Registered No. 02691137

HCL Safety Limited

Annual Report and Financial Statements

For the year ended

31 December 2021

Company Information

Directors

J M Daugherty
R W Roda

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers

HSBC Bank plc
Level 4
3 Temple Quay
Bristol BS1 6ER

Registered Office

HCL Safety Limited
c/o Latchways plc
Hopton Park
Devizes
Wiltshire SN10 2JP

Registered No. 02691137

Strategic report

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

Principal activity and review of the business

The principal activity of the company is the installation and maintenance of fall protection systems and other equipment.

The results for the year are set out in the Statement of Comprehensive Income. These financial statements have been prepared under Financial Reporting Standard 101 "Reduced Disclosure Framework". For further information, please refer to note 2 to the financial statements.

The directors expect to generate future business growth through continuing to invest in the existing activities of the company.

The Covid-19 pandemic had no significant impact on the business so far. The directors, however, monitor closely the current situation. Brexit will not affect company performance drastically as the major activities are performed within the UK but once again, it is closely monitored.

Key performance indicators ("KPIs")

The company uses KPIs to monitor its performance against a range of criteria. KPIs in relation to sales, gross and operating margins are used by management to monitor progress. The revenue remained in line with 2020 (1% movement), gross margin increased from 28% to 33%. The increase in margin is due to cost-savings initiative of the company through streamline for services and personnel.

Principal risks and uncertainties

The directors of the parent undertaking, Latchways plc, manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of HCL Safety Limited's business. The principal risks and uncertainties, including current COVID-19 pandemic impact, of Latchways plc, which include those of HCL Safety Limited, are discussed in the Strategic Report of the Latchways plc Report and Financial Statements, which do not form part of this report.

Financial risk management

The directors of the parent undertaking, Latchways plc, manage financial risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the company's financial risks would not be appropriate for an understanding of the development, performance or position of HCL Safety Limited's business. The financial risks of Latchways plc, which include those of HCL Safety Limited, are discussed in the Strategic Report of the Latchways plc Report and Financial Statements, which do not form part of this report.

By order of the board

James M. Daugherty

J M Daugherty
Director

Date 21/12/2022

Registered No. 02691137

Directors' report

The directors present their report and financial statements for the year ended 31 December 2021. These financial statements have been prepared under Financial Reporting Standard 101 "Reduced Disclosure Framework".

Dividends and transfers to reserves

No dividends were paid during the year (2020 – £Nil). The directors do not recommend any dividend payments for the year ended 31 December 2021.

Going concern

The directors and MSA Safety Incorporated have reviewed projected expenditures against cash held and the expected cash inflow from forecast sales at the date of signing the financial statements. After applying realistic sensitivities, which are reflective of uncertainties in the market, projections indicate that the Company may require additional funding within 12 months from the date of signing the financial statements. The additional funding has been reviewed and approved by the directors and MSA Safety Incorporated.

An impact of COVID-19 in 2021 was in two halves. The first half being heightened infection levels and staff reverting to the working from home regime that they had developed and done so well with during 2020. Then came the vaccinations and with a high number of staff choosing to get vaccinated, there were increasing numbers returning to the workplace by choice as infection rates reduced. We expect this return to the workplace, either full time or in hybrid pattern to continue in 2022. Customers and suppliers are in a very similar position, our biggest concern was the availability of transport and courier services. Freight prices have increased in 2021, but it has not stopped our trade. The impact on trade from COVID-19 should be minimal in 2022 and beyond.

The Brexit changes on 1 January 2021 caused an issue for both imports and exports from the UK, especially within mainland Europe. This caused significant challenges during the first quarter of 2021, but most of these have been resolved without lasting effects on trade in the subsequent months.

The directors are deeply concerned by the unfolding situation in Ukraine. However, the loss of trade from Ukraine, Russia and potentially from other Nations bordering Russia is minimal. There is a larger risk if the conflict should spread further West into the NATO member Nations or into the EU.

The directors believe the company is well positioned to withstand any further impact of COVID-19. The directors believe that the company has minimal exposure to risk from the current crisis in Ukraine and they are monitoring events closely to react to any future developments. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on basis other than going concern

The company is dependent on the ongoing financial support of its ultimate parent undertaking, MSA Safety Incorporated, which has confirmed to the directors of the company that it will provide financial support through the going concern period until 31 December 2023, in order to enable the company to fulfil its financial commitments as and when liabilities fall due. Accordingly, the directors have prepared these financial statements on a going concern basis.

Directors

The directors who served the company during the year and in the period to the approval of the accounts and the strategic report and the directors' report were as follows:

J M Daugherty
R W Roda

Directors' report (continued)

Insurance

During the year the company maintained an insurance policy which indemnifies the company and directors and officers of the company in respect of losses arising from claims made against them in connection with the performance of their duties.

Future developments

The company's focus for the future is revenue and profitability growth of its core business, the installation and maintenance of fall protection systems. The focus is to identify and secure new business opportunities to facilitate revenue growth throughout the United Kingdom.

Political donations

No political donations were made during the current or preceding year.

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 they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors.

By order of the board

James M. Daugherty

J M Daugherty
Director

Date 21/12/2022

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 (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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of HCL Safety Limited

Opinion

We have audited the financial statements of HCL Safety Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 19, 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 2021 and of its profit 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 until 31 December 2023.

Independent auditors' report

to the members of HCL Safety Limited

Other information

The other information comprises the information included in the annual report set out on pages 3 to 6, 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.

Independent auditors' report

to the members of HCL Safety Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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.

Our approach was as follows:

- 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 Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety and GDPR.
- We understood how HCL Safety Limited 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. We evaluated management procedures through discussions, inspections and observations in the control environment to understand procedures implemented by management to reduce the opportunities for fraudulent transactions. We performed procedures, including reading minutes of the board meetings and making enquiries with the management for any correspondence of non-compliance with the tax authorities, and noted no significant issues. We performed journal entry testing to ensure that there are no unusual legal or penalty expenses incurred during the year and to ensure that the management is in compliance with the applicable framework.

Independent auditors' report

to the members of HCL Safety Limited

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

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by inquiring with management and performing a walkthrough of the financial statement closing process. We determined revenue recognition to be a fraud risk due to management override of controls, therefore we tested manual journal entries posted to revenue, focusing on journals around the year end, and also performed year end cut off procedures. Further, we performed overall analytical procedures to assess the fairness of the overall financial performance and the position as at and for the year ended. In relation to management override we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included ensuring that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through our inquiry with no indication of non-compliance identified.

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.

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

Paul Mapleston *(Senior statutory auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date 21 December 2022

Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	*2021* *£000*	*2020* *£000*
Revenue	3	5,563	5,610
Cost of sales		(3,749)	(4,055)
Gross profit		1,814	1,555
Administrative expenses		(1,719)	(2,097)
Profit/(Loss) before taxation	4	95	(542)
Income tax (charge)/credit	7	(27)	102
Profit/(loss) attributable to the owners and total comprehensive loss		68	(440)

All amounts relate to continuing activities.

Statement of Financial Position

at 31 December 2021

	Notes	*2021* *£000*	*2020* *£000*
Fixed assets			
Goodwill	8	**155**	155
Property, plant and equipment	9	**-**	-
Right of use assets	17	**336**	201
		491	356
Current assets			
Inventories	10	**25**	26
Trade and other receivables	11	**1,706**	2,006
Current tax assets	13	**94**	105
Deferred taxation	7(c)	**8**	17
Cash and cash equivalents		**615**	401
		2,448	2,555
Creditors: amounts falling due within one year			
Trade and other payables	12	**(1,246)**	(1,425)
Lease liabilities	17	**(117)**	(93)
		(1,363)	(1,518)
Net current assets		**1,085**	1,037
Total assets less current liabilities		**1,576**	1,393
Creditors: amounts falling due after one year			
Lease liabilities	17	**(219)**	(104)
Net assets		**1,357**	1,289
Capital and reserves			
Share capital	14		-
Profit and loss account		**1,357**	1,289
Total shareholders' funds		**1,357**	1,289

The financial statements were approved by the board of directors and authorised for signature on their behalf by:

James M. Daugherty

James M Daugherty

Director

Date 21/12/2022

Statement of Changes in Equity

for the year ended 31 December 2021

	Note	*Share capital £000*	*Profit and loss account £000*	*Total equity £000*
At 1 January 2020		-	1,729	1,729
Loss for the year attributable to owners, being total comprehensive loss		-	(440)	(440)
At 1 January 2021		-	1,289	1,289
Profit/(loss) for the year attributable to owners, being total comprehensive profit/(loss)		-	68	68
At 31 December 2021		-	1,357	1,357

Notes to the Financial Statements

at 31 December 2021

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of HCL Safety Limited (the "Company") for the year ended 31 December 2021 were authorised for issue by the board of directors on the date shown on the balance sheet, which was signed on the board's behalf by James M Daugherty. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) under the historical cost convention and in accordance with applicable accounting standards.

HCL Safety Limited is a private company and incorporated and domiciled in England and Wales, with its registered office located at Latchways plc, Hopton Park, Devizes, Wiltshire SN10 2JP. The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The Company has used a true and fair view override in respect of the non-amortisation of goodwill.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

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

a. The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations

b. the requirements of IFRS 7 Financial Instruments: Disclosures,

c. the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

d. the requirement in paragraph 38 of IAS 1 '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; and

   (iii) paragraph 118(e) of IAS 38 Intangible Assets.

e. the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

f. the requirements of IAS 7 Statement of Cash Flows;

g. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

h. the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

i. 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;

j. 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;

k. The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

Notes to the Financial Statements

at 31 December 2021

2. Accounting policies (continued)

Basis of preparation (continued)

l. The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and

m. The requirements of paragraph 58 of IFRS 16. The disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Going concern

The directors and MSA Safety Incorporated have reviewed projected expenditures against cash held and the expected cash inflow from forecast sales at the date of signing the financial statements. After applying realistic sensitivities, which are reflective of uncertainties in the market, projections indicate that the Company may require additional funding within 12 months from the date of signing the financial statements. The additional funding has been reviewed and approved by the directors and MSA Safety Incorporated.

An impact of COVID-19 in 2021 was in two halves. The first half being heightened infection levels and staff reverting to the working from home regime that they had developed and done so well with during 2020. Then came the vaccinations and with a high number of staff choosing to get vaccinated, there were increasing numbers returning to the workplace by choice as infection rates reduced. We expect this return to the workplace, either full time or in hybrid pattern to continue in 2022. Customers and suppliers are in a very similar position, our biggest concern was the availability of transport and courier services. Freight prices have increased in 2021, but it has not stopped our trade. The impact on trade from COVID-19 should be minimal in 2022 and beyond.

The Brexit changes on 1 January 2021 caused an issue for both imports and exports from the UK, especially within mainland Europe. This caused significant challenges during the first quarter of 2021, but most of these have been resolved without lasting effects on trade in the subsequent months.

The directors are deeply concerned by the unfolding situation in Ukraine. However, the loss of trade from Ukraine, Russia and potentially from other Nations bordering Russia is minimal. There is a larger risk if the conflict should spread further West into the NATO member Nations or into the EU.

The directors believe the company is well positioned to withstand any further impact of COVID-19. The directors believe that the company has minimal exposure to risk from the current crisis in Ukraine and they are monitoring events closely to react to any future developments. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on basis other than going concern

The company is dependent on the ongoing financial support of its ultimate parent undertaking, MSA Safety Incorporated, which has confirmed to the directors of the company that it will provide financial support through the going concern period until 31 December 2023, in order to enable the company to fulfil its financial commitments as and when liabilities fall due. Accordingly, the directors have prepared these financial statements on a going concern basis.

Notes to the Financial Statements

at 31 December 2021

Dividends

Dividend distributions to the parent undertaking are recognised as a liability in the financial statements in the period in which the distribution is authorised. This is normally the same time as the dividend is paid in cash.

Property, plant and equipment

Property, plant and equipment are stated at cost, including incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight-line basis over the expected useful economic lives of the assets concerned, as follows:

Plant and machinery	–	20%-50%
Fixtures and fittings	–	15%-50%
Short leasehold land and buildings	–	10%

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to its recoverable amount.

Software licences

Acquired computer software licences which do not form part of the operating software acquired with a piece of hardware are capitalised based on all costs incurred in bringing them into use. These costs are amortised over a maximum of three years.

Impairment of financial assets

At each reporting date the company considers whether there is any indication that non-current assets are impaired. If there is such an indication, the company carries out an impairment test by measuring the asset's recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is recognised and the asset is written down to its recoverable amount.

Notes to the Financial Statements

at 31 December 2021

2. Accounting policies (continued)

IFRS 16 Leases

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 of office equipment 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 an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

at 31 December 2021

2. Accounting policies (continued)

IFRS 16 Leases (continued)

Significant judgement in determining the lease term of contracts with renewal options

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.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost includes all direct expenditure.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term deposits.

Income taxes

Income tax on the loss for the year may comprise current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

As required by IAS12 (Revised) the company provides deferred income tax using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values. Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset or liability is realised or settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax balances are not discounted.

Pensions

The company participates in a defined contribution pension scheme. The cost to the company of contributions to the scheme is charged to the statement of comprehensive income in the period to which they relate.

Notes to the Financial Statements

at 31 December 2021

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

The company enters into contracts to install and supply fall protection systems and industrial safety products. As required by IFRS 15 Revenue from Contracts with Customers, revenue is recognised on the transfer of control over goods or services to a customer. For HCL Safety Ltd revenue is recognised to the extent to which performance has taken place at the balance sheet date in accordance with the percentage completion method. Following an assessment of the impact of IFRS 15 the only change is that the percentage completion method has been replaced with the transfer of control. Revenue is now recognised when control passes to a customer, which for projects may be at a point in time or over time, depending on the contract terms.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions is capitalised. The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill a period of 10 years would have been chosen as the useful life for goodwill. The profit before tax for the year would have been £15,500 lower had goodwill been amortised in the year.

Critical estimates and judgements

To be able to prepare the financial statements according to FRS 101, management and the board of directors must make estimates and assumptions that affect the amounts recorded for asset and liability items and revenue and expenses in the financial statements as well as other information, such as that provided on contingent liabilities. These estimates are based on historical experience and various other assumptions that management and the board believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Areas comprising critical judgement that may significantly impact earnings and the financial position are the valuation and useful economic lives of intangible assets, the valuation of goodwill, the impairment of investments, provisions for inventory obsolescence and bad debts, the estimate of stage of completion of contract work relating to the sale of safety services, income taxes, and litigation and contingent liabilities, all of which are discussed in the respective notes. The calculation of fair values for assets and liabilities such as goodwill and intangible assets, as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows deriving from or accruing to those assets and liabilities. Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows.

Notes to the Financial Statements

at 31 December 2021

3. Segment information

The company operates solely in the United Kingdom. There is only one business segment which carries out the installation and maintenance of industrial safety products and other equipment as determined by the operating decision maker, namely the board of directors.

4. Profit before taxation

This is stated after charging/(crediting):

	2021	*2020*
	£000	*£000*
Auditors' remuneration – audit services	**14**	27
All taxation advisory services	**7**	7
Depreciation of property, plant and equipment	**-**	3
Impairment of trade receivables	**144**	122
Cost of inventories recognised as an expense (in cost of sales)	**1,277**	1,494

5. Directors' remuneration

	2021	*2020*
	£000	*£000*
Aggregate remuneration	**-**	-
Pensions	**-**	-
	-	-

No individuals are deemed, by the directors of the company, to be key management of the company and accordingly no further disclosure of key management remuneration is required.

6. Staff costs

	2021	*2020*
	£000	*£000*
Wages and salaries	**1,689**	1,958
Social security costs	**177**	220
Other pension costs	**118**	121
	1,984	2,299

The average monthly number of employees (including executive directors) during the year was made up as follows:

	2021	*2020*
	No.	*No.*
Administration and selling	**49**	55
	49	55

Notes to the Financial Statements

at 31 December 2021

7. Income tax

(a) Income tax on profit/(loss) on ordinary activities

Income tax charge in the income statement

	2021	*2020*
	£000	*£000*
Current tax:		
UK corporation tax on the profit/(loss) for the year	**19**	(95)
Total current tax	**19**	(95)
Deferred tax:		
Deferred tax charge/(credit) for the current year	**8**	(7)
Total deferred tax	**8**	(7)
Tax on profit/(loss) on ordinary activities	**27**	(102)

(b) Reconciliation of the total income tax charge

The total tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are explained below:

	2021	*2020*
	£000	*£000*
Accounting profit/(loss) before taxation	**95**	(542)
Accounting profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK	**19**	(103)
Adjustment – not recognised/not tax deductible	**8**	1
Income tax (credit) in the income statement	**27**	(102)

Notes to the Financial Statements

at 31 December 2021

7. Income tax (continued)

(c) Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rate of 19% (2020 –19%). Deferred tax provided relates to accelerated capital allowances.

The movement on the deferred tax asset is as follows:

	2021	*2020*
	£000	*£000*
At 1 January	17	10
Credit/(Debit) to the income statement	(6)	7
At 31 December	**11**	17

Legislation was introduced in Finance Bill 2020 to amend the main rate of Corporation Tax to 19% for the financial years 2020 and 2021. An increase in the UK corporation tax rate from 19% to 25% from 1 April 2023 was announced in the March 2021 Budget. As this change was substantively enacted on 24 May 2021, the deferred tax liability has been calculated at 19% for any timing differences expected to reverse before 1 April 2023 and 25% for any timing differences expected to reverse on or after 1 April 2023.

8. Goodwill

The goodwill carried in HCL Safety Limited represents goodwill acquired on the acquisition of the Safety Anchor business in October 2008 which represents one cash generating unit.

	2021	*2020*
	£000	*£000*
Goodwill	**155**	155

The recoverable amounts have been assessed based on value in use.

Management is confident that no impairment of goodwill exists at the balance sheet date. Future performance would need to deteriorate markedly for the value in use to fall below the carrying value.

Notes to the Financial Statements

at 31 December 2021

9. Property, plant and equipment

	Plant and machinery	*Fixtures and fittings*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2021	122	114	236
Additions	-	-	-
Disposals	-	(82)	(82)
At 31 December 2021	122	32	154
Accumulated depreciation:			
At 1 January 2021	122	114	236
Charge for the year	-	-	-
Depreciation on disposal	-	(82)	(82)
At 31 December 2021	122	32	154
Net book value:			
At 31 December 2021	-	-	-
At 1 January 2021	-	-	-

10. Inventories

	2021	*2020*
	£000	*£000*
Finished goods	**25**	**26**

11. *Trade and other receivables*

	2021	*2020*
	£000	*£000*
Amounts falling due within one year		
Trade receivables	**1,239**	1,702
Construction contract work not yet billed	**266**	103
Prepayments and accrued income	**59**	51
Retentions	**139**	150
	1,703	2,006

Notes to the Financial Statements

at 31 December 2021

12. Trade and other payables

	2021	*2020*
	£000	*£000*
Intercompany loan	**301**	303
Trade payables	**332**	166
Other creditors	**14**	16
Other taxes and social security costs	**40**	226
Amounts owed to group undertakings	**375**	532
Accruals and deferred income	**184**	182
	1,246	1,425

Amount owed to group undertakings are repayable on demand and do not bear interest.

13. Current tax asset

	2021	*2020*
	£000	*£000*
Current corporation tax asset	**74**	105
VAT asset	**20**	
	94	105

14. Issued share capital

		2021		*2020*
Allotted, called up and fully paid	***No.***	***£***	*No.*	*£*
Ordinary shares of £1 each	**2**	**2**	2	2

15. Pensions

With effect from April 1995 a Group Personal Pension (defined contribution) scheme was established with Aviva for the provision of future pension benefits.

The total pension cost in the year for the company amounted to £ 118,265 (2020 – £121,050).

16. Other financial commitments

The company leases vehicles under non-cancellable lease agreements.

Notes to the Financial Statements

at 31 December 2021

17. Leases

The company has lease contracts for various items of plant, machinery, vehicles, buildings and other equipment used in its operations. Leases generally have a lease term between 3 and 5 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	***Motor vehicles***	***Total***
	£000	***£000***	***£000***
As at 1 January 2021	**78**	**123**	**201**
Additions	3	288	291
Disposals	(52)	-	(52)
Depreciation expense	(25)	(79)	(104)
As at 31 December 2021	**4**	**332**	**336**

Set out below are the carrying amounts of lease liabilities and the movement during the period:

	2021
	£000
As at 1 January 2021	**197**
Additions	291
Disposals	(52)
Accretion of interest	3
Payments	(103)
As at 31 December 2021	**336**
Current	117
Non-current	219

The following are the amounts recognised in the profit or loss:

	2021
	£000
Depreciation expense of right-of-use assets	107
Interest expense on lease liabilities	
Expense relating to short-term leases	
Expense relating to low-value assets	
Variable lease payments	275
Total amount recognised in profit or loss	**382**

Notes to the Financial Statements

at 31 December 2021

18. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is Latchways plc, a company registered in England and Wales.

The ultimate parent undertaking and controlling party of the company is MSA Safety Incorporated, a company registered in the United States of America.

MSA Safety Incorporated is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2021. Copies of the MSA Safety Incorporated group financial statements can be obtained from MSA Safety Incorporated's website: www.msasafety.com.

19. Post Balance Sheet Events

The directors are deeply concerned by the unfolding situation in Ukraine. However, the loss of trade from Ukraine, Russia and potentially from other Nations bordering Russia is minimal. There is a larger risk if the conflict should spread further West into the NATO member Nations or into the EU.

The directors believe the company is well positioned to withstand any further impact of COVID-19. The directors believe that the company has minimal exposure to risk from the current crisis in Ukraine and they are monitoring events closely to react to any future developments. Accordingly, the directors believe that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on basis other than going concern.