Würth UK Limited

Report and Financial Statements

31 December 2019

Directors
J Murphy
A Dagnall
I Jones

Secretary
A Dagnall

Auditor
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London SE1 2AF

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Strategic report

The directors present their strategic report for the year ended 31 December 2019.

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 10 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 Wurth 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:

	2019	2018	Change %
	£,000	£,000	
Turnover	53,508	52,444	+2.0%
Operating loss	(2,576)	(4,599)	+44.0%
Loss for the financial year	(2,990)	(4,932)	+39.4%
Gross profit margin %	53.6%	50.1%	
Average number of employees	504	504	0.0%
Debtor days	65.3	64.7	
Stock turns	3.8	5.5	
Service degree	99.2%	99.5%	

Turnover grew by 2.0% during the year, mainly due to growth in the Metal, Wood and Construction divisions.

The operating result improved to a £2,576,000 loss in the year from a £4,599,000 loss in 2018, mainly due to the effect of the higher sales, better gross profit margins, and lower sales and distribution costs; partly offset by higher administrative costs and derivatives movements.

The result after tax improved to a loss of £2,990,000 in the year compared to a loss of £4,932,000 in 2018.

Gross profit margin improved to 53.6% from 50.1% in 2018.

The average number of employees remained unchanged in the year.

Debtor days deteriorated slightly to 65.3 from 64.7 in 2018.

Stock management deteriorated to 3.8 during the year from 5.5 in 2018 mainly due to building up stocks in preparation for a chaotic Brexit.

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 2019 the number of orders that were successfully despatched for next day delivery deteriorated slightly to 99.2% (2018 – 99.5%).

On 24 July 2019, the company received and allocated £6,000,000 of additional share capital from Wurth Holding UK Limited, following the approval of the central managing board of the ultimate parent company.

Strategic report (continued)

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, uncertainty persists around negotiations on future trading arrangements with the European Community that are due to come in force on 1st January 2021. The directors 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 seek further share capital and on 24 July 2019, the company received and allocated £6,000,000 of additional share capital from Wurth Holding UK Limited, following the approval of the central managing board of the ultimate parent company.

Key Stakeholders

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

Employees

During 2019, the directors engaged with the employees through a national conference, 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 also conducts bi-annual employee surveys. Once a year the Company has a week in which as many as possible of the internal employees are encouraged to spend the day with the field based sales staff.

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

Strategic report (continued)

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

Customers

The Company carried out a Customer Satisfaction survey in 2019 and has worked on its findings to improve customer satisfaction. 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 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. Those measure, even if temporary, may continue and increase depending on developments in the virus' outbreak. The ultimate severity of the outbreak is uncertain at this time and therefore the Company cannot reasonably estimate the impact it may have on our end markets and operations.

Details regarding the Company's response to the situation, in coordination with its parent company, is described in note 24 of the financial statements. Other than those disclosed in note 24, 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

A Dagnall
Director
23 FEBRUARY 2021

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

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 £2,990,000 (2018 – loss of £4,932,000). 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 Wurth Group, it has received a written undertaking from the Group's funding company, Wurth Finance International B.V, which states that the current credit facility of €29m will remain in place until the end of February 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 Wurth Group, the Directors made enquiries of Wurth 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 February 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.

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.

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

23 FEBRUARY 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 Wurth UK Limited for the year ended 31 December 2019, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 24, 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".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 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 below. 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.

Emphasis of Matter - Disclosures in relation to the impact of COVID-19

We draw attention to note 24 of the financial statements, which describes the financial and operational consequences the company is facing as a result of COVID-19 which is impacting the customer demand, profitability and personnel available for work and/or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

Independent auditor's report (continued)

to the members of Würth UK Limited

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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: 24 February 2021

Profit and loss account

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	3	53,508	52,444
Cost of sales		(24,850)	(26,147)
Gross Profit		28,658	26,297
Selling and distribution costs		(26,557)	(27,014)
Administrative expenses		(4,700)	(3,981)
Other operating income	4	23	99
Operating Loss	5	(2,576)	(4,599)
Interest payable and similar charges	8	(512)	(370)
Loss before taxation		(3,088)	(4,969)
Tax on loss	9	98	37
Loss for the financial year		(2,990)	(4,932)

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2019

	2019 £000	2018 £000
Loss for financial year	(2,990)	(4,932)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive loss for the year	(2,990)	(4,932)

Statement of changes in equity

for the year ended 31 December 2019

	Share capital £000	Share premium account £000	Profit and loss account £000	Total share-holders' funds £000
At 1 January 2018	10,095	365	(6,423)	4,037
Loss for the year	–	–	(4,932)	(4,932)
Increase in share capital	1,000	–	–	1,000
At 1 January 2019	11,095	365	(11,355)	105
Loss for the year	–	–	(2,990)	(2,990)
Increase in share capital	6,000	–	–	6,000
At 31 December 2019	17,095	365	(14,345)	3,115

Balance sheet

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	10	331	634
Tangible assets	11	7,306	6,981
Right of use assets	12	3,942	–
		11,579	7,615
Current assets			
Stocks	13	5,539	5,520
Debtors	14	10,097	9,499
Derivative financial instruments	15	–	42
Cash at bank and in hand		70	49
		15,706	15,110
Creditors: amounts falling due within one year	16	(18,686)	(15,845)
Net current (liabilities)		(2,980)	(735)
Creditors: amounts falling due after more than one year:	17	(4,802)	(6,000)
Provisions for liabilities	18	(682)	(775)
Net Assets		3,115	105
Capital and reserves			
Called up share capital	19	17,095	11,095
Share premium account		365	365
Profit and loss account		(14,345)	(11,355)
Shareholder's funds		3,115	105

A Dagnall

Finance Director

23 FEBRUARY 2021

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 Wurth Group, it has received a written undertaking from the Group's funding company, Wurth Finance International B.V, which states that the current credit facility of €29m will remain in place until the end of February 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 Wurth Group, the Directors made enquiries of Wurth 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 February 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.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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 2019:

IFRS 16: Leases

IFRS 16 became effective for the annual periods beginning on or after 1 January 2019. The Company adopted IFRS on is effective date of 1 January 2019.

IFRS 16 replaces IAS 17 Leases and introduces an on-balance sheet accounting model for leases. As a result, the Company, as a lessee, has recognised right of use assets, representing its right to use certain underlying assets and lease liabilities, representing its obligations to make lease payments, in the statement of financial position.

Lessor accounting remains similar to the accounting model under IAS 17.

The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, comparable information for the year ended 31 December 2018 has not been restated.

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 as of 1 January 2019 applied is 1.76%

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.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

New standards, interpretations and amendments (continued)

IFRS 16: Leases (continued)

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 elected to use the transition practical expedient provided in 16.C3 to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company made use of the following practical expedients pursuit of 16.C10.

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (assets below £5000);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics, for example leases involving similar assets, with similar residual terms and in similar economic environment; and
- The use of hindsight in determining the lease term if the contract contains options to extend or terminate lease.

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities. As no material difference was noted in right-of-use assets and additional lease liabilities recognised, no adjustment was made to the retained earnings. The impact on transition (increase/(decrease)) is summarised below.

	£,000
Right of use assets	3,294
Total Assets	3,294
Lease Liabilities	(3,294)
Total Liabilities	(3,294)
Equity	–

Amounts recognised in the Balance Sheet and Statement of Comprehensive Income

	Right of Use Assets	*Lease Liabilities*
	£,000	£,000
As at 1 January 2019	3,294	(3,294)
Additions	1,618	(1,618)
Disposals	(18)	18
Depreciation expense	(952)	–
Interest expense	–	(64)
Payments	–	983
As at 31 December 2019	**3,942**	**(3,975)**

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

New standards, interpretations and amendments (continued)

IFRS 16: Leases (continued)

	2019
	£,000
Statement of Comprehensive Income	
Depreciation expense (included in Selling and distribution costs)	(915)
Depreciation expense (included in Administrative expenses)	(37)
Operating loss	**(952)**
Finance costs	(64)
Loss before tax	**(1,016)**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	£,000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	**2,807**
Less short-term leases recognised as an expense on a straight-line basis	592
Less leases of low-value assets recognized as an expense on a straight-line basis	215
Plus operating lease commitments not recognised as of 31 December 2018*	1,550
Lease liabilities as at 1 January 2019 (gross amount without discounting)	**3,550**
Lease liabilities as at 1 January 2019 (discounted at incremental borrowing rate)	**3,294**

*The operating lease commitments at 31 December 2018 as disclosed under IAS 17 represents non-cancellable lease commitments (i.e. periods up to break-out clauses). Following further review as part of transition to IFRS 16, lease liabilities as of 1 January 2019 have been computed up to the end of the lease agreements as the Company is reasonably certain they will not exercise available options to terminate the agreements in place. This line represents the difference between the two approaches.

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)

New standards, interpretations and amendments (continued)

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.

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.

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.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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.

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. Accounting policies (continued)

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 contact 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.

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

	2019	*2018*
	£000	*£000*
Sales of goods	53,508	52,444

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

	2019	*2018*
	£000	*£000*
Other operating income	23	99

Other operating income is the remuneration received as an agent. From 1 April 2017, Wurth 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:

	2019	*2018*
	£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	15	8
– (reversal) / addition of impairments in stocks	2	(246)
Depreciation of owned fixed assets	1,496	1,422
Depreciation of right-of-use assets	952	–
(Losses)/Gains from cash flow hedges	(257)	79
Operating lease rentals – land and buildings	–	264
– other	–	1,480

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.

		2019	*2018*
		£000	*£000*
Auditor's remuneration –	audit services	39	34
–	tax compliance services	7	6

7. Staff costs and directors' remuneration

a) Staff Costs

	2019 £000	2018 £000
Wages and salaries	14,655	15,054
Social security costs	1,957	1,876
Other pension costs (note 21)	353	273
	16,965	17,203

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

	2019 No.	2018 No.
Administration	35	36
Selling and distribution	469	468
	504	504

b) Directors' remuneration

	2019 £000	2018 £000
Remuneration	267	222
Contribution to defined contribution pension scheme	19	8
Number of directors accruing benefits under defined contribution pension schemes	3	3

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

	2019 £000	2018 £000
Remuneration	109	113
Contribution to defined contribution pension scheme	12	4

8. Interest payable and similar charges

	2019 £000	2018 £000
Interest payable to group undertakings	448	370
Interest on lease liabilities	64	–
	512	370

9. Tax

(a) Tax on loss

The tax credit is made up as follows:

	2019	*2018*
	£000	*£000*
Current tax:		
Group relief receivable	(99)	(124)
Adjustment in respect of prior years	1	87
Total current tax (note 9 (b))	(98)	(37)

(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% (2018 – 19.0%). The differences are explained below:

	2019	*2018*
	£000	*£000*
Loss before tax	(3,088)	(4,969)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2018 – 19.0%)	(587)	(944)
Effects of:		
Expenses not deductible for tax purposes	139	204
Depreciation in (arrears)/excess of capital allowances	(288)	(249)
Other temporary differences	(21)	(7)
Utilisation of brought forward tax losses	598	872
Expenditure qualifying for allowances in different periods	60	–
Current tax for the year (note 9 (a))	(99)	(124)

(c) Deferred tax

	Provided	*Not provided*	*Provided*	*Not provided*
	2019	*2019*	*2018*	*2018*
	£000	*£000*	*£000*	*£000*
Deductible temporary differences	–	(116)	–	(124)
Unrecognised tax losses	–	(3,317)	–	(2,770)
Fixed asset temporary differences	–	(565)	–	(701)
Other	–	–	–	(3)
	–	(3,998)	–	(3,598)

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.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liability as at 31 December 2019 has been calculated upon the substantively enacted rate of 17% (2018: 17%). An increase in the UK corporation tax rate from 17% to 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020. This rate increase will have a consequential effect on the company's future tax charge.

10. Intangible fixed assets

	Software £000
Cost:	
At 1 January 2019	1,904
Additions	13
At 31 December 2019	1,917
Amortisation:	
At 1 January 2019	1,270
Provided for the year	316
At 31 December 2019	1,586
Net book value:	
At 31 December 2019	331
At 1 January 2019	634

11. Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Warehouse equipment £000	Total £000
Cost:					
At 1 January 2019	11,570	8,535	17	3,928	24,050
Additions	66	864	–	575	1,505
Disposals	–	–	–	–	–
At 31 December 2019	11,636	9,399	17	4,503	25,555
Depreciation:					
At 1 January 2019	6,322	7,653	17	3,077	17,069
Provided for the year	352	562	–	266	1,180
Disposals	–	–	–	–	–
At 31 December 2019	6,674	8,215	17	3,343	18,249
Net book value:					
At 31 December 2019	4,962	1,184	–	1,160	7,306
At 1 January 2019	5,248	882	–	851	6,981

Included above is £2,044,000 (2018 – £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 2019 was an amount of £131,935 (2018: £193,478) relating to expenditure for a building.

Included in fixtures and fittings for the company at 31 December 2018 was an amount of £72,182 relating to expenditure for a new IT network in the course of construction that has been completed during 2019. Included in warehouse equipment for the company at 31 December 2018 was an amount of £195,157 relating to expenditure for a new warehouse conveyor in the course of construction that has been completed during 2019.

12. Right-of-use assets

	Land and buildings £000	*Motor vehicles £000*	*Total £000*
Cost:			
At 1 January 2019	–	–	–
Additions	2,306	2,588	4,894
Disposals	–	–	–
At 31 December 2019	2,306	2,588	4,894
Depreciation:			
At 1 January 2019	–	–	–
Provided for the year	261	691	952
Disposals	–	–	–
At 31 December 2019	261	691	952
Net book value:			
At 31 December 2019	2,045	1,897	3,942
At 1 January 2019	–	–	–

13. Stocks

	2019 £000	*2018 £000*
Goods for resale	5,539	5,520

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

14. Debtors

	2019 £000	2018 £000
Trade debtors	9,078	8,728
Amounts owed by group undertakings	227	134
Prepayments	792	637
	10,097	9,499

15. Derivative financial instruments

	2019 £000	*2018 £000*
Forward currency derivatives contracts	–	42
	–	42

As at the 31 December 2019 the value of forward currency derivatives contracts are reported as a liability in note 16.

16. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	1,422	1,744
Trade creditors amounts owed to group undertakings	1,210	1,559
Bank overdraft owed to group undertakings	4,423	8,737
Loans owed to group undertakings	7,000	1,000
Other taxes and social security costs	807	697
Other creditors	1,141	918
Forward currency derivatives contracts	216	–
Accruals	1,294	1,190
Right of Use Lease Liabilities, which expire not more than one year	1,173	–
	18,686	15,845

The amounts owed to group undertakings are interest bearing and bear interest at rates of 1.99% and 3.00%.

At the balance sheet date the company had commitments under foreign exchange contracts on which the total sterling equivalent outstanding amounted to £6,829,049 (2018 – £4,234,617). The fair value of these contracts is, at the balance sheet date, £6,613,537 (2018 – £4,276,492).

17. Creditors: amounts falling after more than one year

	2019	2018
	£000	£000
Loans owed to group undertakings	2,000	6,000
Right of Use Lease Liabilities, which after one year but not more than five years	1,967	–
Right of Use Lease Liabilities, which expire after five years	835	–
	4,802	6,000

The amounts owed to group undertakings are interest bearing and bear interest at a rate of 3.2%.

18. Provisions

	Returns	*Rebates*	*Dilapidations*	*Other*	*Total*
	£000	£000	£000	£000	£000
At 1 January 2019	287	250	63	175	775
Utilised	–	(181)	–	–	(181)
Reversal of unused amounts	–	(26)	–	(175)	(201)
Allocation	–	289	–	–	289
At 31 December 2019	287	332	63	–	682

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 contracts. 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.

Other

The Company made a provision at 31 December 2018 for a prior year review of potential dues on certain products. The provision was calculated using estimates based on the latest status of the reviews. As at 31 December 2019 the provision has been reviewed based on current estimates and is no longer required.

19. Authorised, issued and called up share capital

		2019		*2018*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	17,095,000	17,095	11,095,000	11,095

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

On 24 July 2019, the company received and allocated £6,000,000 of additional share capital from Wurth Holding UK Limited, following the approval of the central managing board of the ultimate parent company.

20. Other financial commitments

At 31 December 2019 the company had commitments under non-cancellable operating leases with future minimum amounts payable as set out below:

	2019	*2018*
	£000	*£000*
Operating leases which expire:		
Not later than one year	–	1,466
After one year but not more than five years	–	1,266
After five years	–	75
	–	2,807

21. 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 £353,000 (2018 – £273,000). The unpaid contributions outstanding at the year-end, included in 'Accruals' (note 16), are £71,900 (2018 – £47,518).

22. 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, Wurth 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 £35,191 (2018 – £33,630).

23. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Wurth 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.

24. Post balance sheet events – Covid-19 crisis

The Covid-19 pandemic outbreak 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:

- 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 all year;
- 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 for the financial year ending 31 December 2020 did not reach planned levels, with sales for the financial year 3% below 2019 levels. During the months of April, May and June, when the country was in lockdown, the company experienced a drop in sales and consequently some employees were furloughed during that period. Subsequently sales improved, as customers fully re-opened, and the company brought back all its employees from furlough. The company experienced higher than pre-lockdown sales in the second half of the year. In addition, to preserve working capital, the company has deferred the payment of certain taxes in agreement with HMRC. The impact on the operating performance for the financial year ending 31 December 2020 is not expected to be materially different from 2019.

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.