

Würth UK Limited

Report and Financial Statements

31 December 2020



Directors

J Murphy
A Dagnall
I Jones

Secretary

A Dagnall

Auditor

Ernst & Young LLP
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London SE1 2AF

Bankers

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Strategic report

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

Principal activity and review of the business

The principal activity of the company is the sale of fastenings, chemicals and accessories mainly to the motor trade, wood, construction and metal industries. The company goes to the market mainly through a direct sales force that visit customers, discuss requirements and take orders for next day delivery that are then despatched mainly from a central warehouse. The company also has e-business capabilities and telesales operations as well as 13 branch shops around Great Britain. The company will continue to expand the channels available for the customer to do business with Würth UK and seek to capture a larger proportion of existing markets, as well as seek new profitable markets.

The company is a wholly owned subsidiary of Würth Holding UK Limited, and is controlled by Adolf Würth GmbH & Co. KG.

The key financial and other performance indicators for the year are presented below:

	2020	2019	Change %
	£,000	£,000	
Turnover	51,890	53,508	-3.0%
Operating loss	(2,277)	(2,576)	+11.6%
Loss for the financial year	(2,602)	(2,990)	+13.0%
Gross profit margin %	51.3%	53.6%	
Average number of employees	515	504	2.2%
Debtor days	66.2	65.3	
Stock turns	3.6	3.8	
Service degree	92.9%	99.2%	

Turnover declined by 3.0% during the year, mainly due to the impact of the restrictions imposed to counter the impact of the Covid-19 pandemic between March and June, when sales declined by 33.1% compared to the same period in the previous year. During this period, the company furloughed 51% of the sales force. Once the restrictions were eased, the company brought all staff back from furlough and sales increased by 10.2% compared to the same July to December period in the previous year.

The operating result improved to a £2,277,000 loss in the year from a £2,576,000 loss in 2019. The effect of the lower sales and lower gross profit margins was partly offset by lower sales and distribution costs and administrative costs. The company used the support offered by the government during the Covid-19 pandemic and received grants totalling £1,096,000 under the Coronavirus Job Retention Scheme as well as using the VAT deferral scheme.

The result after tax improved to a loss of £2,602,000 in the year compared to a loss of £2,990,000 in 2019.

Gross profit margin deteriorated to 51.3% from 53.6% in 2019, mainly due to a change of product mix due to the Covid-19 pandemic.

The average number of employees increased by 11 to 515 during the year.

Debtor days deteriorated to 66.2 from 65.3 in 2019, with a slowdown of payments during the initial months of the Covid-19 pandemic.

Stock management deteriorated to 3.6 during the year from 3.8 in 2019 mainly due to building up stocks in preparation for a chaotic Brexit.

Strategic report (continued)

Service degree is a key performance indicator in the company and is the inventory management indicator that provides information about the average ability of the company to deliver to its customers. The company endeavours to dispatch goods ordered to be delivered next day and in 2020 the number of orders that were successfully despatched for next day delivery deteriorated to 92.9% (2019 – 99.2%), mainly as a result of delays in supplies for certain products.

Principal risks and uncertainties

The company has a large customer portfolio base and the trading risk is therefore widely spread. The company aims to increase its market share by providing value added services to its customers through a highly professional sales force and through supplying quality products and assembly solutions.

The credit risk is equally spread due to the relatively low average outstanding amount per customer. Credit terms are agreed in advance and appropriate credit control procedures are followed in all trading.

The company relies heavily on its external sales force. High staff turnover is therefore perceived as a big risk to the business. The risk is managed through additional training, frequent one-to-one reviews with the sales management and individual action plans.

The company sells in Sterling but is exposed to movements in currencies on purchases. The company manages the foreign exchange risk by following a currency hedging strategy of purchasing forward contracts.

The company is financed by equity and has interest bearing liabilities in the form of inter group loans. The company is not currently hedged against any movements in interest rates that may affect these balances.

Following the Brexit referendum in 2016 and the exit from the European Community that came in force on 1st January 2021, the directors continue to closely monitor developments and are taking actions to minimise any potential impact on the business.

Section 172 statement – Directors duty to promote success of the company

This section acts as the Company's Section 172(1) statement in accordance with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018). This section also constitutes the Company's statement on engagement with, and having due regard to the interest of our key stakeholders.

Decision Making at the Board

As part of the Würth Group with Adolf Würth GmbH & Co. KG as the ultimate parent undertaking and controlling party, Würth UK Limited is required to comply with the Würth Group codes of conduct and Policies and Procedures (PAP). These require directors and employees to operate in a socially responsible and ethical manner, including adopting fair employment practices, protect safety in the workplace, and support and foster environmental consciousness.

All matters, which under the Company's governance arrangements are reserved for decision by Directors, are presented at monthly management meetings, Group review meetings and Board meetings. Directors are briefed on any potential impacts, and together with the potential impact on the key stakeholders, make a final decisions that they believe is in the best interests of the members as a whole.

The Directors made the decision to furlough some employees during the initial stages of the pandemic from April with most employees returning by July.

Strategic report (continued)

Section 172 statement – Directors duty to promote success of the company (continued)

Key Stakeholders

Our key stakeholders are shareholders, employees, customers, suppliers and the wider community and environment.

Employees

During 2020, the directors engaged with the employees through virtual conferences, weekly email updates, briefing meetings and the internal company PULSE magazine. Employees are kept up to date with financial information as well as successes and developments within the Company. The Company issued weekly updates on the impact of the Covid-19 pandemic and actions taken. The Company also conducts bi-annual employee surveys.

The Company ensures the development of its employees through online training courses, including courses relating to key compliance issues.

Customers

During 2020 the Company ensured that its customers were kept well informed on any impact on the supply situation due to the Covid-19 pandemic and Brexit. The Company closely monitors the service degree, which is a key performance indicator in the company, and is the inventory management indicator that provides information about the average ability of the company to deliver to its customers.

Suppliers

The Company works with its suppliers to ensure that the quality of products meet the high standards that our customers expect.

Community and Environment

The Board takes all reasonable steps to minimise any detrimental impact the Company's operations may have on the environment. The Company has ISO 14001 accreditation and is implementing energy saving initiatives, including energy efficient vehicles, lighting and heating.

Post balance sheet event

The continuing outbreak of Coronavirus, a virus originating in China and spreading across the world, has affected economic conditions globally, disrupting operations and affecting supply chains to our business. Governments in affected countries are imposing travel bans, quarantines and other public safety measures. The impact of the outbreak on the company has diminished with the roll-out of the vaccinations and continuing Government measures. In the period January to August 2021, the company has continued to expand its sales presence by maintaining the sales force levels, expanding the branch network and continuing to grow its e-business sales. The company has seen 25.3% sales growth in the period January to August 2021 over the same period in 2020.

Details regarding the Company's response to the situation, in coordination with its parent company, is described in note 23 of the financial statements. Other than those disclosed in note 23, the directors of the Company are not aware of any significant events that would affect the results and net assets of the Company after the reporting date.

On behalf of the Board



29 September 2021

A Dagnall
Director

Directors' report

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

Directors

The directors who served the company during the year were as follows:

J Murphy
A Dagnall
I Jones

Results and dividends

The result for the year after taxation amounted to a loss of £2,602,000 (2019 – loss of £2,990,000). The directors do not recommend a final dividend.

Future developments

The company will continue to expand the channels available for the customer to do business with Würth UK and seek to capture a larger proportion of existing markets, as well as seek new profitable markets.

Financial Instruments

The company finances its activities with a combination of loans from the group, cash and short term overdrafts. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

Derivative instruments

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

Going concern

The Company's business activities, together with factors likely to affect its future development and position, are set out in the principal activity and review of the business and the principal risks and uncertainties that are set out in the Strategic Report.

As the Company is dependent on financial support from the Würth Group, it has received a written undertaking from the Group's funding company, Würth Finance International B.V, which states that the current credit facility of €33m will remain in place until the end of September 2022 unless the Company has sufficient funds to make such payments without adversely affecting the Company's ability to trade as a going concern. The Company's Directors have assessed the Company's financial position and have prepared cashflow forecasts which, even when stress tested involving downside scenarios, demonstrate that this credit facility provides sufficient headroom to enable the Company to continue as a going concern for the twelve months from the date of approval of these financial statements.

As the Company is reliant on the financial support from Würth Group, the Directors made enquiries of Würth Group management to ensure that the Group have prepared cashflow forecasts which demonstrate that the Group has the ability to provide such financial support to the Company.

Directors' report (continued)

Going concern (continued)

Based on the enquires made to the Group, the letter confirming the availability of the current credit facility to the end of September 2022, and the expected future cashflows of the Company, the Directors consider that this supports the preparation of the Company's financial statements on a going concern basis.

Director's liabilities

There has been no qualifying 3rd party indemnity provision in place for the benefit of any director during the year.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Statement as to Director engagement

Please refer to the section of the Strategic Report entitled 'Section 172 statement – Directors duty to promote success of the company' as to how the directors have engaged with suppliers, customers and others in a business relationship with the Company and how directors have engaged with employees and have regards to their interests.

Streamlined Energy & Carbon Reporting (SECR)

The energy consumption for reporting period for Würth UK Limited is 6,340,896 kWh for the financial year 1 January 2020 to 31 December 2020. The greenhouse gas emissions for Würth UK Limited are 1,418 tCO₂e for the financial year 1 January 2020 to 31 December 2020. These include the emissions associated with UK electricity and natural gas consumption, and business travel in company vehicles as required to be disclosed by legislation. An intensity ratio of 21.7 tonnes CO₂e per £m of revenue has been calculated to enable future year on year comparison against the normalised revenue.

Greenhouse Gas Emissions

Table 1: Greenhouse gas emissions by Fuel (tonnes CO₂e)

Emissions source	Tonnes CO ₂ e
Fuel combustion: Natural gas	267
Fuel combustion: Transport	1,006
Purchased electricity	146
Total emissions (tCO ₂ e)	1,418
Revenue (£m)	65.4
Intensity: (tCO ₂ e per £m)	21.7

Table 2: Greenhouse gas emissions by Scope and Company (tonnes CO₂e)

Emissions source	Tonnes CO ₂ e	% Share
Scope 1	1,273	90%
Scope 2	134	9%
Scope 3	12	1%
Total emissions (tCO ₂ e)	1,418	100%

Directors' report (continued)

Streamlined Energy & Carbon Reporting (SECR) (continued)

Scope 1: Natural gas and company-operated transport. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission and grey fleet [Split between company car and grey fleet has been applied using ESOS Phase II info to calculate scope 3 emissions]. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation

Energy Consumption

The energy consumption for reporting period for Würth UK Limited is 6,340,896 kWh for the financial year 1 January 2020 to 31 December 2020

Table 3: Energy consumption by Fuel & Company (kWh)

Category	Total
Transport fuel	4,314,399
Electricity	575,696
Natural gas for heating	1,450,801
Total	6,340,896

Boundary, Methodology and Exclusions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary.

This approach captures emissions associated with the operation of the building of Würth UK Limited and company-owned and grey fleet transport.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is 1 January 2020 to 31 December 2020, as per the financial statements.

Energy efficiency initiatives

In the period covered by the SECR Report, Würth UK Limited have undertaken a review of fleet cars with a view to moving towards hybrid & PHEV cars. The ESOS Phase II work completed at the end of 2019 has identified several opportunities related to energy reduction across transportation portfolio, including policy, training, and behaviour change.

Environment, health and safety

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities.

The company also recognises the importance and implications of the Health and Safety at Work Act 1974, the Environmental Protection Legislation and all new Health and Safety legislation, including that promulgated through EU Directives.

The company operates a series of Health and Safety risk management programmes to ensure compliance with the increasing complexities of Health and Safety legislation and to reduce the incidence of hazardous circumstances that might affect the health and safety of employees.

The company has accreditation for ISO 14001 and OHSAS 18001.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report (continued)

Re-appointment of auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board


A Dagnall
Director

29 September 2021

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Würth UK Limited

Opinion

We have audited the financial statements of Würth UK Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditor's report (continued)

to the members of Würth UK Limited

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 contained 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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report (continued)

to the members of Würth UK Limited

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including furlough scheme rules, health and safety and GDPR.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas.
- In addition to the above, based on this understanding we designed our audit procedures to identify any non-compliance with such laws and regulations. Our procedures involved: inquiries of management (and where applicable those charged with governance), review of board minutes; and obtaining written representations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We performed the following procedures to support our understanding: meeting with management to understand where they considered there was susceptibility to fraud; determining which account balances are subjective in nature; understanding the company's key performance indicators and considering the processes and controls which the company has established to prevent and detect fraud, and how these controls are monitored.
- Where the risk was considered higher, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. In addition, we incorporated data analytics into our testing of revenue and manual journals. We tested journals identified by specific risk criteria back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.

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

Independent auditor's report (continued)

to the members of Würth UK Limited

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.

Ernst & Young LLP

Claire Johnson (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 29/09/2021

Profit and loss account

for the year ended 31 December 2020

	<i>Notes</i>	2020 £000	2019 £000
Turnover	3	51,890	53,508
Cost of sales		<u>(25,259)</u>	<u>(24,850)</u>
Gross Profit		26,631	28,658
Selling and distribution costs		(24,692)	(26,557)
Administrative expenses		(4,237)	(4,700)
Other operating income	4	<u>21</u>	<u>23</u>
Operating Loss	5	(2,277)	(2,576)
Interest payable and similar charges	8	<u>(431)</u>	<u>(512)</u>
Loss before taxation		(2,708)	(3,088)
Tax on loss	9	106	98
Loss for the financial year		<u><u>(2,602)</u></u>	<u><u>(2,990)</u></u>

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2020

	2020 £000	2019 £000
Loss for financial year	(2,602)	(2,990)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive loss for the year	<u><u>(2,602)</u></u>	<u><u>(2,990)</u></u>

Statement of changes in equity

for the year ended 31 December 2020

	<i>Share capital</i> £000	<i>Share premium account</i> £000	<i>Profit and loss account</i> £000	<i>Total shareholders' funds</i> £000
At 1 January 2019	11,095	365	(11,355)	105
Loss for the year	–	–	(2,990)	(2,990)
Increase in share capital	<u>6,000</u>	–	–	<u>6,000</u>
At 1 January 2020	17,095	365	(14,345)	3,115
Loss for the year	–	–	(2,602)	(2,602)
At 31 December 2020	<u><u>17,095</u></u>	<u><u>365</u></u>	<u><u>(16,947)</u></u>	<u><u>513</u></u>

Balance sheet

at 31 December 2020

	<i>Notes</i>	<i>2020</i> £000	<i>2019</i> £000
Fixed assets			
Intangible assets	10	23	331
Tangible assets	11	7,173	7,306
Right of use assets	12	<u>4,806</u>	<u>3,942</u>
		12,002	11,579
Current assets			
Stocks	13	6,858	5,539
Debtors	14	10,535	10,097
Cash at bank and in hand		<u>54</u>	<u>70</u>
		17,447	15,706
Creditors: amounts falling due within one year	16	<u>(18,676)</u>	<u>(18,686)</u>
Net current (liabilities)		(1,229)	(2,980)
Creditors: amounts falling due after more than one year:	17	(9,460)	(4,802)
Provisions for liabilities	18	<u>(800)</u>	<u>(682)</u>
Net Assets		<u><u>513</u></u>	<u><u>3,115</u></u>
Capital and reserves			
Called up share capital	19	17,095	17,095
Share premium account		365	365
Profit and loss account		<u>(16,947)</u>	<u>(14,345)</u>
Shareholder's funds		<u><u>513</u></u>	<u><u>3,115</u></u>



29 September 2021

A Dagnall
Finance Director

1. Authorisation of financial statements and statement of compliance with FRS

Würth UK Limited ('the company') is a private company limited by share capital incorporated and domiciled in England and Wales.

These financial statements were prepared under the historical cost convention except financial instruments that have been measured at fair value.

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

The company's financial statements are individual entity financial statements.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the company are set out in note 2.

Going concern

The Company's business activities, together with factors likely to affect its future development and position, are set out in the principal activity and review of the business and the principal risks and uncertainties that are set out in the Strategic Report.

As the Company is dependent on financial support from the Würth Group, it has received a written undertaking from the Group's funding company, Würth Finance International B.V, which states that the current credit facility of €33m will remain in place until the end of September 2022 unless the Company has sufficient funds to make such payments without adversely affecting the Company's ability to trade as a going concern. The Company's Directors have assessed the Company's financial position and have prepared cashflow forecasts which, even when stress tested involving downside scenarios, demonstrate that this credit facility provides sufficient headroom to enable the Company to continue as a going concern for the twelve months from the date of approval of these financial statements.

As the Company is reliant on the financial support from Würth Group, the Directors made enquiries of Würth Group management to ensure that the Group have prepared cashflow forecasts which demonstrate that the Group has the ability to provide such financial support to the Company.

Based on the enquires made to the Group, the letter confirming the availability of the current credit facility to the end of September 2022, and the expected future cashflows of the Company, the Directors consider that this supports the preparation of the Company's financial statements on a going concern basis.

2. Accounting policies

2.1 Basis of preparation

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 Financial Instruments: Disclosures (e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- b) the requirement in paragraph 38 of IAS 1;
- c) 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

New standards, interpretations and amendments

The accounting policies adopted are consistent with those of the previous financial years except for the following amendments to FRS 101 effective as of 1 January 2020:

Amendments to IAS 1 and IAS 8: Definition of Material.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform.

Conceptual Framework for Financial Reporting.

The Directors believe that none of the new standards that have come into effect above have an impact on the financial statements of the Company.

Intangible fixed assets

All intangible fixed assets are initially recorded at cost.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Software – 5 years

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Tangible fixed assets

All tangible fixed assets are initially recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	25 years
Fixtures and fittings	–	3 to 10 years
Motor vehicles	–	2.5 years
Warehouse equipment	–	3 to 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Goods for resale – purchase cost on a weighted average cost basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow moving or defective items where appropriate.

Trade and other debtors

Trade debtors, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit and loss when there is evidence that the company will not be able to recover balances in full and by provision based on the ageing of the debt. Balances are written off when the probability of recovery is assessed as being remote.

Leases

Recognition

At inception of a contract, the Company assess whether the contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is recognised as a lease.

To assess the right to control, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset; and
- the Company has the right to direct the use of the asset.

Initial measurement

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be easily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term and with a similar security, the fund necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The incremental borrowing rate is derived from country specific risk-free interest rates over the relevant lease term, adjusted for the credit rating of the ultimate parent company, namely Adolf Würth GmbH & Co. KG. The weighted average incremental borrowing rate during 2020 applied is 1.53%

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Leases (continued)

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

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain to terminate early.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the underlying asset is located.

Variable lease payments linked to future performance or use of an underlying asset are excluded from the measurement of the lease liability and the right of use of asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating expenses in the statement of comprehensive income.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments.

The Company remeasures the lease liability where lease payments change due to changes in an index or rate, changes in the expected lease term or where a lease contract is modified. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Right of use assets are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. IAS 36 *Impairment of Assets* is applied to determine whether a right of use asset is impaired and any identified impairments are accounted for through profit and loss. The right of use asset is periodically reduced by impairment losses, if any, an adjusted for certain remeasurements of the lease liability.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Deferred taxation

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

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Derivative instruments

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

Exceptional items

The company presents as exceptional items those material items of income and expense that, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of the elements of financial performance in the year, to facilitate comparison with prior periods and to assess better trends in financial performance.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as an expense on a systematic basis over the periods of the related costs and for which it is intended to compensate.

During the period, the Company received government grants of £1,096,000 under the Coronavirus Job Retention Scheme as well as using the VAT deferral scheme.

2. Accounting policies (continued)

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The primary areas where management make estimates relates to the write down of inventory (see note 13), impairment of trade debtors (see note 14), and provisions for credit notes (see note 18).

The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

2.3 Revenue recognition

(a) *Sale of goods*

The Company considers the time of revenue recognition to be the time at which control of goods passes to the customer. In general, this is the time at which the goods are delivered. The usual payment period is 30 to 90 days from delivery.

(b) *Variable consideration*

If contractual consideration contains a variable component, the Company determines the amount of the consideration to which it is entitled in exchange for the transfer of goods to the customer. The variable consideration is estimated at the inception of the contract and may only be included in the transaction price if it is highly probable that there will be no significant reversal of the recognised cumulative revenue or if the uncertainty surrounding the variable consideration no longer exists. Contracts with customers partly grant customers a right of return, trade discounts or volume discounts. The Company recognises revenue from the sale of goods at the fair value of the consideration received less any discounts that may be applied.

(c) *Right of return*

If a contract with a customer provides for a right of return of goods within a certain period, the Company recognises the right of return using a probability-weighted average income value that corresponds to the expected value method outlined in IFRS 15.

(d) *Volume discounts*

The Company retrospectively grants certain customers volume discounts as soon as a level of turnover during the period exceeds a contractually agreed level. In accordance with IFRS 15, retroactive volume discounts are recognised as variable consideration. The Company recognises revenue from the sale of goods at the fair value of the consideration received less any discounts that may be applied.

(e) *Warranty obligations*

In accordance with IFRS 15, extended warranties are treated in the same way of service type warranties, meaning that they are to be recognised as a separate performance obligation to which part of the transaction price must be allocated. The Company generally provides warranties for general repairs, but does not grant any extended warranties in its contracts with customers.

(f) *Significant financing arrangements*

The Company's contract with customers does not generally contain significant financing arrangements.

2. Accounting policies (continued)

2.3 Revenue recognition (continued)

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of any variable considerations, rights of return, volume discounts, warranty obligations, VAT and other sales related taxes. Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. This is usually at the point that goods are delivered to the customer. Revenue is measured at the fair value of the consideration received, excluding any variable considerations, rights of return, volume discounts, warranty obligations, VAT and other sales tax or duty.

The company's turnover and pre-tax result were wholly attributable to the company's principal continuing activity in the United Kingdom.

3. Turnover

	2020	2019
	£000	£000
Sales of goods	<u>51,890</u>	<u>53,508</u>

Turnover was wholly derived from the principal activities of the company, which are the sale of fastenings, chemicals and accessories mainly to the motor trade, wood, construction and metal industries.

4. Other operating income

	2020	2019
	£000	£000
Other operating income	<u>21</u>	<u>23</u>

Other operating income is the remuneration received as an agent. From 1 April 2017, Würth UK entered into an agreement to act as an agent for a group company for the sale of certain specialist products.

5. Operating loss

This is stated after charging:

	2020	2019
	£000	£000
Cost of stocks recognised as an expense (included in cost of sales)		
Including: – movement on write-down of stocks to net realisable value	176	15
– (reversal) / addition of impairments in stocks	428	2
Depreciation of owned fixed assets	1,155	1,181
Depreciation of right-of-use assets	1,505	952
Amortisation of intangible assets *	319	315
(Losses)/Gains from cash flow hedges	<u>92</u>	<u>(257)</u>

*Amortisation of intangible assets is included in administrative costs.

6. Auditor's remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the company.

	2020	2019
	£000	£000
Auditor's remuneration – audit services	36	39
– tax compliance services	<u>5</u>	<u>7</u>

7. Staff costs and directors' remuneration

a) Staff Costs

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	13,817	14,655
Social security costs	1,707	1,957
Other pension costs (note 20)	359	353
	<u>15,883</u>	<u>16,965</u>

The average monthly number of employees during the year was made up as follows:

	<i>2020</i>	<i>2019</i>
	<i>No.</i>	<i>No.</i>
Administration	35	35
Selling and distribution	480	469
	<u>515</u>	<u>504</u>

b) Directors' remuneration

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Remuneration	254	267
Contribution to defined contribution pension scheme	17	19
	<u>3</u>	<u>3</u>

The amounts in respect of highest paid director are as follows:

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Remuneration	103	109
Contribution to defined contribution pension scheme	10	12
	<u>10</u>	<u>12</u>

8. Interest payable and similar charges

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Interest payable to group undertakings	358	448
Interest on lease liabilities	73	64
	<u>431</u>	<u>512</u>

9. Tax

(a) Tax on loss

The tax credit is made up as follows:

	2020 £000	2019 £000
Current tax:		
Group relief receivable	(89)	(99)
Adjustment in respect of prior years	(17)	1
Total current tax (note 9 (b))	<u>(106)</u>	<u>(98)</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.0% (2019 – 19.0%). The differences are explained below:

	2020 £000	2019 £000
Loss before tax	<u>(2,708)</u>	<u>(3,088)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2019 – 19.0%)	(515)	(587)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	153	139
Depreciation in (arrears)/excess of capital allowances	(218)	(288)
Other temporary differences	48	(21)
Utilisation of brought forward tax losses	422	598
Expenditure qualifying for allowances in different periods	21	60
Adjustment in respect of prior years	(17)	1
Current tax for the year (note 9 (a))	<u>(106)</u>	<u>(98)</u>

(c) Deferred tax

	<i>Provided</i>	<i>Not provided</i>	<i>Provided</i>	<i>Not provided</i>
	2020	2020	2019	2019
	£000	£000	£000	£000
Deductible temporary differences	–	(177)	–	(116)
Unrecognised tax losses	–	(4,117)	–	(3,317)
Fixed asset temporary differences	–	(386)	–	(565)
Other	–	–	–	–
	<u>–</u>	<u>(4,680)</u>	<u>–</u>	<u>(3,998)</u>

The company has unrecognised deferred tax assets arising in the UK that are available for offset against future taxable profits. The deferred tax assets have not been recognised as they may not be used to offset taxable profits elsewhere in the group, and there are uncertainties surrounding the availability of future taxable profits against which the deferred tax assets can be recognised.

9. Tax (continued)

Please note the Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19%, which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

10. Intangible fixed assets

	<i>Software</i> £000
Cost:	
At 1 January 2020	1,917
Additions	11
At 31 December 2020	<u>1,928</u>
Amortisation:	
At 1 January 2020	1,586
Provided for the year	319
At 31 December 2020	<u>1,905</u>
Net book value:	
At 31 December 2020	<u>23</u>
At 1 January 2020	<u>331</u>

11. Tangible fixed assets

	<i>Freehold land and buildings</i> £000	<i>Fixtures and fittings</i> £000	<i>Motor vehicles</i> £000	<i>Warehouse equipment</i> £000	<i>Total</i> £000
Cost:					
At 1 January 2020	11,636	9,399	17	4,503	25,555
Additions	14	652	–	356	1,022
Disposals	–	(58)	–	(19)	(77)
At 31 December 2020	<u>11,650</u>	<u>9,993</u>	<u>17</u>	<u>4,840</u>	<u>26,500</u>
Depreciation:					
At 1 January 2020	6,674	8,215	17	3,343	18,249
Provided for the year	310	621	–	224	1,155
Disposals	–	(58)	–	(19)	(77)
At 31 December 2020	<u>6,984</u>	<u>8,778</u>	<u>17</u>	<u>3,548</u>	<u>19,327</u>
Net book value:					
At 31 December 2020	<u>4,666</u>	<u>1,215</u>	<u>–</u>	<u>1,292</u>	<u>7,173</u>
At 1 January 2020	<u>4,962</u>	<u>1,184</u>	<u>–</u>	<u>1,160</u>	<u>7,306</u>

Included above is £2,044,000 (2019 – £2,044,000) of freehold land that has not been depreciated.

Assets under construction

Included in freehold land and buildings for the company at 31 December 2020 was an amount of £131,935 (2019: £131,935) relating to expenditure for a building.

12. Right-of-use assets

	<i>Land and buildings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2020	2,306	2,588	4,894
Additions	943	1,435	2,378
Disposals	–	(555)	(555)
At 31 December 2020	<u>3,249</u>	<u>3,468</u>	<u>6,717</u>
Depreciation:			
At 1 January 2020	261	691	952
Provided for the year	295	1,219	1,514
Disposals	–	(555)	(555)
At 31 December 2020	<u>556</u>	<u>1,355</u>	<u>1,911</u>
Net book value:			
At 31 December 2020	<u>2,693</u>	<u>2,113</u>	<u>4,806</u>
At 1 January 2020	<u>2,045</u>	<u>1,897</u>	<u>3,942</u>

13. Stocks

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Goods for resale	<u>6,858</u>	<u>5,539</u>

The directors are of the opinion that the replacement cost of stocks is not materially different from the balance sheet value.

14. Debtors

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	9,667	9,078
Amounts owed by group undertakings	165	227
Prepayments	703	792
	<u>10,535</u>	<u>10,097</u>

15. Leases

Amounts recognised in the Balance Sheet and Statement of Comprehensive Income

	<i>Right of Use Assets</i>	<i>Lease Liabilities</i>
	£,000	£,000
As at 1 January 2020	3,942	(3,275)
Additions	2,378	(2,378)
Disposals	–	–
Depreciation expense	(1,514)	–
Interest expense	–	(73)
Payments	–	1,563
As at 31 December 2020	4,806	(4,863)
	2020	2019
	£,000	£,000
Statement of Comprehensive Income		
Depreciation expense (included in Selling and distribution costs)	(1,478)	(915)
Depreciation expense (included in Administrative expenses)	(36)	(37)
Operating loss	(1,514)	(952)
Finance costs	(73)	(64)
Loss before tax	(1,587)	(1,016)

16. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	2,238	1,422
Trade creditors amounts owed to group undertakings	1,720	1,210
Bank overdraft owed to group undertakings	4,603	4,423
Loans owed to group undertakings	3,500	7,000
Other taxes and social security costs	726	807
Other creditors	2,891	1,141
Forward currency derivatives contracts	124	216
Accruals	1,471	1,294
Right of Use Lease Liabilities, which expire not more than one year	1,403	1,173
	<u>18,676</u>	<u>18,686</u>

The loans owed to group undertakings are unsecured interest bearing and repayable on demand: £3,000,000 at an interest rate of 1.15% repayable 31 December 2020 and £500,000 at an interest rate of 2.23% repayable 31 April 2021.

At the balance sheet date the company had commitments under foreign exchange contracts on which the total sterling equivalent outstanding amounted to £6,397,714 (2019 – £6,829,049). The fair value of these contracts is, at the balance sheet date, £6,274,072 (2019 – £6,613,537).

17. Creditors: amounts falling after more than one year

	2020 £000	2019 £000
Loans owed to group undertakings	6,000	2,000
Right of Use Lease Liabilities, which expire after one year but not more than five years	2,429	1,967
Right of Use Lease Liabilities, which expire after five years	1,031	835
	<u>9,460</u>	<u>4,802</u>

The loans owed to group undertakings are unsecured interest bearing and repayable on demand: £2,000,000 at an interest rate of 3.20% repayable 31 December 2022; £2,000,000 at an interest rate of 2.25% repayable 31 December 2023; and £2,000,000 at an interest rate of 2.35% repayable 31 December 2024.

18. Provisions

	<i>Returns</i> £000	<i>Rebates</i> £000	<i>Dilapidations</i> £000	<i>Total</i> £000
At 1 January 2020	287	332	63	682
Utilised	–	(299)	–	(299)
Reversal of unused amounts	(11)	(16)	–	(27)
Allocation	–	414	30	444
At 31 December 2020	<u>276</u>	<u>431</u>	<u>93</u>	<u>800</u>

Returns

A provision is recognised for expected returns and credits for products sold during the year based on past experience. It is expected that these costs will be incurred within the next financial year. The provision is calculated using historic level of credits compared to sales.

Rebates

A provision is made for customer rebates. These are set out in individual agreements and are payable within the next financial year.

Dilapidations

A provision is made for potential future dilapidation cost of leased assets, which are leased properties. The requirement for dilapidations is set out in individual contacts. The provision is calculated using estimates and previous experience for events likely to occur as at the balance sheet date. The amounts are payable at the point of the cessation of the leases, which may occur during the next five to ten years dependent on whether the leases are extended or break clauses exercised.

19. Authorised, issued and called up share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2020</i>	<i>No.</i>	<i>2019</i>
		£000		£000
Ordinary shares of £1 each	17,095,000	<u>17,095</u>	17,095,000	<u>17,095</u>

Ordinary shares confer equal voting rights and equal rights to any dividend or repayment of capital.

20. Pensions

The company operates one defined contribution pension scheme that is currently open to new members and five old schemes in to which payments are still made. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions paid into the scheme amounted to £359,000 (2019 – £353,000). The unpaid contributions outstanding at the year-end, included in 'Accruals' (note 16), are £68,144 (2019 – £71,900).

21. Related party transactions

The company has taken advantage of the exemption available under the requirements of paragraph 17 of IAS 24 Related Party Disclosures not to disclose transactions with entities that are members of the Adolf Würth GmbH & Co. KG group by virtue of its status as a 100% owned subsidiary of a parent whose financial statements are group and made publicly available, with one exception:-

In the ordinary course of business the company traded on standard commercial terms with Wabcowürth Workshop Services GmbH, which is 50% owned by Adolf Würth GmbH & Co. KG. From 1 April 2017, Würth UK entered into an agreement to act as an agent for Wabcowürth Workshop Services GmbH for the sale of certain specialist products. The total value included in the trading balance outstanding at the year-end was £2,835 (2019 – £35,191).

22. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Würth Holding UK Limited and is controlled by Adolf Würth GmbH & Co. KG.

The ultimate parent undertaking and controlling party is Adolf Würth GmbH & Co. KG, incorporated in Germany. The largest and smallest group in which the results of the company are group is that headed by Adolf Würth GmbH & Co. KG.

The financial statements can be obtained from Adolf Würth GmbH & Co. KG, Reinhold Würth Straße, 74650 Künzelsau, Germany.

23. Post balance sheet events – Covid-19 crisis

The Covid-19 pandemic in 2020 and 2021 has triggered an unprecedented impact on the economic activity in the markets where the Company operates. The Company has reacted promptly and taken the following actions and measures since the start of the Covid-19 pandemic:

- Safe working environment for all employees both in the normal workplace and facilitating working from home where possible;
- Safe working environment for all contact with customers and suppliers;
- Covid-19 Task Force continually reviewing the safety protocols;
- Weekly communication updates with all staff by email;
- Continuous support to customers, including additional telesales and e-business support;
- Ensured that the warehouse remained fully operational throughout the pandemic;
- Protection of its financial and liquidity position through a focus on cash management and cost reduction with the benefit of support from the parent group.

The financial performance of the Company in 2021 has shown a positive development compared to the same period in the previous year. In the period January to August 2021, the company has continued to expand its sales presence by maintaining the sales force levels, expanding the branch network and continuing to grow its e-business sales. The company has seen 25.3% sales growth in the period January to August 2021 and 8.6% improvement in the operating performance over the same period in 2020.

The Company together with its parent company has demonstrated the ability to react promptly while maintaining a firm grip on its financial position. Accordingly, the directors are evaluating all possible actions to reduce costs and protect its financial position and liquidity.