for raw materials such as paper, paperboard and timber began outstrip supply as global supply chains struggled to cope with both a shortage of raw materials and bottlenecks in transport and distribution systems. The Group was able to ensure continuity of supply, by means of established relationships with upstream suppliers however raw materials began to increase in price significantly.

In July 2021 almost all remaining legal Covid 19 restrictions were removed, allowing a return to greater in person collaboration. During the third quarter of the year the Group continued to experience pressure regarding raw material prices however increases from suppliers were generally recovered through increased prices to customers with minimum lag. During this period of market pressure it became paramount that quality of the Group's products and service levels provided were of an exceptional standard. This was achieved through implementation of a quality control circle to collaboratively drive process improvement and quality checking.

In September 2021 the former Rosewood sites were rebranded as Tri-Wall in order to enhance the Group's brand presence, to align group values and facilitate a more coherent communication strategy. Rosewood Manufacturing Company was renamed Tri-Wall North East, Rosewood Packaging Wolverhampton was renamed Tri-Wall West Midlands and Rosewood Packaging Manchester was renamed Tri-Wall Manchester.

In October 2021, the Monmouth site reached the significant milestone of exceeding £2m of revenues which was subsequently repeated in November 2021.

Mental health first aider and awareness training was delivered throughout quarter four in order to enhance the supportive environment that our people deserve and expect. In November 2021 the Group secured a new revolving credit facility provided by HSBC Bank PLC. The facility was agreed for a period of three years with a limit of £4 million and replaced the £3m facility that was due to expire in May 2022.

The year ended on a very positive note, with record revenues and profits achieved. Net current assets increased during the year by 447% to £3.7m and shareholder equity increased by 106% to £5.5m.

Tri-Wall UK Limited

Strategic report (continued)

Review of the business (continued)

The UK management structure established to manage strategic planning, finance, marketing, communications and sales had proved successful in unifying the group companies and has been expanded to encompass HR. During 2022 the group management team have met monthly, in person where permitted to plan and review and the Group's strategic actions and goals and to perform health and safety walk arounds at sites.

The expected decline in demand from customers located in Continental Europe following end of the Brexit transition period has been less pronounced than anticipated with key customers retained.

Future Developments

Group performance during the first half of 2022 has been impressive and in line with budget.

The Group remains concerned at the inflationary pressures that are prevalent in the UK and Europe which are likely to put pressure on many costs, most significantly energy, distribution and staff.

In April 2022, an Operations Director was recruited to further develop the Group's current operations and to provide leadership to the site general managers. The Operations director will also manage our capital investment strategy as well as assuming overall responsibility for health and safety.

During 2022 the Group plan to start developing an Environmental, Social and Governance (ESG) strategy which will aim to focus decision making to core priorities, such as employee wellbeing, environmental impact and customer satisfaction.

Following the acquisition of Corrugated Case Holdings in August 2022, the Group plans to remove two dormant holding companies from the structure and to rebrand the Corrugated Case Company to Tri-Wall.

The Group is also considering disposing of a freehold property in Swansea and acquiring freehold land, which is currently operated through a long lease. This would allow the Swansea operations to be merged into one site delivering operation efficiencies.

The Group has begun enquires into on site generation of energy through solar to reduce emissions and mitigate against energy cost increases.

As with many businesses, the Group has faced complex challenges in an ever-changing environment, however through the tenacity of our people, and support of our stakeholders, the directors look forward to embracing the opportunities to drive sustainable growth.

Tri-Wall UK Limited

Strategic report (continued)

Section 172(1) statement

The board of directors of Tri-Wall UK Ltd consider both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its employees, customers, suppliers and other stakeholders. The paragraphs below set out how the Directors fulfil their duty under the Section 172 requirements.

Consequences of any decision in the long term

The Group maintains a business plan with a three-year horizon setting out the financial and capital implications of strategic and other business decisions such as acquisitions, corporate structure and product development. The plan is developed through input from sales, finance and operations. The plan is reviewed, at least annually, by the directors and by the overseas business department of the ultimate parent company (Rengo Co.)

Interests of the Company's employees

As described in the strategy and objectives section of this report, people are our greatest asset. The health, safety and well-being of our employees is our primary consideration in the way that we operate. We aim to be a responsible employer in our approach to the pay and benefits. Employees can volunteer as first aiders and fire marshals for which they receive an annual payment. Awards are made for long service and a life assurance scheme is provided for all employees.

Interest of the Company's suppliers, customers and others

The Group understands that each of our customers has unique needs and this principle is at the heart of our customer service and product offerings. We operate a program of continuous improvement and investigate any complaints promptly and thoroughly to identify root cause.

The Group builds long-standing relationships with its suppliers and ensures all conditions of supply are adhered to including paying for goods and services within the agreed terms.

The Group maintains close contact with its bankers and finance providers including regular meetings and provision of monthly management information. The group also supports local community projects through donations, sponsorships and educational support.

Impact on Company's operations on the community and environment

The Group considers the carrying out of business with consideration to conserving the global environment as indispensable to the Group's sustainable development. The Group endeavours to observe all laws and regulations relating to the environment and actively seeks to reduce energy consumption. For example, the Monmouth plant has entered into a voluntary climate change agreement with Environment Agency and has seen a reduction in electricity usage through retro fitting of energy efficient lighting.

The Group offers support for local community groups and sport teams through sponsorship, donations and use of facilities.

Maintaining a reputation for high standards of business conduct

As the Board of directors, our intention is to behave with the correct conduct to comply with our regulatory obligations and ensure that management operates the business in a responsible manner. We operate within the parameters of a group approval standard and as a subsidiary of a Japanese listed company, we comply with the internal controls requirements set out under Japan's Financial Instruments and Exchange Law (JSOX).

The need to act fairly between members of the Company

The issued share capital of the Group was entirely owned by the immediate parent company during the reporting period so the risk of acting unfairly between members does not arise.

Tri-Wall UK Limited

Strategic report (continued)

Key performance indicators

Objective	2020 Result	2021 Result	2022 Target
Customer Service <ul style="list-style-type: none"> On-time in full delivery 	99.6%	99.8%	99.8%
Quality <ul style="list-style-type: none"> Zero defects (delivered to Customers) 	0.14% defect notes	0.07% defect notes	0.06% defect notes
People <ul style="list-style-type: none"> Training programmes Development plans 	<ul style="list-style-type: none"> Brand awareness Internal auditing training Occupational health & safety training 	<ul style="list-style-type: none"> Sales dashboard training Mental health training Customs training 	<ul style="list-style-type: none"> Management development training IOSH Health & Safety training Train the trainer manual handling training
Financial <ul style="list-style-type: none"> m² corrugated board Return on sales Net Debt to EBITDA Net Profit (before exceptional items) 	<ul style="list-style-type: none"> 9.8 million m² 10.9% 2.7 GBP 999k 	<ul style="list-style-type: none"> 11.1 million m² 14.2% 1.2 GBP 2,813k 	<ul style="list-style-type: none"> 10.3 million m² 12.9% 2.0 GBP 3,002k

Our products form an integral element of our customers' supply chains and our customers rely on goods to arrive on time as promised and for quality to meet expectations. On-time delivery in full declined slightly in 2021 as a result of issues arising as a result of Brexit. Defects noted reduced from 0.14% to 0.07% as root-cause analysis has facilitated improved quality controls. It is expected this trend will continue.

Easing of restriction during 2021 allowed all planned training to be successfully delivered. During 2022 the focus of training is to unify and re-enforce our approach to health and safety and develop our supervisors and managers.

The Group measures production of corrugated board as this has traditionally been a key operating area, however due to changes to the product mix the directors do not expect volumes to return to 2019 levels. Return on sales is a measure of operational efficiency. The Group calculates return on sales as earnings before interest, tax, depreciation, amortisation and exceptional items divided by revenue and the directors believe 2022 will be a more challenging year. Net debt to EBITDA measures the amount of net income that is available to settle debt before covering interest, tax, depreciation, amortisation and exceptional items and is a measure of financial stability. When calculating net debt the Group excludes amounts payable under IFRS 16 leases. The ratio reduced during 2021 due to an increase in EBITDA and repayment of borrowings from parent companies, however the directors forecast an increase in 2022 due to planned investments. Net Profit (before exceptional items) is a KPI that measures the profit of the business excluding any substantial gains or losses that are not part of regular business operations.

Tri-Wall UK Limited

Strategic report (continued)

Principal risks and uncertainties

Risk	Mitigation
Loss of production capability could threaten our ability to deliver product.	We have identified internal and external back-up capability. Ongoing investment has helped secure more reliable capacity whilst the acquisitions in Europe by the parent company provide access to additional capacity.
IT and Order processing systems could go down resulting in delay and stoppage of the UK plants.	Back-up and mirroring capabilities are being enhanced in order to enable rapid re-start and recovery of data.
Raw materials prices could increase, reducing profitability below break-even.	Close contact with key suppliers and access to up to date with market intelligence assists with pro-active adjustment of selling prices to reflect input costs.
Fluctuations in energy price levels, being a significant cost, could seriously impact profitability.	Energy is purchased through a combination of flexible trading products and fixed price agreements as a balance between access to best prices are acceptable risk.
Foreign exchange fluctuations have the potential to impact ability to forecast profitability.	Access to currency hedge facility helps control the effects of variability in foreign exchange rates on profitability.
Reduction in revenues could bring the Group below break-even.	The Group invests in marketing programmes to expand coverage and develop the UK brand whilst a sales team model that encompasses site sales, new business and key account management facilities a pro-active approach to customer management. Cost control measures and budgetary responsibility is now more commonly aware across the different levels and areas in the business. Each business unit has a responsible person for control.
The withdrawal of the UK from the EU could lead to disruption in importing raw materials and exporting finished products.	Our key European suppliers are holding additional inventory in UK warehouses. Upgrades have been made to our key IT systems to allow generation of customs documentation and our logistics provider employees a team of fully trained customs agents to process import and export declarations.

Tri-Wall UK Limited

Strategic report (continued)

Approval

This report was approved by the board of directors on 29/09/22 and signed on its behalf by:



Director

G Peters

Tri-Wall UK Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2021.

In line with section 414C(11) of the Companies Act 2006, the directors have chosen to include in the strategic report certain matters otherwise required, by regulations made under section 416(4), to be disclosed in the directors' report, as the directors consider them of strategic importance to the Company. Disclosures required by s416(4) which have been elevated to the strategic report in this way are financial risk management objectives (see principal risks and uncertainties, page 6) and policies, subsequent events which have occurred since the end of the financial year, future developments, engagement with employees; engagement with suppliers, customers and others.

Going concern, current trading and outlook

As discussed in the strategic report the directors were pleased with the Group performance during 2021 given the unprecedented economic, political and societal impacts of the pandemic. The first half of 2022 has seen continued revenue growth with profits exceeding the same period last year.

After making enquiries, the directors have an expectation that the Group has adequate resources along with continued support from parent companies to continue in operational existence for the foreseeable future. The Group has adequate funding to meet obligations from working capital, through drawing on the HSBC revolving credit facility and through access to loans from parent companies. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements

Event after the balance sheet date

On 28 July 2022 Company entered into an agreement with HSBC Bank PLC to borrow £2,475,000 over a period of fifteen years for the purpose of settling the bridging loan provided by Tri-Wall Ltd. The company plan to draw the loan in October 2022 following completion of due diligence by the lender.

On 2 August 2022 the Company issued 10,350,000 ordinary £1 shares to Tri-Wall Europe Holding Limited.

On 2 August 2022 the Company entered into an agreement to borrow £2,475,000 from Tri-Wall Ltd for the purpose of a bridging loan to purchase land and buildings.

On 9 August 2022 the Company acquired the entire issued share capital of Corrugated Case Holdings Limited for consideration of £10,330,521.

On 9 August 2022 the Company acquired free hold land and buildings for consideration of £3,150,000.

Research & development

The Group undertake a number of activities related to the development of packaging solutions where technical uncertainty exists and technical advance is sought including research to ascertain new knowledge and understanding and fundamental redevelopment of packaging to maximise efficiency, environmental impact and cost.

In 2019, the Company joined a consortium to propose a project to research safety in Lithium-ion batteries under the Faraday battery challenge, part of the UK Government's Industrial Strategy Challenge Fund.

During the year, the Company incurred expenditure of £126,801 (2020: £490,886). The Company claimed a revenue grant of £76,081 (2020: £294,532), which was released to the income statement as the expenditure was incurred.

Future developments

Details of future developments can be found on page 4 of the strategic report.

Tri-Wall UK Limited

Directors' report (continued)

Engagement with employees

An intranet is utilised to provide regular announcements and a monthly message from the CEO providing an overview of the key events and factors both internally and externally which have significant impact for the Group. Notices are displayed throughout the site for employees who do not have regular access to the Group IT systems. A dedicated email address called "Just Ask" which can be used to ask any questions or highlight any concerns.

A publication, known as "Tri-Wall Now" is produced each month by the Tri-Wall Ltd and distributed to all employees. The publication includes news, interviews and other key information for each region.

Employee forums with representatives from a range of departments are held on a monthly basis to provide an opportunity for employees to ask questions and make suggestions on a wide variety of topics. The minutes of the forum are provided to the directors in order that the views of employees can be taken into account when making key decisions.

Subject to relevant Covid 19 guidance, directors and senior managers also conduct regular site visits, which provides a further opportunity to engage with employees.

A whistle blowing policy stipulates the procedures for whistleblowing in order to detect, prevent, and correct wrongdoing or malpractice, such as fraudulent acts, of employees or organizations at the Tri-Wall Group, by establishing a proper mechanism for addressing reported matters from potential whistleblowers.

A significant number of employees at the Monmouth plant are members of the Unite union and there are regular meetings between employee and union representatives and senior management.

As described above the directors engage with employees through a variety of channels both formally and informally.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the role can be adequately fulfilled by a disabled person. When existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Tri-Wall UK Limited

Directors' report (continued)

Energy and carbon reporting

We have reported on all sources of carbon emissions and energy usage required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

GHG emissions and energy usage

GHG emissions and energy usage data for period 1 January 2021 to 31 December 2021		
	Period ending 31 December 2021	Period ending 31 December 2020
Emissions from activities which the Group owns or controls, including combustion of fuel and operation of facilities – tonnes of CO ₂ e (Scope 1)	2,393	2,289
Emissions from purchase of electricity, heat, steam and cooling purchased for own use – tonnes of CO ₂ e (Scope 2)	755	785
Total gross Scope 1 & Scope 2 emissions – tonnes of CO ₂ e	3,148	3,074
Energy consumption used to calculate above emissions - kWh	15,663,429	14,853,645
Tonnes of CO ₂ e per £m Gross Profit	268	419

The Group monitors energy usage and implements energy saving initiatives. The focus during 2021 has been on efficient use of energy through installation of LED lighting, improved installation of buildings and encouraging company car users to switch to electric or hybrid vehicles when leases are renewed. Feasibility of onsite energy generation such as solar is being considered during 2022.

Data is collected from bills and other records and converted to CO₂e using the UK Government Conversion Factors for greenhouse gas reporting.

Combustion of natural gas comprised over 50% of emissions. This predominantly related to boilers at the Monmouth site used to generate steam required for the corrugating process. Around 25% of emissions were from purchase of electricity while the remaining emissions related mainly to vehicles and heating.

Directors

The directors of the Company who served during the year and to the date of this report are shown on page 1.

Dividends

During the year and to the date of this report no dividends were proposed or paid by the Company.

Tri-Wall UK Limited

Directors' report (continued)

Auditor

Each of the persons who is a director 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 s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the next meeting of the board of directors.

This report was approved by the board of directors on 29/09/22 and is signed on its behalf by.

By order of the Board



Director

G Peters

Tri-Wall UK Limited

Directors' responsibilities statement

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the ISAB and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing the parent Company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group 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 and the Group'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 and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report to the members of Tri-Wall UK Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Tri-Wall UK Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 38.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent 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.

Independent auditor's report to the members of Tri-Wall UK Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence and Health and Safety legislation.

Independent auditor's report to the members of Tri-Wall UK Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team, including significant component audit teams, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Impairment of goodwill. Specific procedures to respond to the risk included: testing design and implementation of controls around the impairment review process and reviewing and challenging the assumptions, forecasts and methodology applied by management in their goodwill impairment assessment.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Tri-Wall UK Limited (continued)

Use of our report

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

David Hedditch

David Hedditch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Cardiff, United Kingdom
29 September 2022

Tri-Wall UK Limited
Consolidated income statement
For the year ended 31 December 2021

	Note	2021 £	2020 £
Revenue	5	41,221,359	32,209,942
Cost of sales		(29,466,666)	(24,872,616)
Gross profit		11,754,693	7,337,326
Other operating income		99,681	100,423
Administrative expenses		(7,967,697)	(5,940,262)
Restructuring costs	8	-	(650,211)
Operating profit		3,886,677	847,276
Finance costs	9	(271,469)	(330,554)
Re-measurement of puttable options		-	(1,272,905)
Profit / (loss) before tax		3,615,208	(756,183)
Tax	10	(801,848)	(168,335)
Profit / (loss) for the year from continuing operations		2,813,360	(924,518)
Profit / (loss) for the year	6	2,813,360	(924,518)
Attributable to:			
Owner of the Company		2,813,360	(1,140,468)
Non-controlling interests		-	215,950
		2,813,360	(924,518)

There are no items of other comprehensive income during the current or prior year therefore no separate statement of other comprehensive income has been presented.

Tri-Wall UK Limited
Consolidated balance sheet
As at 31 December 2021

		2021	2020
	Note	£	£
Non-current assets			
Goodwill	11	2,095,120	2,095,120
Other intangible assets	12	789,124	853,855
Property, plant and equipment	13	9,737,689	10,958,639
Deferred tax asset	18	13,760	283,227
		<u>12,635,693</u>	<u>14,190,841</u>
Current assets			
Inventories	15	2,710,871	1,527,187
Trade and other receivables	16	7,955,314	6,962,723
Cash and bank balances		2,441,374	1,448,548
		<u>13,107,559</u>	<u>9,938,458</u>
Total assets		<u>25,743,252</u>	<u>24,129,299</u>
Current liabilities			
Trade and other payables	20	6,131,117	5,191,742
Current tax liabilities		813,369	958,703
Borrowings	17	2,483,269	3,115,752
		<u>9,427,755</u>	<u>9,266,197</u>
Net current assets		<u>3,679,804</u>	<u>672,261</u>
Non-current liabilities			
Borrowings	17	10,200,164	11,721,395
Deferred tax liabilities	18	638,949	478,683
		<u>10,839,113</u>	<u>12,200,078</u>
Total liabilities		<u>20,266,868</u>	<u>21,466,275</u>
Net assets		<u>5,476,384</u>	<u>2,663,024</u>

Tri-Wall UK Limited
Consolidated balance sheet (continued)
As at 31 December 2021

	Note	2021 £	2020 £
Equity			
Share capital	21	5,575,100	5,575,100
Retained earnings	21	(98,716)	(2,912,076)
Equity attributable to owner of the Company		<u>5,476,384</u>	<u>2,663,024</u>
Total equity		<u><u>5,476,384</u></u>	<u><u>2,663,024</u></u>

The financial statements of Tri-Wall UK Limited, registered Company number 08311508, were approved by the board of directors and authorised for issue on 29/09/22. They were signed on its behalf by:



G Peters
Director

Tri-Wall UK Limited
Consolidated statement of changes in equity
For the year ended 31 December 2021

Equity attributable to equity holders of the Company

	Note	Share capital £	Retained earnings £	Other Reserves £	Total £	Non-controlling interest £	Total equity £
Balance at 1 January 2020		5,575,100	(1,341,576)	(1,606,755)	2,626,769	1,004,069	3,630,838
Total loss / comprehensive expense for the year		-	(1,140,468)	-	(1,140,468)	215,950	(924,518)
Settlement of puttable options February	6	-	(223,730)	639,423	415,693	(415,693)	-
Settlement of puttable options October	6	-	(206,302)	967,332	761,030	(761,030)	-
Dividends paid		-	-	-	-	(43,296)	(43,296)
Balance at 31 December 2020		<u>5,575,100</u>	<u>(2,912,076)</u>	<u>-</u>	<u>2,663,024</u>	<u>-</u>	<u>2,663,024</u>
Total profit / comprehensive income for the year		-	2,813,360	-	2,813,360	-	2,813,360
Balance at 31 December 2021		<u>5,575,100</u>	<u>(98,716)</u>	<u>-</u>	<u>5,476,384</u>	<u>-</u>	<u>5,476,384</u>

Tri-Wall UK Limited
Consolidated cash flow statement
For the year ended 31 December 2021

	Note	2021 £	2020 £
Cash generated from operations	24	4,551,879	2,338,217
Tax paid		(421,202)	(363,855)
Interest paid		(271,469)	(330,554)
Net cash from operating activities		<u>3,859,208</u>	<u>1,643,808</u>
Investing activities			
Purchases of property, plant and equipment	13	(339,946)	(212,664)
Purchases of intangible assets	12	(38,505)	-
Purchase of non-controlling interests		-	(3,758,191)
Net cash used in investing activities		<u>(378,451)</u>	<u>(3,970,855)</u>
Financing activities			
Repayments of borrowings		(2,329,094)	(1,056,550)
New bank loans raised	17	850,000	4,800,495
Principal element of lease payments		(976,076)	(954,249)
Dividends paid to non-controlling interests		-	(43,296)
Net cash from / (used in) financing activities		<u>(2,455,170)</u>	<u>2,746,401</u>
Net increase in cash and cash equivalents		1,025,587	419,353
Cash and cash equivalents at beginning of year		1,448,548	1,034,768
Effect of foreign exchange rate changes		(32,761)	(5,573)
Cash and cash equivalents at end of year		<u><u>2,441,374</u></u>	<u><u>1,448,548</u></u>

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

1. General information

Tri-Wall UK Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic report on pages 2 to 8.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. Adoption of new and revised Standards

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 17 (including the June 2020 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The accounts are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Basis of consolidation (continued)

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments: Recognition and Measurement*, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

3. Significant accounting policies (continued)

Going concern

As discussed in the strategic report the directors were pleased with the Group performance during 2021 given the unprecedented economic, political and societal impacts of the pandemic. The first half of 2022 has seen continued revenue growth with profits exceeding the same period last year.

After making enquiries, the directors have an expectation that the Group has adequate resources along with continued support from parent companies to continue in operational existence for the foreseeable future. The Group has adequate funding to meet obligations from working capital, through drawing on the HSBC revolving credit facility and through access to loans from parent companies. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred then the excess of the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any) is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out above. Goodwill is considered to have an indefinite useful life, as there is no foreseeable limit to the period over which the asset will generate cash-flows. When assessing whether an asset has an indefinite useful life the directors consider if the asset's value to the business is limited by age, legal or regulatory requirements.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The directors' approach to measuring the value of an asset in use is to compare the present value of the future free cash flows of each cash generating unit with the carrying value of the goodwill allocated to the cash generating units. The directors make key assumptions regarding deviation from three-year horizon forecast, growth in perpetuity and discount rate. Deviation from forecast is based on recent performance compared to forecast. Growth in perpetuity is applied to medium to long terms cash-flows and the directors consider their estimate of one per cent to be reasonable. Pre-tax cost of debt percentage is calculated and applied to the debt of each cash generating unit whilst an externally estimated risk adjusted cost of equity is applied to the equity of each cash generating unit. The Group rate used to discount cash-flows is 12.5%.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue comprises the fair value of the sales of goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes and after eliminating sales within the Group.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and the fulfilment of the related performance obligations. The fulfilment of performance obligations normally occurs then the goods are unloaded at the delivery address if the Group is responsible for delivery or loaded onto the customer's collection vehicle when the Group is required to make the goods available for the customer to collect.

Revenue is recognised to the extent that is highly probable that a significant reversal will not occur. No element of financing is deemed present as credit terms are shorter than 12 months.

A receivable is recognised when the control of goods or services is transferred to the customer provided that the consideration is unconditional due to the fulfilment of the related performance obligations.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Leases

On commencement of a contract which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease (term is twelve months or less with no option to purchase the lease asset) or a 'low-value' lease (where the underlying asset is £4,000 or less when new).

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the group is reasonably certain to exercise and termination periods that the group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate (such as those linked to LIBOR) and any residual value guarantees.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss. When the lease liability is re-measured due to changes arising from the original terms and conditions of the lease, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

A lease modification that was not part of the original terms of the lease is accounted for as a separate lease or an adjustment to the lease liability depending on the nature of the change.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Operating profit

Operating profit is stated after charging restructuring costs but before re-measurement of puttable options, investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

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 income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

1. 3. Significant accounting policies (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property 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 income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

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

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	4% – 6.7% per annum
Plant & machinery	5% - 50% per annum
Fixtures & fittings	2% - 67% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus and incremental borrowing costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the group. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The right-of-use asset is depreciated over the lease term.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Projected cash flows are based on three year forecasts approved by the board of directors. A growth rate of 1% is used to extrapolate projections beyond the three year forecast period.

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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.

All intangible assets above have finite useful lives and are being amortised on a systematic basis over their useful lives.

Software has a useful life of between two and five years.

Land use rights have a useful life of between fifty and one hundred and twenty five years.

Customer relationships have a useful life of seven years.

Software and Land use rights are separately acquired intangible assets. Customer relationships were recognised as part of a business combination in 2018.

Amortisation of intangible assets is recognised in administrative expenses.

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. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

3. Significant accounting policies (continued)

Financial assets (continued)

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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.

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies that significantly effect any amounts recognised in financial statements:

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. When applying this valuation technique, the Company relies on a number of factors including historical results, business plans and forecasts. The discount rate used in the value in use calculation is also considered a critical assumption made when determining whether goodwill should be impaired. The carrying amount of goodwill at the balance sheet date was £2,095,120.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

5. Revenue

An analysis of the Group's revenue is as follows:

	2021 £	2020 £
Sale of goods (UK & Ireland)	39,259,597	29,799,607
Sale of goods (Continental Europe)	1,961,762	2,410,335
	<u>41,221,359</u>	<u>32,209,942</u>

6. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2021 £	2020 £
Net foreign exchange losses	32,762	5,573
Depreciation of property, plant and equipment	1,862,358	1,898,754
Amortisation of other intangible assets	103,235	101,301
Cost of inventories recognised as expense (see note 15)	21,605,839	16,086,373
Staff costs (see note 8)	9,038,200	7,768,862
Government grant under CJRS (deducted from related expenses)	(3,509)	(862,165)
Research and development expenditure	126,801	490,886
Government grant towards research & development expenditure (deducted from related expenses)	(76,081)	(294,532)
Re-measurement of puttable options	-	1,272,905
	<u></u>	<u></u>

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

7. Auditor's remuneration

	2021 £	2020 £
The analysis of the auditor's remuneration is as follows:		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	71,000	63,000
<i>Total audit fees</i>	<u>71,000</u>	<u>63,000</u>
- Taxation compliance services	12,271	11,687
- Other taxation advisory services	6,000	6,000
<i>Total non-audit fees</i>	<u>18,271</u>	<u>17,687</u>

Fees of £46,447 (2020: £56,885) were paid to other auditors in respect of the audit of subsidiaries, tax compliance and other professional advice.

8. Staff costs

The average monthly number of employees and directors was:

	Group 2021 Number	Group 2020 Number	Company 2021 Number	Company 2020 Number
Manufacturing and design	180	212	69	83
Sales and distribution	46	31	17	17
Administration	41	46	11	7
Directors	1	1	1	1
	<u>268</u>	<u>290</u>	<u>98</u>	<u>108</u>

Their aggregate remuneration stated after deduction of income received through the Coronavirus job protection scheme comprised:

	£	£	£	£
Wages and salaries	7,960,212	6,802,515	3,299,089	2,840,898
Social security costs	802,400	702,589	384,916	336,004
Other pension costs	275,588	263,758	151,586	146,035
	<u>9,038,200</u>	<u>7,768,862</u>	<u>3,835,591</u>	<u>3,322,937</u>

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

8. Staff costs (continued)

The highest paid director's remuneration included above comprised:

	2021 £	2020 £
Wages and salaries	205,885	124,181
Other pension costs	6,201	5,780
	<u>212,086</u>	<u>129,961</u>

One director is a member of a money purchase plan.

9. Finance costs

	2021 £	2020 £
Interest on inter-company loans	104,598	111,846
Interest on external loans	66,085	96,872
Interest on invoice financing	-	1,911
Interest on lease liabilities	100,786	119,925
	<u>271,469</u>	<u>330,554</u>

10. Tax

	2021 £	2020 £
Current taxation:		
Current year	360,930	265,843
Adjustments in respect of prior years	11,185	8,070
	<u>372,115</u>	<u>273,913</u>

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

10. Tax (continued)

Deferred taxation:		
Origination and reversal of temporary differences	46,244	(87,656)
Effect of changes in tax rates	100,262	(17,922)
Write down of previously recognised deferred tax assets	283,227	-
Deferred tax (see note 18)	429,733	(105,578)
Total tax charge	801,848	168,335

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit/ (loss) in the income statement as follows:

	2021 £	2020 £
Profit / (loss) before tax	3,615,208	(756,183)
Tax at the UK corporation tax rate of 19% (2020: 19%)	686,890	(143,675)
Adjustments in respect of prior years	11,185	(13,752)
Tax effect of expenses that are not deductible in determining taxable profit	(20,713)	452,733
Tax effect of income not taxable in determining taxable profit	(2,698)	(215,583)
Amounts not recognised	(12,738)	51,078
Tax rate changes	100,262	(17,922)
Non-allowable amortisation and depreciation	19,997	21,799
Fixed asset timing differences	22,308	33,657
Group-relief	(2,645)	-
Tax expense for the year	801,848	168,335

The Finance Bill 2021 has set out measures to maintain the corporation tax rate for financial years beginning 1 April 2021 and 2022. For financial years beginning after 1 April 2023, the corporation tax main rate will be increased to 25% for profits over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by marginal relief. The directors are not aware of any other factors, including measures introduced in the Finance Bill 2022 that will materially affect the future tax charge.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

11. Goodwill

	£
Carrying amount	
At 1 January 2020	2,095,120
At 31 December 2020	2,095,120
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At 31 December 2021	<u>2,095,120</u>

The cost of the goodwill is equal to the carrying amount. The Group tests annually for goodwill impairment or more frequently if there are indications that goodwill might be impaired.

12. Other intangible assets

	Software £	Land use rights £	Customer relationship £	Total £
Cost				
At 1 January 2020 & 31 December 2020	286,992	460,000	529,000	1,275,992
Additions	38,503	-	-	38,503
Disposals	(6,764)	-	-	(6,764)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	318,731	460,000	529,000	1,307,731
Accumulated depreciation and impairment				
At 1 January 2020	(218,850)	(10,145)	(91,840)	(320,835)
Charge for the year	(22,673)	(5,156)	(73,472)	(101,301)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	(241,523)	(15,301)	(165,312)	(422,136)
Charge for the year	(24,607)	(5,156)	(73,472)	(103,235)
Eliminated in respect of disposals	6,764	-	-	6,764
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	(259,366)	(20,457)	(238,784)	(518,607)
Carrying amount				
At 31 December 2019	68,142	449,855	437,160	955,157
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	45,469	444,699	363,688	853,855
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	<u>59,365</u>	<u>439,543</u>	<u>290,216</u>	<u>789,124</u>

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

13. Property, plant and equipment

	Land and buildings £	Plant and machinery £	Right-of- use assets £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2020	3,034,429	8,117,774	5,575,895	598,133	17,326,231
Additions	-	180,574	416,024	32,090	628,688
Disposals	-	-	(158,100)	-	(158,100)
At 31 December 2020	3,034,429	8,298,348	5,833,819	630,223	17,796,819
Additions	-	147,328	301,458	192,618	641,404
Transfer to ownership	-	-	(41,226)	41,226	-
Disposals	-	(259,141)	(93,478)	-	(352,619)
At 31 December 2021	3,034,429	8,186,535	6,000,573	864,067	18,085,604
Accumulated depreciation and impairment					
At 1 January 2020	(160,132)	(3,653,665)	(963,152)	(250,240)	(5,027,189)
Charge for the year	(88,003)	(721,254)	(1,010,144)	(79,354)	(1,898,754)
Eliminated in respect of disposals	-	-	87,764	-	87,764
At 31 December 2020	(248,135)	(4,374,919)	(1,885,532)	(329,594)	(6,838,179)
Charge for the year	(111,469)	(666,090)	(1,004,859)	(79,940)	(1,862,358)
Transfer to ownership	-	-	41,226	(41,226)	-
Eliminated in respect of disposals	-	259,141	93,478	-	352,619
At 31 December 2021	(359,604)	(4,781,868)	(2,755,684)	(450,760)	(8,347,916)
Carrying amount					
At 31 December 2019	2,874,297	4,464,110	4,612,743	347,893	12,299,042
At 31 December 2020	2,786,294	3,923,429	3,948,287	300,629	10,958,639
At 31 December 2021	2,674,825	3,404,667	3,244,889	413,307	9,737,689

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

13. Property, plant and equipment (continued)

The carrying amount of property, plant and equipment include right-of-use assets, at 31 December as detailed below:

	2021 £	2020 £
Carrying amount of right-of-use assets included in property, plant and equipment		
Land & buildings	2,648,226	3,157,599
Plant & machinery	383,767	451,486
Motor vehicles	212,897	339,202
	<hr/>	<hr/>
Total carrying amount presented within property, plant & equipment	3,244,890	3,948,287
	<hr/> <hr/>	<hr/> <hr/>

The depreciation charged in respect of right-of-use assets is as follows:

	2021 £	2020 £
Land & buildings	610,987	590,891
Plant & machinery	182,384	184,130
Motor vehicles	211,488	235,123
	<hr/>	<hr/>
	1,004,859	1,010,144
	<hr/> <hr/>	<hr/> <hr/>

Fair value measurement of the Group's freehold land and buildings

The Group's freehold land and buildings are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost to the Group of freehold land and buildings acquired as part of business combinations as at 1 July 2017 and 1 October 2018 was established by using an independent valuer, Duff & Phelps Limited, to perform a market valuation at those dates. The valuer is a member of the Royal Institute of Chartered Surveyors, and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

14. Subsidiaries

The Group consists of a parent company, Tri-Wall UK Limited, incorporated in the UK, and five subsidiaries held directly and indirectly by Tri-Wall UK Limited, which operate and are incorporated in the UK. Note 29 to the Company's separate financial statements lists details of the interests in subsidiaries.

15. Inventories

	2021 £	2020 £
Raw materials	1,897,629	867,975
Work-in-progress	29,589	28,552
Finished goods	533,042	346,756
Engineering stock	103,060	157,660
Merchandise	147,551	126,244
	<u>2,710,871</u>	<u>1,527,187</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £21,605,839 (2020: £16,068,373).

16. Trade and other receivables

	2021 £	2020 £
Amount receivable for the sale of goods	7,206,078	6,279,335
Expected credit losses	(103,985)	(106,727)
	<u>7,102,093</u>	<u>6,172,608</u>
Other debtors	265,504	146,958
Prepayments	587,717	643,157
	<u>7,955,314</u>	<u>6,962,723</u>

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The average credit period taken on sales of goods is 64 days (2020: 71 days).

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are regularly reviewed. Of the trade receivables balance at the end of the year £436,173 (2020: £262,504) is due from, the Group's largest customer (by trade receivable balance). There are no customers who represent more than 6.1% of the total balance of trade receivables.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

16. Trade and other receivables (continued)

The Group applies the IFRS9 simplified approach to measuring expected credit losses using a lifetime expected credit provision for trade receivables and contract assets. The expected loss rates are based on the Group's historical credit losses adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Amount receivable from the sale of goods can be analysed as follows:

	2021 £	2020 £
Amount receivable not past due	5,555,394	4,453,710
Amount receivable past due but not impaired	1,650,684	1,825,625
Less expected credit losses	<u>(103,985)</u>	<u>(106,727)</u>
Total	<u>7,102,093</u>	<u>6,172,608</u>

As at 31 December 2021 the lifetime expected loss provision for trade receivables is as follows:

	Not yet due	Up to 3 months past due	Up to 6 months past due	Up to 9 months past due	Up to 12 months past due	Up to 24 months past due	Over 24 months past due	Total £
Expected loss rate	1%	2%	4%	10%	20%	50%	100%	
Gross carrying amount	<u>5,555,394</u>	<u>1,603,716</u>	<u>28,063</u>	<u>5,610</u>	<u>6,792</u>	<u>6,234</u>	<u>269</u>	<u>7,206,078</u>
Loss provision	62,948	34,610	1,122	561	1,358	3,117	269	103,985

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

17. Borrowings

	2021 £	2020 £
Unsecured borrowing at amortised cost		
Loans from related parties	7,023,334	7,482,245
Secured borrowing at amortised cost		
Bank loans	2,346,496	3,366,681
Finance lease liabilities (see note 19)	3,313,603	3,988,220
	5,660,099	7,354,901
	12,683,433	14,837,146
Total borrowings		
Amount due for settlement within 12 months	2,483,269	3,115,752
Amount due for settlement after 12 months	10,200,164	11,721,395

All borrowings are denominated in pounds sterling.

The other principal features of the Group's borrowings are as follows:

(i) The Group has six principal loans from related parties:

(a) £1,171,875 provided by Tri-Wall Europe Holdings Limited relates to the remaining start-up loan balance following a debt for equity swap of £3,300,000 in 2014. The loan term runs from 1 January 2014 to 31 July 2025. Interest payments of 2.37% per annum commence from 1 January 2015 and repayments of the principal amount commenced on 1 November 2017 in quarterly instalments of £78,125.

(b) £1,078,059 is the balance of the £1,960,108 loan provided by Tri-Wall Limited in April 2017 for the purpose of replacement of machinery. The loan term runs from 1 April 2017 to 30 April 2027. Interest payments of 2.98% per annum commenced from 1 April 2017 and repayments of the principal amount commenced on 31 July 2017 in quarterly instalments of £49,003.

(c) £608,400 is the balance of the £1,420,000 loan provided by Tri-Wall Limited in August 2017 for the purpose of the acquisition of a subsidiary. The loan term runs from 1 August 2017 to 1 August 2024. Interest payments of 2.68% per annum commenced from 31 August 2017 and repayments of the principal amount commence on 1 August 2018 in annual instalments of £202,900.

(d) £400,000 is the balance of the £600,000 loan provided by Tri-Wall Limited in July 2020 for the purpose of a restructuring program. The loan terms run from 21 July 2020 to 20 July 2023. Interest payments of 0.519% per annum (floating) commenced from 21 July 2020 and repayments of the principal amount commenced on 21 July 2021 in annual instalments of £200,000.

(e) £3,000,000 is the balance of the £3,000,000 loan provided by Tri-Wall Limited in September 2020 for the purchasing of shares in a subsidiary. The loan terms run from 18 September 2020 to 17 September 2030. Interest payments of 0.512% per annum (floating) commenced from 18 September 2020 and repayments of the principal amount commenced on 18 March 2022 in bi-annual instalments of £166,000.

(f) £765,000 is the balance of the £850,000 loan provided by Tri-Wall Limited in March 2021 for the purchasing of re-financing a commercial mortgage. The loan terms run from 2 March 2021 to 28 February 2026. Interest payments of 0.52% per annum (floating) commenced from 2 March 2021 and repayments of the principal amount commenced on 2 September 2021 in bi-annual instalments of £85,000.

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

17. Borrowings (continued)

(ii) The Group has two principal bank loans:

(a) £457,597 is the balance of the £800,000 HSBC loan provided in March 2019 for the purpose of the purchase of the long land lease and buildings at Pleasant Road, Swansea, and the purchase of the land and buildings at Bruce Road, Swansea. The loan term runs from 27 March 2019 to 27 March 2025. Interest payments of 4.09% commenced from 27 March 2019 and repayments of the principal amount commenced on 27 April 2019 in monthly instalments. The loan is secured by a floating charge over the assets of Tri-Wall Swansea Limited.

(b) £1,888,902 is the balance of a £4,000,000 revolving credit facility provided by HSBC secured by a fixed and floating charge over the assets of Tri-Wall UK Limited, Tri-Wall Swansea Limited, Rosewood Manufacturing Holdings Limited, Tri-Wall North East Limited, Tri-Wall West Midlands Limited and Tri-Wall Manchester Limited. Interest is payable at 2.05% over Bank of England base rate.

The weighted average interest rates paid during the year were as follows:

	2021	2020
	%	%
Loans from related parties	1.4	1.6
Bank loans	2.4	2.5

18. Deferred tax

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

	Accelerated tax depreciation £	Revaluation of financial assets £	Tax losses £	Total £
At 1 January 2020	251,656	248,569	(199,191)	301,034
Credit to profit or loss	(21,542)	-	(84,036)	(105,578)
At 31 December 2020	230,114	248,569	(283,227)	195,456
Debit to profit or loss	160,266	-	269,467	429,733
At 31 December 2021	390,380	248,569	(13,760)	625,189

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

18. Deferred tax (continued)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £	2020 £
Deferred tax liabilities	638,949	478,683
Deferred tax assets	(13,760)	(283,227)
	<u>625,189</u>	<u>195,456</u>

The Group assess recoverability of deferred tax assets based on forecast taxable profits. The Finance Bill 2021 enacted provisions to increase the main rate of UK corporation tax to 25% from 1 April 2023. As substantive enactment is before the balance sheet date, deferred tax balances as at 31 December 2021 are measured at a rate of 25%.

On 23 September 2022, the Chancellor of the Exchequer announced that the planned tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. Because the enacted rate at the balance sheet date was 25% this announcement does not represent an adjusting event and the group's deferred tax balances as at 31 December 2021 are still calculated at that higher rate.

19. Lease liabilities

The maturity of year-end lease liabilities is as follows	Land and buildings £	Plant & machinery £	Motor vehicles £	Total £
31 December 2021				
Within one year	618,878	128,977	84,150	832,005
Between one and five years	860,721	270,175	119,802	1,250,698
In over five years	1,208,223	8,424	14,253	1,230,900
	<u>2,687,822</u>	<u>407,576</u>	<u>218,205</u>	<u>3,313,603</u>
31 December 2020				
Within one year	574,126	173,298	166,592	914,016
Between one and five years	1,316,043	297,086	130,900	1,744,029
In over five years	1,330,175	-	-	1,330,175
	<u>3,766,337</u>	<u>362,773</u>	<u>467,672</u>	<u>4,596,782</u>

The Group recognises a right-of-use asset and a lease liability for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The cost recognised in the year of lease payments classified as 'low-value' and 'short' term was nil (2020: nil).

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

20. Trade and other payables

	2021 £	2020 £
Trade creditors and accruals	5,252,810	4,388,663
Group undertakings	878,307	803,079
	<u>6,131,117</u>	<u>5,191,742</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 70 days (2020: 70 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Amounts payable to group undertakings comprise interest and rent due to Tri-Wall Europe Holdings Limited and Tri-Wall Limited.

The directors consider that the carrying amount of trade payables approximates to their fair value.

21. Share capital and reserves

Share capital

	2021 £	2020 £
Authorised, issued and fully paid: 5,575,100 ordinary shares of £1 each	<u>5,575,100</u>	<u>5,575,100</u>

The Company has one class of ordinary shares which carry no right to fixed income.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

22. Notes to the consolidated cash flow statement

	2021 £	2020 £
Profit / (loss) for the year	2,813,360	(924,518)
Adjustments for:		
Other losses	32,758	5,573
Finance costs	271,469	330,554
Income tax expense	801,848	168,335
Depreciation of property, plant and equipment	1,862,358	1,898,754
Amortisation of intangible assets	103,235	101,301
Re-measurement of puttable options	-	1,272,905
	<u>5,885,028</u>	<u>2,852,904</u>
Operating cash flows before movements in working capital		
(Increase) / decrease in inventories	(1,183,684)	129,310
(Increase) / decrease in receivables	(992,591)	(104,498)
Decrease / (increase) in payables	843,126	(539,499)
	<u>4,551,879</u>	<u>2,338,217</u>
Cash and cash equivalents		
	2021 £	2020 £
Cash and bank balances (see note 23)	<u>2,441,374</u>	<u>1,448,548</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

23. Financial instruments

Capital risk management

The capital structure of the Group consists of net debt (borrowings disclosed in note 17 after deducting cash and bank balances) and equity of the Group (comprising issued capital and accumulated deficit disclosed in note 21 and the Statement of changes in equity).

The Group manages its capital to ensure that the Company will be able to continue as a going concern. Continued support from the parent companies (Tri-Wall Europe Holdings Limited and Tri-Wall Limited) is expected to continue throughout 2022 as required.

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

23. Financial instruments (continued)

Gearing ratio

The gearing ratio at the year-end is as follows:

	2021 £	2020 £
Debt	(12,683,433)	(14,837,147)
Cash and cash equivalents	2,441,374	1,448,548
Net debt	<u>(10,242,060)</u>	<u>(13,388,599)</u>
Equity	<u>5,476,382</u>	<u>2,663,024</u>
Net debt to equity ratio	<u>187%</u>	<u>503%</u>

Debt is defined as long- and short-term borrowings as detailed in note 17.

Equity includes all capital and reserves of the Group that are managed as capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. This information is supplied by independent rating agencies where available, and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Externally imposed capital requirements

HSBC bank PLC require the Adjusted Net Tangible Worth to not be less than £1.25m for the year ending December 2021 and £2m for the year ending December 2022. Adjusted Net Tangible Worth is calculated as shareholder's funds less goodwill. HSBC bank PLC also require that EBITDA will not fall below a figure equal to 400% aggregate of interest charges and the interest element of finance leases in any 12 month period and that total amount of the revolving credit facility outstanding will not exceed 200% of EBITDA in any 12 month period. The directors Group maintain rolling forecasts to ensure these covenants are not breached.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

23. Financial Instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
	%	£	£	£	£	£
31 December 2021						
Non-interest-bearing		6,131,117	-	-	-	6,131,117
Finance lease liability	2.82	912,260	523,522	932,163	2,552,124	4,920,069
Variable interest rate instruments	0.99	766,992	2,652,324	1,497,398	1,353,377	6,270,090
Fixed interest rate instruments	2.86	1,201,050	1,175,918	1,016,576	98,605	3,492,149
		<u>9,011,419</u>	<u>4,351,763</u>	<u>3,446,137</u>	<u>4,004,106</u>	<u>20,813,425</u>
31 December 2020						
Non-interest-bearing		5,191,743	-	-	-	5,149,743
Finance lease liability	2.82	989,499	838,615	1,124,114	2,829,540	5,781,768
Variable interest rate instruments	1.09	1,102,961	2,481,025	1,230,583	1,693,901	6,508,470
Fixed interest rate instruments	2.75	1,259,372	1,240,114	1,951,800	300,235	4,751,521
		<u>8,543,574</u>	<u>4,559,754</u>	<u>4,306,497</u>	<u>4,823,676</u>	<u>22,233,502</u>

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

24. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods		Purchase of goods	
	2021	2020	2021	2020
	£	£	£	£
Tri-Wall Polska	-	-	-	69,152
Tri-Wall Japan	-	-	-	26,807
Transcor Logistics	-	-	73,981	307,237
Tricor AG	-	-	-	8,566
Tri-Wall Slovakia	-	97,204	-	-
Tri-Wall Mexico	-	-	-	27,904
Tri-Wall Vina	-	-	131,056	356,575
Tri-Wall Michigan	-	-	-	22,802
	-	97,204	205,037	819,043

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	2021	2020
	£	£	£	£
Tri-Wall Europe Holdings Limited	51,600	51,600	1,485,156	2,112,057
Tri-Wall Polska	-	6,915	-	-
Tri-Wall Japan	-	-	-	4,486
Tri-Wall Limited	-	-	6,418,803	6,173,267
Tri-Wall Thailand	-	-	8,773	8,773
Tri-Wall Vina	-	-	57,243	29,661
Tri-Wall Slovakia	-	7,509	-	-
Tri-Wall Mexico	-	-	9,838	13,774
Transcor Logistics	-	-	14,950	43,798
	51,600	66,024	7,994,763	8,385,816

The related parties above are all subsidiaries of Rengo Co, the ultimate parent Company of the Group. Sales of goods to related parties were made at the Group's usual list prices. Purchases were made at market price. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021

24. Related party transactions (continued)

Amounts repayable to Tri-wall Europe Holdings Limited carry interest of 2.37% (2020: 2.37%) per annum charged on the outstanding loan balances (see note 16).

Amounts repayable to Tri-wall Limited carry interest of 0.51%-2.98% (2020: 0.53% - 2.98%) per annum charged on the outstanding loan balances (see note 16).

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. In the current year other directors of the Group were remunerated by another company in the Rengo Group.

	2021 £	2020 £
Salaries, fees, bonuses and benefits in kind	205,885	124,181
Money purchase pension contributions	6,201	5,780
	<u>212,086</u>	<u>129,961</u>

Aggregate directors' remuneration

The total amounts for directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	2021 £	2020 £
Salaries, fees, bonuses and benefits in kind	205,885	124,181
Money purchase pension contributions	6,201	5,780
	<u>212,086</u>	<u>129,961</u>

Tri-Wall UK Limited
Company balance sheet
As at 31 December 2021

		2021	2020
	Note	£	£
Non-current assets			
Investments in subsidiaries	28	7,185,648	7,185,648
Goodwill	29	606,340	606,340
Other intangible assets	30	28,246	45,469
Property, plant and equipment	31	4,062,237	4,674,077
Deferred tax asset		13,760	283,227
Loan receivable		750,000	656,251
		<u>12,646,231</u>	<u>13,451,012</u>
Current assets			
Trade and other receivables	32	4,786,384	4,662,764
Cash and bank balances		1,061,197	522,233
Inventories	33	1,499,096	619,768
		<u>7,346,677</u>	<u>5,804,765</u>
Total assets		<u>19,992,908</u>	<u>19,255,777</u>
Current liabilities			
Trade and other payables	34	3,168,808	2,683,963
Borrowings	35	1,936,008	1,691,168
Current tax liability		426,110	475,500
		<u>5,530,926</u>	<u>4,850,631</u>
Net current assets		<u>1,815,751</u>	<u>954,134</u>
Total assets less current liabilities		<u>14,461,982</u>	<u>14,405,146</u>
Non-current liabilities			
Borrowings	35	7,677,732	9,597,844
Deferred tax liability		128,884	-
		<u>7,806,616</u>	<u>9,597,844</u>
Total liabilities		<u>13,337,542</u>	<u>14,448,475</u>
Net assets		<u>6,655,366</u>	<u>4,807,302</u>
Equity			
Share capital		5,575,100	5,575,100
Retained earnings		1,080,266	(767,798)
Equity attributable to owners of the Company		<u>6,655,366</u>	<u>4,807,302</u>

The Company reported a profit for the financial year ended 31 December 2021 of £1,848,064 (2020: £93,220).

The financial statements of Tri-Wall UK Limited (registered number 08311508) were approved by the board of directors and authorised for issue on 29/09/22. They were signed on its behalf by:

By Order of the Board


G Peters

Tri-Wall UK Limited
Company statement of changes in equity
For the year ended 31 December 2021

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2020	5,575,100	(861,018)	4,714,082
Total comprehensive income for the year	-	93,220	93,220
Balance at 31 December 2020	5,575,100	(767,798)	4,807,302
Total comprehensive income for the year	-	1,848,064	1,848,064
Balance at 31 December 2021	5,575,100	1,080,266	6,655,366

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2021

25. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, certain related party transactions and certain disclosures required by IFRS15 & IFRS 16.

Where required, equivalent disclosures have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements.

Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by reference to an arbitrary assumed period for amortisation.

26. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of each cash-generating unit. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. When applying this valuation technique, the Company relies on three year forecasts and the growth rate used to extrapolate beyond the forecast period. The discount rate used in the value in use calculation is also considered a critical assumption made when determining whether investment in subsidiaries should be impaired. The carrying amount of investments in subsidiaries at the balance sheet date was £7,185,648.

The other critical accounting judgements and key sources of estimation uncertainty are the same as those set out in note 4 to the consolidated financial statements.

27. Profit/(loss) for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of other comprehensive income for the year. The result attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2021

28. Investment in subsidiaries

	£
Cost and net book value	
At 1 January 2020	3,403,651
Additions	3,781,997
At 31 December 2020	7,185,648
At 31 December 2021	7,185,648

Additions comprised remaining non-controlling interest in Rosewood Manufacturing Holdings Limited.

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name	Place of business	Proportion of ownership interest %	Proportion of voting power held %
Tri-Wall Swansea Limited	Swansea	100	100
Rosewood Manufacturing Holdings Limited	Gateshead	100	100
Tri-Wall North East Limited	Gateshead	100	100
Tri-Wall West Midlands Limited	Wolverhampton	100	100
Tri-Wall Manchester Limited	Manchester	100	100

The address of the registered office of all subsidiaries is 77 Wonastow Road, Monmouth, NP25 5TW. Voting power is calculated as proportion of company directors who are also directors of the Company's subsidiaries. Each subsidiary has one class of ordinary share that carries no right to fixed income.

The principal activity of Tri-Wall Swansea Limited is the manufacture and sale of packaging products. The Company is directly owned by Tri-Wall UK Limited.

The principal activity of Rosewood Manufacturing Holdings Limited is that of a holding Company. The Company is directly owned by Tri-Wall UK Limited.

The principal activity of Tri-Wall North East Limited is the manufacture and sale of packaging products. The Company is indirectly owned by Tri-Wall UK Limited.

The principal activity of Tri-Wall West Midlands Limited is the manufacture and sale of packaging products. The Company is indirectly owned by Tri-Wall UK Limited.

The principal activity of Tri-Wall Manchester Limited is the manufacture and sale of packaging products. The Company is indirectly owned by Tri-Wall UK Limited.

The investments in subsidiaries are all stated at cost less provision for impairments.

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2021

29. Goodwill

	£
Carrying amount	
At 1 January 2020	606,340
At 31 December 2020	606,340
	<hr/>
At 31 December 2021	<u>606,340</u>

The cost of the goodwill is equal to the carrying amount. The Group tests annually for goodwill impairment or more frequently if there are indications that goodwill might be impaired. The goodwill arose on the trade and assets that were transferred from DS Smith PLC when Tri-Wall UK Ltd was established on 2012.

30. Other intangible assets

	Software £
Cost	
At 1 January 2020	286,992
At 31 December 2020	286,992
Additions	4,555
Disposals	(6,764)
	<hr/>
At 31 December 2021	<u>284,783</u>
Accumulated depreciation and impairment	
At 1 January 2020	(218,850)
Charge for the year	(22,673)
	<hr/>
At 31 December 2020	(241,523)
Charge for the year	(21,778)
Eliminated in respect of disposals	6,764
	<hr/>
At 31 December 2021	<u>(256,537)</u>
Carrying amount	
At 31 December 2019	68,142
	<hr/>
At 31 December 2020	45,469
	<hr/>
At 31 December 2021	<u>28,246</u>

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2021

31. Property, plant and equipment

	Plant and machinery £	Right-of- use assets £	Fixtures and fittings £	Total £
Cost				
At 1 January 2020	6,467,769	2,594,671	383,959	9,446,399
Additions	15,069	280,772	16,350	312,191
Disposals	-	(135,635)	-	(135,635)
At 31 December 2020	<u>6,482,838</u>	<u>2,739,808</u>	<u>400,309</u>	<u>9,622,955</u>
Additions	123,097	71,102	190,328	384,527
Disposals	(259,141)	(14,837)	-	(273,978)
Transfer ownership	-	(41,226)	41,226	-
At 31 December 2021	<u>6,346,794</u>	<u>2,754,847</u>	<u>631,863</u>	<u>9,733,504</u>
Accumulated depreciation and impairment				
At 1 January 2020	(3,303,825)	(466,800)	(234,233)	(4,004,858)
Charge for the year	(459,413)	(495,841)	(54,065)	(1,009,319)
Eliminated in respect of disposals	-	65,299	-	65,299
At 31 December 2020	<u>(3,763,238)</u>	<u>(897,342)</u>	<u>(288,298)</u>	<u>(4,948,878)</u>
Charge for the year	(451,710)	(488,743)	(55,914)	(996,367)
Eliminated in respect of disposals	259,141	14,837	-	273,978
Transfer to ownership	-	41,226	(41,226)	-
At 31 December 2021	<u>(3,955,807)</u>	<u>(1,330,022)</u>	<u>(385,438)</u>	<u>(5,671,267)</u>
Carrying amount				
At 31 December 2019	<u>3,163,944</u>	<u>2,127,871</u>	<u>149,726</u>	<u>5,441,541</u>
At 31 December 2020	<u>2,719,600</u>	<u>1,842,466</u>	<u>112,011</u>	<u>4,674,077</u>
At 31 December 2021	<u>2,390,987</u>	<u>1,424,825</u>	<u>246,425</u>	<u>4,062,237</u>

32. Trade and other receivables

	2021 £	2020 £
Amounts falling due within one year		
Amounts owed for the sale of goods	3,707,955	3,092,964
Amounts owed by Group undertakings	645,176	1,062,646
Other debtors and prepayments	433,253	507,155
	<u>4,786,384</u>	<u>4,662,764</u>

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32. Trade and other receivables (continued)

	2021 £	2020 £
Amounts falling due within one year		
Amounts owed for the sale of goods	3,707,955	3,092,964
Amounts owed by Group undertakings	645,176	1,062,646
Other debtors and prepayments	433,253	507,155
	<u>4,786,384</u>	<u>4,662,764</u>

Amounts receivable from group undertakings comprise loans receivable and amounts owed from sales of goods to subsidiary companies detailed in note 28.

33. Inventories

	2021 £	2020 £
Raw materials	1,261,893	381,712
Finished goods	134,143	80,396
Engineering stock	103,060	157,660
	<u>1,499,096</u>	<u>619,768</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £9,881,688 (2020: £7,298,792).

34. Trade and other payables

	2021 £	2020 £
Amounts falling due within one year		
Trade payables and accruals	2,288,183	1,880,884
Amounts owed to Group undertakings	880,624	803,079
	<u>3,168,808</u>	<u>2,683,963</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 65 days (2020: 74 days).

Amounts payable to group undertakings comprise interest and rent due to Tri-Wall Europe Holdings Limited and Tri-Wall Limited.

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For the year ended 31 December 2021

35. Borrowings

	2021 £	2020 £
Unsecured borrowing at amortised cost		
Loans from related parties	6,258,334	7,482,245
Secured borrowing at amortised cost		
Finance lease liabilities	1,466,504	1,874,244
Bank loans	1,888,902	1,932,523
	<u>9,613,740</u>	<u>11,289,012</u>
Total borrowings		
Amount due for settlement within 12 months	<u>1,936,008</u>	<u>1,691,168</u>
Amount due for settlement after 12 months	<u>7,677,732</u>	<u>9,597,844</u>

The Company has five principal loans from related parties:

(a) £1,171,875 provided by Tri-Wall Europe Holdings Limited relates to the remaining start-up loan balance following a debt for equity swap of £3,300,000 in 2014. The loan term runs from 1 January 2014 to 31 July 2025. Interest payments of 2.37% per annum commence from 1 January 2015 and repayments of the principal amount commenced on 1 November 2017 in quarterly instalments of £78,125.

(b) £1,078,059 is the balance of the £1,960,108 loan provided by Tri-Wall Limited in April 2017 for the purpose of replacement of machinery. The loan term runs from 1 April 2017 to 30 April 2027. Interest payments of 2.98% per annum commenced from 1 April 2017 and repayments of the principal amount commenced on 31 July 2017 in quarterly instalments of £49,003.

(c) £608,400 is the balance of the £1,420,000 loan provided by Tri-Wall Limited in August 2017 for the purpose of the acquisition of a subsidiary. The loan term runs from 1 August 2017 to 1 August 2024. Interest payments of 2.68% per annum commenced from 31 August 2017 and repayments of the principal amount commence on 1 August 2018 in annual instalments of £202,900.

(d) £400,000 is the balance of the £600,000 loan provided by Tri-Wall Limited in July 2020 for the purpose of a restructuring program. The loan terms run from 21 July 2020 to 20 July 2023. Interest payments of 0.519% per annum (floating) commenced from 21 July 2020 and repayments of the principal amount commenced on 21 July 2021 in annual instalments of £200,000.

(e) £3,000,000 is the balance of the £3,000,000 loan provided by Tri-Wall Limited in September 2020 for the purchasing of shares in a subsidiary. The loan terms run from 18 September 2020 to 17 September 2030. Interest payments of 0.512% per annum (floating) commenced from 18 September 2020 and repayments of the principal amount commenced on 18 March 2022 in bi-annual instalments of £166,000.

The Company has one bank loan comprising of the balance of a £4,000,000 revolving credit facility provided by HSBC Bank PLC secured by a fixed and floating charge over the assets of Tri-Wall UK Limited, Tri-Wall Swansea Limited, Rosewood Manufacturing Holdings Limited, Tri-Wall North East Limited, Tri-Wall West Midlands Limited and Tri-Wall Manchester Limited. The balance of the loan at the reporting date was £1,888,902.

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2021

36. Lease liabilities

The maturity of year-end lease liabilities is as follows:

	Land and buildings	Plant & machinery	Motor vehicles	Total
31 December 2021				
Within one year	303,948	78,642	36,571	419,161
Between one and five years	(5,575)	157,539	16,368	168,332
In over five years	879,011	-	-	879,011
	<u>1,177,384</u>	<u>236,181</u>	<u>52,939</u>	<u>1,466,504</u>
	Land and buildings	Plant & machinery	Motor vehicles	Total
31 December 2020				
Within one year	296,102	103,274	66,621	465,997
Between one and five years	299,822	198,931	31,931	530,684
In over five years	877,563	-	-	877,563
	<u>1,473,487</u>	<u>302,205</u>	<u>98,552</u>	<u>1,874,244</u>

The Group recognises a right-of-use asset and a lease liability for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The total cash outflow for leases during the year was £508,199 (2020: £525,350).

37. Government grants

In 2019, the Company joined a consortium to propose a project to research safety in Lithium-ion batteries under the Faraday battery challenge, part of the UK Government's Industrial Strategy Challenge Fund.

During the year, the Company incurred expenditure of £126,801 (2020: £490,886). The Company claimed a revenue grant of £76,081 (2020: £294,532), which was released to the income statement as the expenditure was incurred.

The Company also claimed £3,509 under the UK government's Coronavirus Job Retention Scheme.

Tri-Wall UK Limited

Notes to the Company financial statements (continued)

For the year ended 31 December 2021

38. Ultimate parent company

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Rengo Co Limited, a company incorporated in Japan. The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is Rengo Co Limited, a company incorporated in Japan. The parent undertaking of the smallest such group is Tri-Wall Limited, a company incorporated in Hong Kong.

The Company's immediate controlling party is Tri-Wall Europe Holdings Limited registered at 19/F, Chu Kong Shipping Tower, 143 Connaught Road Central, Sheung Wan, Hong Kong.

Copies of the group financial statements of Tri-Wall Limited are available from the registered office of Tri-Wall Limited, 19/F, Chu Kong Shipping Tower, 143 Connaught Road Central, Sheung Wan, Hong Kong.

Copies of the group financial statements of Rengo Co Limited are available from the registered office of Rengo Co Limited, Nakanoshima Central Tower, 2-2-7 Nakanoshima, Kita-Ku, Osaka, Japan, 530-0005.