

Arran Isle Limited

**Annual report and financial statements for the year ended
31 December 2021**

Registered number: 07044474



COMPANY INFORMATION

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STRATEGIC REPORT

The Directors present their annual report and consolidated financial statements for Arran Isle Limited and subsidiaries ("the Group") for the year ended 31 December 2021.

The Company accounts are presented separately from the Group on pages 51 to 61.

Principal activities

Arran Isle Limited is a holding company. The Arran Isle Group is focused on the design, development, sourcing, marketing and distribution of architectural and fenestration hardware. The subsidiaries are shown in note 3 of the Company accounts.

Business review

Despite the continued challenges of COVID-19 during 2021, significant disruption to our supply chains, and rising input costs, the Group has had a very successful year.

The table below highlights and reconciles the reported and adjusted Income Statement in which the reported results have been adjusted to exclude exceptional items, notional interest on pensions, amortisation of intangible assets, pension administration charges and the related tax credits in respect of these adjustments, to arrive at an on-going, underlying level of earnings. The results of the Group have been presented in this format as they reflect the internal management information used by the Directors.

	Year to 31 December 2021			Year to 31 December 2020	
	Reported	Adjs	Adjusted	Adjusted	Var
<i>Continuing operations</i>	£m	£m	£m	£m	£m
Revenue	124.1	-	124.1	100.4	23.7
Operating profit before exceptional items¹	7.0	0.8	7.8	5.1	2.7
Operating exceptional items	(1.6)	1.6	-	-	-
Finance costs	(0.3)	-	(0.3)	(0.4)	0.1
Profit before taxation	5.1	2.4	7.5	4.7	2.8
Taxation ²	(1.2)	-	(1.2)	(0.8)	(0.4)
Profit for the period	3.9	2.4	6.3	3.9	2.4
Depreciation	2.2	-	2.2	2.2	-
Amortisation	0.2	(0.2)	-	-	-
EBITDA	9.4	0.6	10.0	7.3	2.7

¹ Reported operating profit is adjusted to remove £0.2m of amortisation and £0.6m of pension administration charges (2020: £0.3m of amortisation and £0.5m of pension administration charges).

² In 2020, taxation was adjusted to remove £0.1m credit for pension administration charges and £0.1m credit relating to operating exceptional items.

The key financial results for the year are described below.

In the UK, revenues from our hardware businesses were £95.7m (2020: £74.4m). This represented a 29% increase from 2020 as higher consumer spending on home improvements seen in the second half of 2020 following the initial lockdowns continued through the year. Strong demand following a COVID-19 depressed 2020 drove an estimated market growth of 19%. Arran Isle UK businesses gained market share by providing superior customer service and stock availability than their competitors. This was supplemented by successful new product launches and necessary price increases required to recover significant input cost inflation, not least as a result of the global supply chain crisis.

STRATEGIC REPORT CONTINUED

Our Irish businesses faced similar challenges with regard to increased input costs but also started the year in a nationwide lockdown. Despite this, revenues grew by 20% to €19.9m (2020: €16.6m), outperforming estimated market growth of 14%. Our Northern European markets experienced less severe lockdown restrictions in 2020, but still achieved revenue growth at constant exchange rates of 8% following market share gains via new own brand, higher margin products.

Overall, Group revenues have increased 25% from 2020 at constant exchange rates as the Group successfully navigated the unique challenges of both 2020 and 2021. The Group continued to focus on pushing ahead with new product introductions, winning new business and on maintaining its market leading level of customer service.

The profit benefit of the revenue increase was partially offset by significant input cost inflation and a growth in overheads. Despite tight cost control measures to ensure efficiency savings identified during 2020 were not lost, there was a natural normalisation of our cost base during the year as activity levels increased. The net result was an increase of £2.7m in the Group's adjusted continuing EBITDA from £7.3m in 2020 to £10.0m in 2021.

The Group's shareholders' funds increased from £43.4m in 2020 to £48.1m due to profit for the year of £3.9m, £8.0m net pension gains and £0.6m of gains on foreign exchange hedges (both net of deferred tax), partly offset by £0.4m losses on translation of foreign operations' results and the purchase of £7.4m of the Group's own shares during the year through the Employee Benefit Trust (EBT).

The Group's closing net funds decreased from £20.3m in 2020 to £9.4m, a reduction of £10.9m. The profit before tax generated by the Group during the year of £5.1m was more than offset by an increase in year-on-year working capital of £7.2m and the purchase of £7.4m of the Group's own shares through the EBT (note 28). The Group has remained in a net funds position for the duration of 2020 and 2021.

Proposed Sale of the Group to ASSA ABLOY

On 24 September 2021, the shareholders of Arran Isle Limited signed a definitive agreement to sell the Group to ASSA ABLOY Limited. The transaction is subject to regulatory approval in the UK and Ireland and customary closing conditions. The deal is expected to complete during the spring of 2022.

Outlook

The Group has made a strong start in the first two months of 2022. High levels of demand from UK customers in 2021 has continued from both Architectural sector customers who have a strong online presence and from major merchanting groups, and in Fenestration from retail and trade door and window manufacturers.

The Group is cautious about market demand in 2022 following the rapid rebound in 2021. Nonetheless, management teams across the Group remain committed to growing the business in 2022 and have a clear focus to grow sales and earnings by:

- Pushing ahead with new products and business initiatives;
- Continuing to innovate in products and services;
- Defending margins;
- Keeping costs under control; and
- Maximising cash flow through the efficient management of working capital.

Risk factors

The Group has a comprehensive system of risk management to enable the Board to identify, evaluate and manage potential risks and uncertainties that could have a material impact on the Group's performance.

Operational risks

Markets in which the Group operates

Although the Group's key markets are currently exhibiting signs of increasing stability, it is inevitably very difficult to forecast future market trends in the current climate and a material decline in market activity could have a significant adverse impact on the Group's profit and cash generation.

STRATEGIC REPORT CONTINUED

The Group's business may also be affected by general risks associated with all companies operating in the Group's markets and could be adversely affected by a range of economic, political, administrative, taxation or other factors beyond management's control, occurring within the UK or any other jurisdiction that the Group may operate in now or in the future.

Reliance on key customers and credit risk

Several of the Group's business units receive a significant proportion of their revenues from a limited number of key customers. Whilst a loss of individual key customers could adversely impact the prospects, business, financial condition and results of the relevant business units, a loss of an individual customer would not be significant for the Group.

The reduction in available finance to the Group's customers, along with a slow-down in demand, could result in an increased number of customers failing which could expose the Group to bad debt charges and loss of future business. In order to mitigate this risk, the Group has rigorous credit control procedures in place. All customers are assigned credit limits which are regularly reviewed, outstanding and overdue debts are monitored continuously, and high risk debts are analysed within the management accounts and reviewed with Group management.

Suppliers

The Group's ability to provide product differentiation and remain competitive depends on a limited number of key suppliers. The reduction of finance available to the Group's key suppliers, coupled with reductions in insurance cover provided to certain suppliers by credit insurers, could lead to suppliers failing or attempting to change current credit terms which could have an adverse impact on the Group's results.

Also, as a distributor, the Group must compete with or capitalise on the low cost bases available in the Far East and is at risk of direct supply by manufacturers. If these risks are not managed effectively a loss of business could result which could have an adverse impact on the results of the Group.

Commodity and currency fluctuations

The Group is exposed to commodity price fluctuations for certain raw materials, including steel, zinc, copper and brass. Also, a significant amount of the Group's purchases are from the Far East and mainland Europe in US Dollars, Chinese Yuan Renminbi and Euros and therefore costs are subject to currency fluctuations. An inherent risk is that the Group may not be able to fully recover the impact of future adverse commodity and currency fluctuations with a resultant negative impact on the Group's results.

Working capital management

The Group continues to be focused on the efficient management of working capital. Plans and monitoring procedures are in place, which have been effective to date but a risk remains to the achievement of this, which could have an adverse impact on the cash flows of the Group.

Supply chain disruption

The post-pandemic increase in demand led to a global supply chain crisis which was further compounded internationally by the temporary blockage of the Suez Canal and, more locally, the implications of the reality of Brexit. Challenges persist in our Far East supply chain as China continues its zero-tolerance approach to COVID-19, resulting in capacity constraints in haulage and shipping. The most significant direct impacts on the Group have been a sharp increase in the cost of sea freight, an increased requirement to air freight in limited circumstances and substantially increased supplier lead times. The Group is expecting these challenges to persist into 2022 and is therefore anticipating that the judicious application of sea freight surcharges will continue to be required.

Failure in information technology or cybersecurity

The Group is dependent on its IT systems and a failure, breach or interruption could result in a loss of data, disruption to operations, reputational damage and adversely affect our financial condition. The Group maintains a programme of regular investment in its IT systems to ensure operational capability and to avoid or minimise the impact from cyber-attack. Examples of such investments include robust disaster and data recovery procedures, regular cybersecurity and privacy training for all system users, GDPR compliant data retention and security and a range of technologies designed to detect and prevent cyber-attack.

STRATEGIC REPORT CONTINUED

Treasury risks

The treasury risks that the Group faces are foreign exchange, funding and liquidity, interest rate and pension funding risks.

Foreign exchange risk

The Group has foreign exchange exposure primarily in relation to the translation of the Euro denominated net assets and results into Sterling. The Euro net assets are not hedged, nor are the results of the related operations.

Funding and liquidity risk

The Group uses rolling cash flow forecasts to monitor the Group's liquidity reserve and bank loans are the main sources of the Group's funding.

The major committed bank facility of the Group at the year end was a £15.0m global asset-based funding agreement (the "Facility") with Wells Fargo Capital Finance (UK) Limited ("Wells Fargo"). The facility runs until 30 June 2025.

Under the Facility at the year end, the Group's qualifying assets provided net collateral of £14.8m (2020: £14.7m). The total amount undrawn against available collateral, taking account of all limitations to headroom, was £19.7m (2020: £30.4m) and cash at bank and in hand was £9.4m (2020: £21.4m).

The total amount undrawn on all available bank facilities at 31 December 2021 was £20.0m (2020: £30.7m).

At the year end, the Wells Fargo facility was fully secured on the majority of the Group's assets and had a normal fixed charge cover ratio covenant.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank deposits and bank borrowings. The Group reviews deposits and borrowings at Board meetings. Local management provide cash flow forecasts to Group management quarterly for the remainder of the year by month and each month for the next three months. The Group's financial liabilities are exposed to fair value interest rate risk and cash flow interest rate risk. The Group does not currently hedge against interest rate risks.

More details of credit and liquidity risks and the Group's management thereon are as stated in note 27 of the consolidated accounts.

Pension funding risk

Movements in financial markets and the impact of new legislation could increase the risk of inadequate funding of the Group's defined benefit pension scheme. The pension funding status is regularly reviewed by the Group board and professional advisors are consulted regarding the impact of legislative changes. Following the most recent triennial valuation, the Group is committed to make deficit repair contributions of £1.0m per annum for 5 years, commencing February 2021.

Going concern

The Group has remained in a net funds position for the duration of both the current and preceding year. It also has a substantial level of banking facilities available as noted above. Consequently, the Group continues to be well placed to operate in the ongoing economic environment and to support the growth of the Group's businesses.

The Group's activities, together with the factors likely to affect its future development, performance and position, are summarised in the "Risk factors" section above. Note 27 to the consolidated accounts includes the Group's objectives, policies and procedures for managing its capital, its financial risk management objectives; and provides details of its financial instruments and hedging activities; and its exposures to concentration risk, credit risk and liquidity risk.

As outlined above, the Group has a £15.0m global asset-based funding arrangement running until 30 June 2025 and the Directors are confident this will support the Group throughout the going concern assessment period.

The Group has inherent operational risks linked to its markets, customers, suppliers, management of working capital, commodity and currency fluctuations and treasury risks in respect of foreign exchange, funding and liquidity,

STRATEGIC REPORT CONTINUED

interest rates and pension funding. These risks are detailed in the above section of this report along with the additional risk of global supply chain disruption that encompasses Brexit and COVID-19.

There is uncertainty over these operational risks particularly in respect of demand for the Group's products, commodity prices and the exchange rate between Sterling and the US Dollar. The Group's forecasts and projections have been thoroughly reassessed and a detailed evaluation has been performed, taking account of reasonably possible risks. This exercise has demonstrated that it would require a significant and sustained reduction in the Group's revenue to cause the Group to be unable to comply with its responsibilities to its lender. The likelihood of such a reduction is deemed by the Directors as remote and the Group is well placed to operate within the level of its current bank facilities despite the current uncertain economic outlook.

Consequently, after making appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Key performance indicators ("KPIs")

Group KPIs

The Directors focus on two key performance indicators for the Group as a whole; adjusted EBITDA and net bank funds, both of which are discussed, amongst others, in the business review section on pages 1 and 2.

Business unit KPIs

Within the individual business segments, the Directors also monitor the Group's performance against plan through individual, comprehensive monthly business reviews with each of the business units. Each business has a number of specific KPIs appropriate to the business and market segment. This hands-on review process enables the Directors to gain a first-hand understanding of the key issues and opportunities facing each business unit. The review focuses on areas including but not limited to:

- Financial measures including sales, gross margin, overheads, operating cash flow, working capital management, cash/debt levels and customer debt exposure;
- Market developments, competitor analysis, new products, sourcing initiatives and business gains/losses;
- Service performance, customer satisfaction and health and safety issues; and
- Risk management and internal control environment.

The Group's strategy is that of backing its businesses for growth whilst maintaining only a small, head office team. All business units operate as separate, standalone businesses with dedicated, experienced and capable management teams. Activity between business units is coordinated where appropriate.

S172 Statement

Under S172 of the Companies Act 2006, the Directors have a duty to promote the success of the Group for the benefit of the members as a whole and, in doing so, have regard to:

- The likely consequences of any decision in the long term;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and the environment;
- The desirability of the Group maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Group.

The Directors of Arran Isle Limited consider the following areas of key importance in its fulfilment of this duty:

Budgeting and planning

The Group's Budget and long-range Strategic Plan are designed to assess the long term consequences of decisions made by Directors. They are compiled with involvement from a wide range of employees and are shared with key stakeholders such as the Group's lender and pension trustee. The Group is then held to account in the delivery of these forecasts as actual results are regularly reported to key stakeholders.

STRATEGIC REPORT CONTINUED

Policies and procedures for employees

The Group maintains a rigorous training policy ensuring our employees have the correct skills and knowledge for their roles. The Group also maintains strict health and safety policies, supported by regular audits by a third party assessor at all of our sites globally. Health & safety procedures have recently been expanded to consider potential risks to employees from stress and other emotional issues, including additional training for H&S representatives.

Business conduct and corporate and social responsibility

The Group is committed to doing things right. This includes regular training to comply with the latest guidelines in areas such as modern slavery, anti-facilitation of tax evasion and anti-competitive behaviour. We are mindful of the impact our business and its supply chain has on the community and the environment and take all practical steps to minimise this impact.

Dealings with suppliers, customers and others

The Group encourages open and honest dealings both internally and externally. Regular dialogue is maintained with all key suppliers, customers and shareholders.

High standards in all we do

High standards are expected of our products and our people. Quality of our products is assured via rigorous testing and thorough supplier audits. Our people are suitably trained to deliver expertise in both products and service.

Interaction with local communities

Each business in the Group is actively encouraged to become involved with and support the local community in which it operates. Current examples of community engagement include mentoring of High School pupils, employee support for local charities, and sponsorship of junior and senior sports teams.

Approved by order of the Board on 4 March 2022 and signed on its behalf by



M Wardhaugh
Group Chief Executive

DIRECTORS' REPORT

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

Directors

The Directors who served the Group during the year are shown on the Company Information page at the beginning of the Annual Report and Financial Statements.

Financial risk factors

The Group's key risk factors are discussed in the Strategic Report.

Share capital

Details of the Group's share capital are shown in note 16 of the consolidated accounts.

Changes in Group operations

During 2020, the Group took the decision to discontinue its operations in Dubai. This did not fall within the scope of IFRS 5 Non-current Assets Held For Sale and Discontinued Operations in these financial statements and hence was included in continuing profit, however associated exceptional items were recognised in the preceding year within the restructuring category (note 7).

S172 statement

The Group is required to produce a S172 statement. These requirements have been included in the Strategic Report and below in the Employee involvement section.

Streamlined Energy and Carbon Reporting

The disclosures required under 'Streamlined Energy and Carbon Reporting' (SECR) are included below. The emissions were calculated using conversion factors set out by DEFRA and include estimates of fuel efficiency of vehicles. As required, only the impact of the Group's UK activities have been considered.

	2021	2020
Scope 1 - Direct emissions (kWh)	1,291,954	1,157,070
Scope 2 - Indirect emissions (kWh)	1,525,308	1,375,478
Total energy use (kWh)	2,817,262	2,532,548
CO2e equivalent (kg CO2e)	551,190	497,901
Intensity metric - kg CO2e per £m revenue	4,441	4,959

The Group has a commitment to ensuring that its environmental impact is considered within decisions made throughout the businesses. Like many other businesses across the world, the pandemic accelerated our existing strategy of reducing our carbon footprint by working more flexibly. Notwithstanding some year on year increases from the pandemic-impacted prior year, we have considerably reduced air miles and vehicle miles as we hold more virtual meetings internally, with customers and other stakeholders. Additional measures to reduce our carbon footprint include:

- Carlisle Brass is a gold member of the Supply Chain Sustainability School;
- A move to plug in hybrid models for all company cars wherever possible;
- Projects in our Carlisle Brass and Mila businesses to reduce packaging content generally, and specifically to eliminate the use of single use plastic packaging materials;
- Warehouse operations substantially use energy efficient lighting systems; and

DIRECTORS' REPORT CONTINUED

- New product development considers the environmental impacts of products, including extending product lives through greater use of stainless steel, the use of sustainable packaging, more robust operating mechanisms and a reduction in the number of products that need to be chrome plated.

Indemnity

By virtue of, and subject to the Group's Articles of Association, the Group has granted an indemnity to every person who is or was at any time a Director or other officer of the Group subject to the conditions set out in s234 of the Companies Act 2006. Such provisions remain in force at the date of this Report. Copies of the Articles of Association of the Group will be available for inspection at the Annual General Meeting.

In addition, the Group has entered into Deeds of Indemnity with its Directors and the Company Secretary entitling them to be indemnified to the extent permitted by statute.

The Group has insurance in favour of its Directors and Officers in respect of certain losses or liabilities to which they may be exposed to due to their office.

Employee involvement

Employees are kept informed of the performance and objectives of the Group through established management procedures and practices and by the availability, to each employee, of a copy of the financial statements. In addition, many individual businesses publish local newsletters.

The involvement of employees in operational performance reviews forms an integral and essential part of the Group's management practices. Throughout the Group, employees are encouraged to continuously improve product and service quality.

It is the Group's policy to treat all employees fairly and specifically to prohibit discrimination on the grounds of race, religion, sexual orientation, disability, gender or other protected characteristics as defined by the Equality Act 2010.

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Directors' Responsibilities Statement

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

Consolidated Financial Statements

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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Company Financial Statements

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 laws) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

DIRECTORS' REPORT CONTINUED

- state whether applicable UK-adopted International Accounting Standards for the Group have been followed and UK Accounting Standards for the Company 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 and Group will continue in business.

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

The Directors confirm that:


- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

Auditor

Grant Thornton UK LLP are the auditor of the Group. Resolutions excluding the Company from the obligation to hold annual general meetings and re-elect auditors annually have been passed by the Group.

By order of the Board on 4 March 2022.



M J Richards
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARRAN ISLE LIMITED

Opinion

We have audited the financial statements of Arran Isle Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARRAN ISLE LIMITED CONTINUED

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

Responsibilities of directors for the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARRAN ISLE LIMITED CONTINUED

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the group, and the industry in which it operates. We determined that the following laws and regulations were most significant; IFRS, Companies Act 2006 and the relevant tax compliance regulations for the group.
- we understood how the parent company and the group is complying with those legal and regulatory frameworks by making inquiries of management. We corroborated our enquiries through our review of board minutes.
- we enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews. From the procedures performed we did not identify any material matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- to assess the potential risks of material misstatement, we obtained an understanding of:
 - the group's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement and
 - the group's control environment including the adequacy of procedures for authorisation of transactions.
- we assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - evaluating the processes and controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and journal entries determined to be large or relating to unusual transactions;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - identifying and testing related party transactions.
- we assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the client operates in, and their practical experience through training and participation with audit engagements of a similar nature;
- for components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARRAN ISLE LIMITED CONTINUED

- these audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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.

Grant Thornton UK LLP

Andrew Wood
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
4 March 2022

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Continuing Operations			
Revenue	3	124.1	100.4
Costs and overheads excluding exceptional items	4	(117.1)	(96.1)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		7.0	4.3
Operating exceptional items	7	(1.6)	(0.9)
OPERATING PROFIT		5.4	3.4
Finance costs	8	(0.3)	(0.4)
PROFIT ON CONTINUING OPERATIONS BEFORE TAXATION		5.1	3.0
Taxation	9	(1.2)	(0.6)
PROFIT FOR THE YEAR		3.9	2.4
Profit for the year attributable to:			
Owners of the Company		3.9	2.4
Non-controlling interest		—	—
		3.9	2.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
PROFIT FOR THE YEAR		3.9	2.4
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of continuing foreign operations	27	(0.4)	0.4
Gain/(loss) on foreign exchange hedge	18	0.7	(0.6)
Deferred tax relating to gain/(loss) on foreign exchange hedge	18	(0.1)	0.1
		0.2	(0.1)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on defined benefit pension plans	18	11.4	(0.4)
Deferred tax on actuarial (loss)/gain	18	(3.4)	0.1
		8.0	(0.3)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR NET OF TAX		8.2	(0.4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		12.1	2.0
Total comprehensive income for the year attributable to:			
Owners of the Company		12.1	2.0
Non-controlling interest		—	—
		12.1	2.0

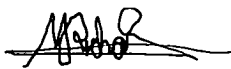
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 £m	2020 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	9.2	10.6
Intangible assets	11	0.2	0.3
Defined benefit pension asset	6	7.8	—
Deferred income tax asset	13	—	0.9
		17.2	11.8
CURRENT ASSETS			
Inventories	14	38.8	26.7
Trade and other receivables	15	17.8	17.3
Cash at bank and in hand	12,23	9.4	21.4
		66.0	65.4
TOTAL ASSETS		83.2	77.2
EQUITY AND LIABILITIES			
Share capital	16	—	—
Own shares	17	(7.8)	(0.4)
Foreign exchange reserve	17	(0.3)	(0.5)
Retained earnings	17	56.0	44.1
Equity attributable to owners of the Company		47.9	43.2
Non-controlling interest		0.2	0.2
TOTAL EQUITY		48.1	43.4
NON-CURRENT LIABILITIES			
Defined benefit pension liability	6	—	3.9
Other payables	21	2.3	3.2
Deferred income tax liability	13	2.8	0.1
		5.1	7.2
CURRENT LIABILITIES			
Financial liabilities	19,27	—	1.9
Trade and other payables	20	29.7	24.4
Income tax payable	9	0.3	0.3
		30.0	26.6
TOTAL EQUITY AND LIABILITIES		83.2	77.2

The accounts and notes on pages 14 to 50 were approved by the Board of Directors on 4 March 2022 and are signed on its behalf by:


M Wardhaugh
 Chief Executive


M J Richards
 Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Note	Own shares	Foreign exchange reserve	Retained earnings	Total attributable to owners of the Company	Non- controlling interest	Total equity
		£m	£m	£m	£m	£m	£m
AT 1 JANUARY 2020		(0.4)	(0.4)	42.0	41.2	0.2	41.4
Profit for the period		—	—	2.4	2.4	—	2.4
Exchange fluctuations:							
Translation of foreign operations	27	—	0.4	—	0.4	—	0.4
Loss on foreign exchange hedge	18	—	(0.6)	—	(0.6)	—	(0.6)
Tax on foreign exchange hedge	18	—	0.1	—	0.1	—	0.1
Pension loss	18	—	—	(0.4)	(0.4)	—	(0.4)
Deferred tax on pension loss	18	—	—	0.1	0.1	—	0.1
Total other comprehensive (loss)/income for the year		—	(0.1)	2.1	2.0	—	2.0
AT 1 JANUARY 2021		(0.4)	(0.5)	44.1	43.2	0.2	43.4
Profit for the period		—	—	3.9	3.9	—	3.9
Exchange fluctuations:							
Translation of foreign operations	27	—	(0.4)	—	(0.4)	—	(0.4)
Gain on foreign exchange hedge	18	—	0.7	—	0.7	—	0.7
Tax on foreign exchange hedge	18	—	(0.1)	—	(0.1)	—	(0.1)
Pension gain	18	—	—	11.4	11.4	—	11.4
Deferred tax on pension gain	18	—	—	(3.4)	(3.4)	—	(3.4)
Total other comprehensive income for the year		—	0.2	11.9	12.1	—	12.1
Purchase of own shares	28	(7.4)	—	—	(7.4)	—	(7.4)
Transactions with shareholders		(7.4)	—	—	(7.4)	—	(7.4)
AT 31 DECEMBER 2021		(7.8)	(0.3)	56.0	47.9	0.2	48.1

During the year, the Group loaned its Employee Benefit Trust (EBT) £7.4m of cash to enable the purchase of a number of shares from the Directors. This loan is fully repayable on completion of the sale of the Group. In accordance with IFRS 10, the EBT is deemed to be under the control of the Group and hence the transaction has been accounted for as the purchase of own shares.

There were no transactions with shareholders in the prior year that affected equity.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by continuing operations	22	0.3	10.8
Net income tax paid		(1.1)	(0.9)
NET CASH FLOW FROM OPERATING ACTIVITIES		(0.8)	9.9
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(0.6)	(0.6)
Purchase of software	11	(0.1)	—
NET CASH FLOW FROM INVESTING ACTIVITIES		(0.7)	(0.6)
FINANCING ACTIVITIES			
Interest paid		(0.1)	(0.2)
Facility arrangement fee		(0.1)	—
Purchase of own shares	28	(7.4)	—
Repayment of borrowings	24	(1.1)	(0.6)
Lease payments	21, 24	(1.6)	(1.6)
NET CASH FLOW FROM FINANCING ACTIVITIES		(10.3)	(2.4)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(11.8)	6.9
Cash and cash equivalents at beginning of the year		21.4	14.5
Exchange losses on cash and cash equivalents		(0.2)	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		9.4	21.4

RECONCILIATION OF NET MOVEMENT IN CASH AND CASH EQUIVALENTS TO MOVEMENT IN NET FUNDS

	Note	2021 £m	2020 £m
Net movement in cash and cash equivalents		(11.8)	6.9
Net movement in borrowings		1.1	0.6
MOVEMENT IN NET FUNDS RESULTING FROM CASH FLOWS		(10.7)	7.5
Exchange losses on net funds		(0.2)	—
MOVEMENT IN NET FUNDS		(10.9)	7.5
OPENING NET FUNDS		20.3	12.8
CLOSING NET FUNDS	23	9.4	20.3

For the purposes of this disclosure, net funds is defined as bank deposits and bank borrowings and excludes forward hedging contracts and lease liabilities.

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2021

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of Arran Isle Limited (the "Group") for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 4 March 2022 and the Statement of Financial Position was signed on the Board's behalf by M Wardhaugh and M J Richards. Arran Isle Limited is a private company limited by shares, incorporated and domiciled in England and Wales, registered number 07044474.

The Group's financial statements for the year ended 31 December 2021 are prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. For the purpose of this document the term IFRSs include UK-adopted international accounting standards ("IAS") and related interpretations in conformity with the requirements of the Companies Act 2006.

2 ACCOUNTING POLICIES

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

Accounting convention and going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group has sufficient resources to enable it to continue operating and to meet its liabilities as they fall due. The Directors believe the going concern assumption to be appropriate for the reasons as set out below.

The major committed bank facility of the Group at the year end was a £15.0m global asset-based funding agreement (the "Facility") with Wells Fargo Capital Finance (UK) Limited ("Wells Fargo"). The facility runs until 30 June 2025. The facility is based on the level of qualifying receivables and inventories which will fluctuate over the period of the facility. As is normal within these agreements, the level of qualifying assets is subject to periodic appraisal by the lender.

Included within the facility are operating conditions with which the Group will need to comply as well as a financial covenant for fixed charge cover ratio.

In assessing the Group's ability to operate within, and in compliance with, the terms of the facility in the foreseeable future, the Directors have taken consideration of the Group's financial projections and the current trading performance. They have also reviewed the sensitivities including their assessment of any likely changes to the assumptions that the lender might make to the facility levels for the period through to June 2025.

Having considered the financial projections, the financial covenant and operating conditions and the sensitivity to changes in facility levels, the Directors have concluded that there is a reasonable expectation that the Group has sufficient liquidity and capital resources to meet its obligations in the normal course of business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

The financial statements have also been prepared on an historical cost basis, except for derivative financial instruments and available-for-sale financial assets and properties that have been measured at fair value. The carrying values of recognised assets and liabilities that are fair value hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The consolidated financial statements are presented in Sterling and all values are expressed in millions of pounds ("£m"), rounded to the nearest one hundred thousand, except when otherwise indicated.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Adoption of new and revised Standards

No new Standards, amendments to existing Standards or Interpretations that have a material impact on the Group have been adopted during the year.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Arran Isle Limited and its subsidiaries as at 31 December 2021. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intragroup balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is lost by the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Group has control. Control is defined in line with IFRS 10 Consolidated Financial Interests, as exposure or rights to variable returns from a business plus the ability to affect those returns through its power over the business.

Foreign currency translation

The presentational currency of the Group is Sterling.

The functional currencies of the subsidiaries are Sterling, Euro, Danish Krone and Chinese Yuan Renminbi. As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the presentational currency of the Group at the rate of exchange ruling at the Statement of Financial Position date and their Income Statements are translated at average exchange rates for the period. The exchange differences arising on retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

Group foreign currency transactions are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Statement of Financial Position date. All differences are taken to the Consolidated Income Statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Group's hedging policy is disclosed in the Financial Assets and Liabilities policy.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Land and buildings are stated at cost less accumulated depreciation and impairment losses recognised after the date of the purchase.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- | | |
|----------------------------|---------------|
| ▪ Freehold buildings | 40 years |
| ▪ Long leasehold buildings | 15 years |
| ▪ Plant and equipment | 3 to 10 years |

Freehold land is not depreciated.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Property, plant and equipment continued

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income Statement in the year the item is derecognised.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. Should any interest be incurred on capital expenditure, it would be capitalised in line with IAS 23. Facility arrangement fees are held as a prepayment and amortised over the life of the facility.

Exceptional items

The Group presents as exceptional items on the face of the Income Statement, those significant items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses. The useful lives of the intangible assets are assessed to be finite. Where amortisation is charged on assets with finite lives, this expense is taken to the Income Statement through the 'costs and overheads excluding exceptional items' line.

Those intangibles with finite lives are amortised on a straight-line basis as follows:

▪ Computer software	3 to 5 years
▪ Patents	5 years
▪ Brands	10 years
▪ Customer contracts and relationships	3 to 10 years

Intangible assets created within the business are assessed against the criteria in IAS 38 and if the criteria are met, the asset is capitalised. If not, expenditure is charged against profits in the period in which the expenditure is incurred.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Recoverable amount of non-current assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	–	purchase cost on a first-in, first-out or weighted average cost basis where applicable;
Finished goods and work in progress	–	cost of direct materials and labour and a proportion of production related overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any non-collectable amounts. An estimate for expected credit losses is made when collection of the full amount is no longer probable.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. When identified, credit losses are either written off against the provision for credit losses (where applicable) or directly to the Income Statement. Where a debt is recovered having previously been provided against, the provision is credited to the Income Statement.

Cash and cash equivalents

Cash and short term deposits in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable issue costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, which calculates amortised cost of the financial asset or liability and allocates the finance cost over the relevant period. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through the amortisation process.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, although there remains uncertainty over timing or the amount of the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Pensions

The Group operates a defined benefit pension plan. The scheme is closed to new members and future accrual, instead membership of a defined contribution plan is available. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring related costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises these changes in the net defined benefit obligation under finance income or costs (note 8).

The Group also operates defined contribution schemes. Contributions to defined contribution schemes are recognised in the Income Statement in the period in which they become payable.

Lease agreements

Under IFRS 16 right-of-use assets are initially measured at cost, comprising the initial amount of the lease liability plus any payments made prior to the commencement of the lease. The right-of-use asset is then depreciated on a straight-line basis over the life of the lease. Lease liabilities are measured at the present value of the remaining lease payments, discounted at a rate which reflects the incremental borrowing rate over a similar term. Interest is recognised on the lease liability and expensed through the Income Statement.

Low value and short term leases are expensed directly to the Income Statement as incurred.

Dividends

Dividends payable are recognised when the Company is committed to the transaction.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of any rebates and VAT.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Revenue continued

Sale of goods

Revenue is principally related to the distribution of architectural and fenestration hardware. Performance obligations are satisfied at a point in time when title and risk passes over to the customer and revenue can be reliably measured. This is either upon despatch or upon delivery of the goods depending on contract terms.

Variable consideration is substantially all related to customer rebates. Revenue is stated net of such costs.

Sale of services

Revenue is principally related to the installation and maintenance of doors and windows. Performance obligations are satisfied at a point in time when title and risk passes over to the customer and revenue can be reliably measured. This is dependent on contract terms, but usually occurs once the installation has been completed.

Interest

Revenue is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Government grants

Income relating to Government grants is recognised where there is a reasonable expectation that the grant will be received and all attached conditions have been met. Where the grant covers an item of expense, it is recognised in the Income Statement as a reduction in that expense on the same systematic basis as the costs, for which the grant compensates, are incurred.

Income tax

Current tax

Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount payable, the excess is recognised as an asset. The benefits relating to a tax loss that can be carried back to recover current tax of a previous period are held as an asset.

Deferred tax

Deferred income tax is provided on temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and financial asset investments, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Income tax continued

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and financial asset investments, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and increased or reduced to the extent that it fulfils the criteria for recognition or it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Financial assets and liabilities

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

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

All financial assets are classified as 'Financial assets at amortised costs' other than hedging instruments, explained below.

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate foreign currency exchange risk arising from certain highly probable purchases denominated in foreign currency. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Financial assets and liabilities continued

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Derecognition

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions. The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Pension and other provisions

The measurement of defined benefit obligations requires estimation of future changes in inflation, as well as mortality rates and selection of a suitable discount rate (note 6). The measurement of other provisions requires estimation of future costs to be incurred.

Expected credit loss against receivables

Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate. Under the simplified approach of lifetime credit losses, an allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis, after determining appropriate groupings, with consideration to forward-looking information.

Rebate provision

Also included within the Group's provision for impairment of receivables is an amount relating to customer rebates. Provisions are made with reference to agreed terms with customers and are recognised through revenue as a reduction in consideration.

Impairment of inventories

The Group regularly reviews inventory to determine whether there are any indicators of impairment. Management estimates the level of provisions required by considering inventory holding levels, sales volumes and scrap values.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Judgements and key sources of estimation uncertainty continued

Taxation

The Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

In the current year, the defined benefit pension scheme is in surplus. As a result, consideration was given to the appropriateness of the treatment of deferred taxation in line with IFRIC 14.

Judgements around the recognition and non-recognition of deferred tax assets are discussed in notes 9 and 13.

New standards and interpretations not applied

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

	IASB Effective Date	UK effective date (periods beginning on or after)
Amendments		
Annual improvements and narrow-scope amendments to IFRS 1, IFRS 3, IFRS 9, IFRS 16, IAS 16 and IAS 17 (issued January 2020)	01 January 2022	01 January 2022

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement and are not expected to have a material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

3 REVENUE ANALYSIS

The Group has only one continuing operating segment upon which it reports its ongoing revenue analysis.

Hardware's principal activity is the design, development, sourcing, marketing and distribution of architectural and fenestration hardware to the UK and certain other European markets.

	2021 £m	2020 £m
Hardware	124.1	100.4

All revenue relates to the sale of goods or services and is all recognised at a point in time. Of the above, £5.0m relates to services (2020: £3.2m).

The Group operates in a number of geographic markets. The following table provides an analysis of the Group's revenue by those markets, irrespective of the origin of the goods, for the year ended 31 December:

	2021 £m	2020 £m
UK	96.8	75.1
Ireland	14.5	13.3
Rest of Europe	10.7	10.2
Rest of World	2.1	1.8
	124.1	100.4

4 COSTS AND OVERHEADS

Continuing costs and overheads include the following expenses by nature:

	2021 £m	2020 £m
Cost of inventories recognised as an expense	77.8	65.3
Write down of inventories recognised as an expense	0.2	0.3
Employment costs (note 5)	22.8	18.3
Depreciation (note 10)	2.2	2.2
Amortisation (note 11)	0.2	0.3
Other operating charges before exceptional items	13.9	9.7
	117.1	96.1

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

4 COSTS AND OVERHEADS CONTINUED

Worldwide fees payable to the Group's auditor comprise the following for the year ended 31 December:

	2021 £'000	2020 £'000
Fees payable to the Group's auditor for the audit of the annual accounts:		
Group audit fee	49	42
Subsidiaries audit fee	122	113
Fees payable to the Group's auditor and its associates for other services:		
Taxation compliance services	10	10
Taxation advisory services	17	22
Accounts production services	3	3
Other	5	5
	206	195

5 EMPLOYEE BENEFIT EXPENSE

(i) Employment costs comprise:	2021 £m	2020 £m
Wages and salaries	19.9	15.7
Social security costs	1.6	1.4
Pension costs (note 6)	1.3	1.2
	22.8	18.3

The employee benefit expense is stated net of COVID-19 related Government support income of £nil (2020: £1.8m).

Pension costs comprise £0.7m in relation to defined contribution schemes (2020: £0.7m) and £0.6m in relation to the defined benefit scheme (2020: £0.5m).

(ii) Directors' remuneration	2021 £m	2020 £m
Emoluments	1.8	1.1
Company contributions to money purchase pension schemes	—	—
	1.8	1.1

During 2021 no Directors (2020: no Directors) were members of a money purchase pension scheme.

	2021 £m	2020 £m
Remuneration of the highest paid Director:		
Emoluments	0.8	0.4
Company contributions to money purchase pension schemes	—	—
	0.8	0.4

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

5 EMPLOYEE BENEFIT EXPENSE CONTINUED

(iii) The average number of persons employed during the year was:

	2021 Number	2020 Number
UK	300	305
Ireland	41	41
Rest of Europe	40	41
Rest of World	185	198
	566	585

6 PENSION ARRANGEMENTS

Defined contribution schemes

There are a number of defined contribution pension schemes operated by the Group within certain of its United Kingdom and overseas subsidiary undertakings. Of the amount charged to employment costs in the Income Statement for pension contributions, £0.7m (2020: £0.7m) was in respect of defined contribution schemes.

Defined benefit schemes

The defined benefit scheme is now closed to new entrants and future accrual. The Group's parent company maintains a defined benefit pension scheme whose assets are held in a separate trustee administered fund.

The benefits of this scheme are based upon years of pensionable service and final pensionable remuneration of the employees as defined under the respective scheme provisions. A sole independent Trustee (Ross Trustee Services Limited) is responsible for the operation and governance of the Plan, including making decisions regarding the Plan's funding and investment strategy, in conjunction with the Company. Future employer contributions to the schemes are at rates determined by independent qualified actuaries based upon triennial actuarial valuations.

The Group's funding policy is to ensure that assets are sufficient to cover accrued service liabilities. The most recent triennial full valuation was carried out as at 31 December 2020, and the actuaries reported that:

- (i) the actuarial method used in the valuation of the scheme was the projected unit credit method;
- (ii) the principal actuarial assumptions were that the discount rate was 1.0 per cent per annum and the annual increase in inflation was 3.2 per cent and 2.3 per cent per annum for RPI and CPI respectively; and
- (iii) the market value of the assets of the scheme was £164.4m representing 94 per cent of the value of benefits accrued to members.

No amounts were owed to the Company by the scheme as at 31 December 2021 (2020: £nil).

The Group contributed £0.9m to the UK Plan in 2021 (2020: £0.1m). Following the most recent triennial valuation, the Group is committed to make regular contributions of £1.0m per annum. This commenced in February 2021. In the preceding year, contributions related solely to expenses paid on behalf of the pension scheme.

The contributions made to date and the scheme's surplus position at the year end have been considered in line with IFRIC 14 and management have concluded that the accounting complies with its requirements.

The pension scheme Trustee has second ranking all assets security over the shares of the UK companies below Arran Isle Limited along with a guarantee of indebtedness from Arran Isle Limited in the event of termination and wind up of the scheme, second ranking all assets security over the Irish companies and a charge over the shares in the Irish and Danish companies. In addition, the pension scheme Trustee has first ranking security over the UK and Irish freehold property.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

6 PENSION ARRANGEMENTS CONTINUED

The Plan is governed under the Plan's current Trust Deed and Rules dated 19 July 2002. The Trustee is responsible for the operation and governance of the Plan, including making decisions regarding the Plan's funding and investment strategy.

Information about the risks of the defined benefit scheme to the Group

The ultimate cost of the scheme will depend on actual future events rather than assumptions made. It is unlikely that many of the assumptions made will be borne out in practice and as such, the actual cost of the scheme may be higher (or lower) than disclosed. The main risk to the Company is that the assumptions underlying the disclosures, or the contribution requirements calculated, are not borne out in practice, resulting in the cost to the Company being higher than expected. This could result in higher contributions being needed from the Company and a lower surplus/higher deficit disclosed within the Annual Report & Financial Statements.

More specific risks could include:

- falls in asset values (in particular bond values) are not matched by similar falls in the value of liabilities. As the scheme has a proportion of its assets invested in return-seeking assets, the difference between the asset value and the IAS 19 liabilities may be volatile;
- the return on the scheme's assets is lower than assumed resulting in unaffordable contribution requirements for the Company;
- a large proportion of the liabilities is linked to inflation, with higher inflation leading to higher liabilities. In times of extreme inflation, caps on the level of inflationary increase mean these are restricted to protect the scheme. The majority of the scheme's assets are either unaffected by changes in inflation or are only loosely correlated, meaning that higher inflation is likely to lead to higher deficits;
- the majority of the benefits are payable for the duration of the member's life. Unanticipated future increases in life expectancy will, therefore, increase the liabilities; and
- the uptake of member options (e.g. early retirement or commutation of pension into cash sums at retirement) could result in higher (or lower) liabilities remaining than anticipated.

IAS 19

Disclosures in accordance with IAS 19 are set out below in respect of the defined benefit scheme. The principal assumptions used for the purpose of the IAS 19 valuations were as follows:

	2021	2020
Discount rate	1.85%	1.35%
Future pension increases	3.35%*	2.95%*
Price inflation		
CPI	2.80%	2.30%
RPI	3.45%	3.00%
Assumed life expectancy for a 65 year old		
Male – pensioner	22 years	21 years
Male – non-pensioner	22 years	22 years
Female – pensioner	24 years	23 years
Female – non-pensioner	25 years	24 years

* The rate of future pension increases of 3.35% applies only to benefits which move in line with RPI, max 5% p.a.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

6 PENSION ARRANGEMENTS CONTINUED

The Group recognised total retirement benefit costs as follows:

	2021 £m	2020 £m
Net interest on defined benefit liability (note 8)	—	0.1
Cost recognised in net finance costs	—	0.1
Past service cost	—	—
Administration costs recognised in employment costs (note 5)	0.6	0.5
Administration costs recognised in exceptionals (note 7)	—	0.3
Cost recognised in the operating profit for the year	0.6	0.8
Total cost recognised in the Income Statement	0.6	0.9

Following a change in the administrators of the scheme, an exercise of reviewing all the membership data and assumptions used in valuing benefits was undertaken during the prior year. The scheme is very historic with a number of different sections, and as can be the case when such reviews are carried out, various issues were identified and subsequently rectified. Associated pension administration costs incurred in the prior year have been classified as exceptional as detailed in note 7.

The remeasurement components recognised in Other Comprehensive Income (OCI) for the Group:

	2021 £m	2020 £m
Actuarial gain due to liability experience	(5.6)	—
Actuarial (gain)/loss due to liability assumption changes	(6.8)	15.8
Actuarial (gain)/loss arising during period	(12.4)	15.8
Return on plan assets less/(greater) than discount rate	1.0	(15.5)
Expenses settled on behalf of the pension scheme	—	0.1
Remeasurement effects recognised in Other Comprehensive Income	(11.4)	0.4

The pension gain included in the Statement of Comprehensive Income is stated net of the related deferred tax adjustment (note 18).

The following table shows the change in present value of defined benefit obligations, the change in scheme assets and the funded status recognised in the financial statements:

	2021 £m	2020 £m
Defined benefit obligation (DBO)	(150.6)	(168.3)
Fair value of assets (FVA)	158.4	164.4
Net defined benefit asset/(liability)	7.8	(3.9)

The Plan is in surplus and is classified as a non-current asset in the Consolidated Statement of Financial Position (2020: non-current liability).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

6 PENSION ARRANGEMENTS CONTINUED

The movements in the net defined benefit pension asset/(liability) are as follows:

	2021 £m	2020 £m
Net defined benefit liability at end of prior period	(3.9)	(2.7)
Past service cost	—	—
Net interest on defined benefit asset/(liability)	—	(0.1)
Remeasurement effects recognised in Other Comprehensive Income	11.4	(0.4)
Employer contributions	0.9	0.1
Administration costs incurred during the period	(0.6)	(0.8)
Net defined benefit asset/(liability) at end of current period	7.8	(3.9)

The change in the present value of defined benefit obligations (DBO) is as follows:

	2021 £m	2020 £m
DBO at end of prior period	168.3	158.1
Past service cost	—	—
Interest cost on the DBO	2.2	3.1
Actuarial gain - experience	(5.6)	—
Actuarial gain - demographic assumptions	(1.2)	(2.6)
Actuarial (gain)/loss - financial assumptions	(5.6)	18.4
Benefits paid from Plan assets	(7.5)	(8.7)
DBO at end of current period	150.6	168.3

The following table shows the change in the fair value of scheme assets:

	2021 £m	2020 £m
Fair value of assets at end of prior period	164.4	155.4
Interest income on Plan assets	2.2	3.0
Return on Plan assets (less)/greater than discount rate	(1.0)	15.5
Employer contributions	0.9	0.1
Benefits paid from Plan assets	(7.5)	(8.7)
Administration costs incurred during the period	(0.6)	(0.8)
Expenses settled on behalf of the pension scheme	—	(0.1)
Fair value of assets at end of current period	158.4	164.4

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

6 PENSION ARRANGEMENTS CONTINUED

The major categories of scheme assets as at 31 December 2021 are as follows:

	Quoted £m	Unquoted £m	Total £m
Matching Linked Bonds	49.1	—	49.1
Corporate Bonds	89.0	8.7	97.7
Real estate/property	—	10.1	10.1
Cash and cash equivalents	1.4	—	1.4
Insured liabilities	—	0.1	0.1
Fair value of assets at end of current period	139.5	18.9	158.4

The fair value of scheme assets does not include any equities in respect of the Group's own financial instruments (2020: £nil) and the Plan has not invested in any of the Group's own properties.

The expected maturity of the undiscounted future benefit payments is:

	£m
Expected benefit payments during fiscal year ending 31-Dec-22	7.6
Expected benefit payments during fiscal year ending 31-Dec-23	7.7
Expected benefit payments during fiscal year ending 31-Dec-24	7.9
Expected benefit payments during fiscal year ending 31-Dec-25	8.0
Expected benefit payments during fiscal year ending 31-Dec-26	8.2
Expected benefit payments during fiscal years ending 31-Dec-27 through 31-Dec-30	43.0

Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of a change in the key assumptions as noted above. In isolation the changes would adjust the net pension surplus and cost as shown.

	Net surplus (decrease)/increase £m
Discount rate increase of 0.1%	2.1
Price inflation increase of 0.1%	(1.2)
RPI increase of 0.1%	(0.6)
CPI increase of 0.1%	(0.5)
Life expectancy increase of one year	(6.7)

The assumed average duration of the defined benefit plan obligation at the end of the reporting period is 16 years (2020: 16 years).

Information in this note has been prepared with the assistance and advice of actuaries.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

7 EXCEPTIONAL ITEMS

Each of the below items are treated as exceptional since they are infrequent and material in nature. As such, the amounts earned or charged in any given year is not indicative of a trend in financial performance.

Exceptional operating charges comprise:

	2021	2020
	£m	£m
Costs associated with the proposed sale of the Group	(1.6)	—
Costs associated with the restructure of the Group	—	(0.6)
Costs associated with rectification of historic data issues related to the Group's defined benefit pension scheme (note 6)	—	(0.3)
	(1.6)	(0.9)

8 FINANCE COSTS

	2021	2020
	£m	£m
Bank loans and overdrafts	(0.1)	(0.1)
Amortisation of deferred financing costs	(0.1)	(0.1)
Interest expense for leasing arrangements (note 24)	(0.1)	(0.1)
Net interest on defined benefit liability (note 6)	—	(0.1)
	(0.3)	(0.4)

9 TAXATION

(i) Consolidated Income Statement

	2021	2020
	£m	£m
Current taxation		
UK corporation tax at 19% (2020: 19%)	0.9	0.6
UK adjustments in respect of prior years	—	—
Overseas taxation current year	0.2	0.2
Deferred taxation (note 13)		
Current year	0.1	(0.1)
Impact of change in tax laws and rates	—	(0.1)
	1.2	0.6

Current taxation includes £nil relating to operating exceptional items (2020: £0.1m credit).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

9 TAXATION CONTINUED

- (ii) The tax charge in the Income Statement is disclosed as follows:

	2021 £m	2020 £m
Income tax charge on continuing operations	1.2	0.6

- (iii) Tax (expense) / income reported in the Consolidated Statement of Comprehensive Income

	2021 £m	2020 £m
Deferred tax on actuarial gains and losses on defined benefit pension plan (note 18)	(3.4)	0.1
Deferred tax on gains and losses on foreign exchange hedges (note 18)	(0.1)	0.1

As per note 6, the UK pension scheme is in a surplus position at the balance sheet date. The scheme is closed to future accrual and the Group's parent company is entitled to a refund of any surplus should the scheme be wound up. The withholding tax charge on any surplus received by the Group's parent company is currently 35% and, as such, this is the appropriate rate at which to provide the associated deferred tax. The £0.6m adjustment that arises when applying 35% rather than 19% has been credited to the Statement of Comprehensive Income. Deferred tax in relation to the pension deficit was provided for at a rate of 19% in 2020, being the rate at which temporary differences were then expected to reverse.

- (iv) Factors affecting total tax charge – the tax assessed on the profit for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £m	2020 £m
Profit on continuing operations before taxation	5.1	3.0
Taxation at the UK statutory rate of 19% (2020: 19%)	1.0	0.6
Movement on unrecognised deferred tax in respect of losses not utilised	(0.1)	0.1
Effect of differing overseas taxes on earnings	(0.1)	(0.1)
Movement on unrecognised deferred tax in respect of provisions	0.1	(0.1)
Permanent disallowed expenses and non-taxable income	0.3	0.1
Adjustments in respect of previous periods current taxation	—	—
Total tax charge for the period	1.2	0.6

- (v) Permanent disallowed expenses include £0.3m relating to costs associated with the proposed sale of the Group (note 7).
- (vi) There are tax losses carried forward in certain Group companies of £17.5m. These tax losses are available to be offset against future taxable profits of the companies in which the losses arose if and when suitable profits arise. No deferred tax asset has been recognised relating to these losses as it is not considered that there is a high enough probability of utilisation in the near future to justify recognition. Tax losses include around £4.6m of carry forward tax losses in overseas jurisdictions which would be available to offset against future relevant taxable income. £3.5m of these losses do not have a fixed expiry date. The balance of the losses have the following expiry dates:

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

9 TAXATION CONTINUED

	China	Total
Expiry	£m	£m
31/12/2022	(0.3)	(0.3)
31/12/2023	(0.7)	(0.7)
31/12/2024	—	—
31/12/2025	(0.1)	(0.1)
	(1.1)	(1.1)

(vii) Changes in current tax rates

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. However, in March 2021, Finance Bill 2021 included measures to increase the standard rate of corporation tax rate to 25% with effect from 1 April 2023. Finance Bill 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurement of UK deferred tax assets and liabilities at 31 December 2021, with the exception of the £2.7m deferred tax liability that relates to the UK defined benefit pension scheme (note 9(iii) and note 13). Deferred tax on all other UK items has been provided at 25%, being the rate at which temporary differences are currently expected to reverse.

(viii) The net balance relating to income tax receivable and payable is as detailed below:

	2021 £m	2020 £m
Income tax receivable	—	—
Income tax payable	(0.3)	(0.3)
	(0.3)	(0.3)

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

10 PROPERTY, PLANT AND EQUIPMENT

	Owned assets		Right-of-use assets		
	Property	Plant and equipment	Property	Plant and equipment	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2020	7.4	5.3	4.6	1.4	18.7
Additions	—	0.6	0.4	0.6	1.6
Disposals	—	—	—	(0.1)	(0.1)
Exchange fluctuations	0.2	0.1	0.2	—	0.5
At 31 December 2020 and 1 January 2021	7.6	6.0	5.2	1.9	20.7
Additions	-	0.6	-	0.5	1.1
Disposals	-	(0.3)	(0.2)	(0.2)	(0.7)
Exchange fluctuations	(0.2)	(0.1)	(0.1)	(0.1)	(0.5)
At 31 December 2021	7.4	6.2	4.9	2.1	20.6
Depreciation					
At 1 January 2020	2.5	4.1	0.7	0.4	7.7
Disposals	—	—	—	(0.1)	(0.1)
Charge for the year	0.2	0.5	0.9	0.6	2.2
Impairment	—	—	0.1	—	0.1
Exchange fluctuations	0.1	0.1	—	—	0.2
At 31 December 2020 and 1 January 2021	2.8	4.7	1.7	0.9	10.1
Disposals	—	(0.3)	(0.2)	(0.2)	(0.7)
Charge for the year	0.2	0.5	0.9	0.6	2.2
Exchange fluctuations	(0.1)	(0.1)	-	-	(0.2)
At 31 December 2021	2.9	4.8	2.4	1.3	11.4
Net book amounts					
At 31 December 2021	4.5	1.4	2.5	0.8	9.2
At 31 December 2020	4.8	1.3	3.5	1.0	10.6
At 31 December 2019	4.9	1.2	3.9	1.0	11.0

The consolidated net book value of owned property comprises freeholds of £2.8m (2020: £2.9m), long leaseholds (over 50 years unexpired) of £1.7m (2020: £1.8m) and short leasehold improvements of £nil (2020: £0.1m).

Impairment

A review for impairment has been performed on all of the Group's assets in accordance with IAS 36 'Impairment of Assets' to ensure they are valued at the lower of carrying value and recoverable amount. At the prior year end, a property lease with a carrying value of £0.1m was considered impaired due to it becoming surplus to requirements. No such impairments have been noted at the current year end.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

11 INTANGIBLE ASSETS

	Customer contracts & relationships £m	Brand names £m	Patents £m	Computer software £m	Total £m
Cost					
At 1 January 2020	3.2	7.0	0.2	1.7	12.1
Additions	—	—	—	—	—
At 31 December 2020 and 1 January 2021	3.2	7.0	0.2	1.7	12.1
Additions	—	—	—	0.1	0.1
At 31 December 2021	3.2	7.0	0.2	1.8	12.2
Amortisation					
At 1 January 2020	3.1	7.0	0.2	1.2	11.5
Charge for year	0.1	—	—	0.2	0.3
At 31 December 2020 and 1 January 2020	3.2	7.0	0.2	1.4	11.8
Charge for year	—	—	—	0.2	0.2
At 31 December 2021	3.2	7.0	0.2	1.6	12.0
Net book amounts					
At 31 December 2021	—	—	—	0.2	0.2
At 31 December 2020	—	—	—	0.3	0.3
At 31 December 2019	0.1	—	—	0.5	0.6

Customer contracts and relationships, brand names and patents were capitalised in connection with the historic acquisition of Arran Isle Holdings Limited and Avenco Limited with the exception of a £0.2m addition to customer contracts and relationships in 2016, all of which are now fully amortised. Software comprises separately acquired computer applications.

The Group has no intangible right-of-use assets.

12 FINANCIAL ASSETS

Current financial assets comprise cash at bank and in hand of £9.4m (2020: £21.4m).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

13 DEFERRED TAX

	2021 £m	2020 £m
Net deferred tax asset at the beginning of the year	(0.8)	(0.4)
Statement of Comprehensive Income (note 18)	3.5	(0.2)
Charge / (credit) for the year (note 9)	0.1	(0.1)
Impact of change in tax laws and rates (note 9)	—	(0.1)
Net deferred tax liability / (asset) at 31 December	2.8	(0.8)

Amounts provided for deferred taxation are as set out below:

	2021 £m	2020 £m
Deferred income tax asset	—	(0.9)
Deferred income tax liability	2.8	0.1
	2.8	(0.8)

	2021 £m	2020 £m
Deferred income tax asset analysed as:		
Defined benefit pensions deficit	—	(0.7)
Accelerated capital allowances	—	(0.1)
Foreign exchange loss on cashflow hedges	—	(0.1)
	—	(0.9)

	2021 £m	2020 £m
Deferred income tax liability analysed as:		
Defined benefit pensions surplus	2.7	—
Non-qualifying land and buildings	0.1	0.1
	2.8	0.1

Due to insufficient evidence of the availability of suitable taxable profits there were unrecognised potential deferred tax assets of £4.3m relating to trading losses and other temporary differences (2020: £3.6m) and £15.0m relating to capital losses (2020: £11.4m). As these losses have arisen in companies that are not anticipated to be sufficiently profitable for some time, it is not considered likely that these assets will be recoverable in the foreseeable future (note 9).

Full recognition has been made of the £2.7m deferred tax liability relating to the Group's defined benefit pension scheme (2020: £0.7m asset).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

14 INVENTORIES

	2021 £m	2020 £m
Raw materials	0.8	0.7
Work in progress	0.3	0.3
Finished goods	37.7	25.7
	38.8	26.7

Inventory movement expensed to the Income Statement in the year is detailed in note 4.

15 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Trade receivables	18.1	17.8
Less provision for impairment of receivables	(2.4)	(2.2)
Trade receivables – net	15.7	15.6
Other receivables	0.3	0.2
Prepayments and accrued income	1.8	1.5
	17.8	17.3

The provision for impairment of receivables comprises credit note and customer rebate provisions of £2.1m (2020: £1.8m) and expected credit losses of £0.3m (2020: £0.4m).

Prepayments and accrued income include receivables as a result of services provided to customers of £0.5m (2020: £0.3m).

Included in the Group's trade receivables balance are debtors with a carrying amount of £0.5m (2020: £0.4m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Expected credit loss rate

	Ageing of trade receivables			Total
	Current	More than 60 days	More than 90 days	
As at 31 December 2021:				
Expected credit loss rate	0%	20%	100%	2%
Gross carrying amount	17.4	0.5	0.2	18.1
Lifetime expected credit loss	—	0.1	0.2	0.3
As at 31 December 2020:				
Expected credit loss rate	1%	0%	100%	2%
Gross carrying amount	16.9	0.6	0.3	17.8
Lifetime expected credit loss	0.1	—	0.3	0.4

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

15 TRADE AND OTHER RECEIVABLES CONTINUED

Movement in expected credit losses

	2021 £m	2020 £m
As at the beginning of the period	0.4	0.5
Foreign exchange	—	(0.1)
Increase in provision for receivables impairment	—	0.2
Receivables written off during the period as uncollectable	(0.1)	(0.2)
Amounts recovered	—	—
As at 31 December	0.3	0.4

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for expected credit losses (see "credit risk" disclosures in note 27 for further information).

No individually impaired trade receivables which have been placed under liquidation are included in the allowance for expected credit losses (2020: £nil). The allowance for expected credit losses assumes sales taxes in relation to the impaired balances will be fully recoverable.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2021 £m	2020 £m
Sterling	15.2	15.3
US Dollar	0.5	0.4
Euro	2.0	1.7
Other currencies	0.4	0.4
Total	18.1	17.8

16 CALLED UP SHARE CAPITAL

	Authorised, allotted and fully paid 2021		Authorised, allotted and fully paid 2020	
	Number	£	Number	£
Ordinary Shares of 0.001p	21,619,990	216	21,619,990	216

During the year, the Directors sold 3,678,000 shares to the Employee Benefit Trust (EBT) at a value of £2 per share.

17 RESERVES

Own shares	Shares owned by the Company or its Employee Benefit Trust
Foreign exchange reserve	Cumulative gains or losses arising on the fair value of foreign exchange forward contracts
Retained earnings	All current and prior period retained profits and losses

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

18 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2021 £m	2020 £m
Defined benefit pension plans:		
Actuarial gain/(loss) on defined benefit pension plans (note 6)	11.4	(0.4)
Less deferred tax on actuarial gain/(loss) (notes 9 and 13)	(3.4)	0.1
	8.0	(0.3)
Foreign exchange hedges:		
Gain/(loss) on foreign exchange hedge	0.7	(0.6)
Less deferred tax relating to gain/(loss) on foreign exchange hedge	(0.1)	0.1
	0.6	(0.5)

19 FINANCIAL LIABILITIES

	2021 £m	2020 £m
<i>Fair Value:</i>		
Commercial trading hedges (note 27)	—	0.8
<i>Carrying amount at amortised cost:</i>		
Secured loans (note 23)	—	1.1
Total current financial liabilities	—	1.9

Borrowings at amortised cost

The major committed bank facility of the Group at the year end was a £15.0m global asset-based funding agreement (the "Facility") with Wells Fargo Capital Finance (UK) Limited ("Wells Fargo"). The facility runs until 30 June 2025.

The facility is based on the level of qualifying receivables and inventories which fluctuate over the period of the facility. As is normal within these agreements, the level of qualifying assets is subject to periodic appraisal by the lender. Due to the nature of the facility, the loans against the receivable and inventory collateral represent a line of revolving credit and as such would have been classified as current liabilities. However, there are no such loans in the current or preceding year.

In the prior year, secured loans were held against property collateral. No such loans existed at the current year end.

20 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade payables	20.8	17.8
Other taxation	3.1	2.5
Social security	0.2	0.2
Other payables	0.6	0.6
Lease liabilities (note 21)	1.2	1.4
Accruals	3.8	1.9
	29.7	24.4

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

21 LEASES

Lease liabilities are presented in the Statement of Financial Position as follows:

	2021	2020
	£m	£m
Current	1.2	1.4
Non-current	2.3	3.2
	3.5	4.6

The Group has leases for property, plant and equipment. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected in the Statement of Financial Position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 10).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

As at 31 December 2021	No. of right-of-use asset leases	Range of remaining term	Average remaining lease term	No. of leases with extension options
Property	5	0-8 years	5 years	-
Plant and equipment	127	0-3 years	1 year	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

As at 31 December 2021	Within 1 year £m	1-5 years £m	More than 5 years £m	Total £m
Lease payments	1.3	2.0	0.5	3.8
Finance charge	(0.1)	(0.2)	-	(0.3)
Net present value	1.2	1.8	0.5	3.5

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability at 31 December is as follows:

	2021	2020
	£m	£m
Short-term leases	0.1	0.1

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

21 LEASES CONTINUED

At 31 December 2021 the Group was committed to short term and low value leases and the total commitment at that date was £0.1m (2020: £0.1m).

At 31 December 2021 the Group had no commitments to leases which had not yet commenced (2020: nil).

Total cash outflow for leases for the year ended 31 December 2021 was £1.6m (2020: £1.6m).

22 CASH GENERATED FROM CONTINUING OPERATIONS

	Note	2021 £m	2020 £m
Profit on continuing activities before taxation		5.1	3.0
Adjustments for:			
Net finance cost	8	0.3	0.4
Depreciation of property, plant and equipment	10	2.2	2.2
Amortisation of intangibles	11	0.2	0.3
Operating exceptionals	7	1.6	0.9
Pension contributions	6	(0.9)	(0.1)
Pension administration costs recognised in employee costs	6	0.6	0.5
Outflow in respect of exceptionals		(1.6)	(1.0)
Working capital movements:			
(Increase)/decrease in inventories		(12.5)	4.3
Increase in receivables		(0.7)	(0.3)
Increase in payables		6.0	0.6
Cash generated from continuing operations		0.3	10.8

23 ANALYSIS OF NET FUNDS

	2021 £m	2020 £m
Cash at bank and in hand (note 12)	9.4	21.4
Borrowings due within one year (note 19)	—	(1.1)
Borrowings due after one year (note 19)	—	—
	9.4	20.3

For the purposes of this disclosure, net funds is defined as bank deposits and bank borrowings and excludes forward hedging contracts and lease liabilities.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

24 CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES DURING THE YEAR

	Finance lease liabilities £m	Borrowings £m	Total £m
Balance at 1 January 2021	4.6	1.1	5.7
Changes from financing cashflows			
Repayment of borrowings	—	(1.1)	(1.1)
Payment of finance lease liabilities (note 21)	(1.6)	—	(1.6)
Total changes from financing cashflows	(1.6)	(1.1)	(2.7)
Other changes			
New finance leases (note 10)	0.5	—	0.5
Interest (note 8)	0.1	—	0.1
Foreign exchange	(0.1)	—	(0.1)
Total other changes	0.5	—	0.5
Balance at 31 December 2021	3.5	—	3.5

25 CONTINGENCIES

The Group is party to legal actions and claims which have arisen in the normal course of business. The results of the actions and claims cannot be forecast with certainty, but the Directors believe that they will be concluded without any material effect on the net assets of the Group.

26 COMMITMENTS

Capital commitments

The Directors have contracted for future capital expenditure of £nil (2020: £nil).

27 FINANCIAL INSTRUMENTS

Treasury policies and financial risks

The Group's treasury activities are controlled and monitored by the Group's head office finance team and carried out in accordance with policies set by the Board. The purpose of treasury policies is to ensure that adequate cost effective funding is available to the Group at all times and that exposure to treasury risks is minimised. The principal treasury risks arising from the Group's activities are funding and liquidity risk, interest rate risk, foreign exchange risk and pension funding risk. Funding is generally provided by means of committed borrowings at fixed and floating rates.

Financial instruments

The Group's financial instruments include loans and cash. These financial instruments are used for the purpose of funding the Group's operations.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

27 FINANCIAL INSTRUMENTS CONTINUED

Financial instruments continued

The major committed bank facility of the Group at the year end was a £15.0m global asset-based funding agreement (the "Facility") with Wells Fargo Capital Finance (UK) Limited ("Wells Fargo"). The facility runs until 30 June 2025.

At the year end the Wells Fargo facility was fully secured on the majority of the Group's assets and had a normal fixed charge cover ratio covenant.

Under the Facility at the year end, the Group's qualifying assets provided net collateral of £14.8m (2020: £14.7m). The total amount undrawn against available collateral, taking account of all limitations to headroom, was £19.7m (2020: £30.4m) and cash at bank and in hand was £9.4m (2020: £21.4m).

The total amount undrawn on all available bank facilities at 31 December 2021 was £20.0m (2020: £30.7m).

In addition, the Group has entered into forward currency contract derivative transactions, which have been used in the management of risks associated with currency exposures.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank deposits and bank borrowings. The Group reviews deposits and borrowings at Board meetings. Local management provide cash flow forecasts to Group management quarterly for the remainder of the year by month and each month for the next three months. The Group's financial liabilities are exposed to fair value interest rate risk and cash flow interest rate risk which is monitored by management. The Group does not currently hedge against interest rate risks.

The following table demonstrates the sensitivity of the Group's equity and profit before tax to a reasonably possible change in interest rates, with all other variables held constant.

	2021 Impact on profit before tax / closing equity £m	2020 Impact on profit before tax / closing equity £m
Increase in 100 basis points	—	—
Decrease in 100 basis points	—	—

Financial assets

The Group's financial assets include cash at bank.

Floating rate financial assets

The Group's floating rate financial assets comprise cash at bank available within one year and linked to base rate or equivalent. The profile of these assets is as follows:

	2021 £m	2020 £m
Sterling	7.0	13.9
Euro	0.6	0.7
US Dollar	2.1	5.8
Other worldwide	(0.3)	1.0
	9.4	21.4

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

27 FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk continued

Financial liabilities

The Group's financial liabilities in the prior year include bank debt and foreign currency hedges. The financial liabilities were subject to both fixed and floating interest rates. There are no financial liabilities in the current year.

	2021 £m	2020 £m
<i>Floating rate financial liabilities</i>		
Sterling bank loans	—	1.0
Euro bank loans	—	0.1
Contractual cashflows	—	1.1
<i>Fixed rate financial liabilities</i>		
Commercial trading hedges	—	0.8
Total fixed and floating contractual cashflows	—	1.9

The floating rate bank loans in the prior year related solely to property and attracted interest at 1.85% above local base rate. All amounts in the prior year were due within 1 year of the date of the Statement of Financial Position.

Fair values of financial assets and liabilities

Fair value hierarchy

As at 31 December 2021 the Group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

In the preceding year all financial liabilities were designated level 2. In the current year, there are no financial liabilities. During the reporting period ended 31 December 2021 there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

Concentration risk

Several of the Group's business units receive a significant portion of their revenues from a limited number of key customers. Whilst a loss of these key customers could adversely impact the prospects, business, financial condition and results of those business units, the loss of individual key customers would not be significant for the Group.

Credit risk

The Group provides sales on credit terms to the majority of its customers. There is an associated risk that customers may not be able to pay outstanding balances. The maximum credit exposure relating to trade receivables is represented by the carrying value at the Statement of Financial Position.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

27 FINANCIAL INSTRUMENTS CONTINUED

Credit risk continued

Each of the businesses has established procedures in place to review and collect outstanding receivables. Significant outstanding and overdue balances are reviewed regularly and resulting actions are put in place on a timely basis. All of the businesses use dedicated credit control teams. Credit limits are reviewed on a regular basis in light of customer credit ratings, payment history and future expected demand. A consistent, detailed approach to provisioning against trade receivables is taken such that there is not felt to be any significant risk in relation to unprovided trade receivables. Given the markets in which the businesses operate, credit worthiness of customers varies significantly but there are rigorous procedures in place to ensure that only appropriate levels of credit are granted.

Liquidity risk

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and borrowings.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Less than 1 year £m	1 – 5 years £m	Total £m
As at 31 December 2021			
Loans and borrowings (note 19)	—	—	—
Trade and other payables (note 20)	29.7	—	29.7
Total	29.7	—	29.7
As at 31 December 2020			
Loans and borrowings (note 19)	1.1	—	1.1
Trade and other payables (note 20)	24.4	—	24.4
Total	25.5	—	25.5

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

Capital management

The major committed bank facility of the Group at the year end was a £15.0m global asset-based funding agreement (the "Facility") with Wells Fargo Capital Finance (UK) Limited ("Wells Fargo"). The facility runs until 30 June 2025. This facility is fully secured on the majority of the Group's assets and has a normal fixed charge cover ratio covenant.

Foreign exchange risk

The Group's principal foreign exchange exposure is the translation of Euro denominated results and net assets into Sterling plus the impact of commercial trading hedges. The following table demonstrates the sensitivity of the Group's equity and the Group's profit before tax (due to changes in the fair value of monetary assets, liabilities and foreign currency hedges) to a reasonably possible change in Sterling against the US Dollar and other (primarily Euro) exchange rates with all other variables held constant.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

27 FINANCIAL INSTRUMENTS CONTINUED

Foreign exchange risk continued

	Increase/ (decrease) in rate	Effect on equity £m	Effect on profit before tax £m
2021			
US Dollar	2.5%	—	—
	(2.5%)	—	—
Other	2.5%	(0.1)	—
	(2.5%)	(0.1)	—
2020			
US Dollar	2.5%	(0.7)	0.1
	(2.5%)	0.7	(0.1)
Other	2.5%	(0.2)	—
	(2.5%)	0.2	—

Foreign operations

The Group's continuing overseas operations are located in Europe and China.

The loss on retranslation of the Group's net investment in continuing foreign operations of £0.4m (2020: £0.4m gain) is recognised in the Statement of Comprehensive Income.

Foreign exchange hedges

Foreign currency hedges are taken out to cover significant future purchases of goods, which are invoiced in non-functional currencies.

At 31 December 2021 the Group held 5 forward exchange contracts (2020: 63) designated as hedges of highly probable future purchases in foreign currencies between January and February 2022.

The fair value of these foreign exchange hedges is a negligible asset at 31 December 2021 (2020: £0.8m liability).

During the year a credit of less than £0.1m was removed from equity and included within the Income Statement in relation to foreign exchange hedges in place at 31 December 2020 which have been matched to transactions occurring in 2021 (2020: £0.1m debit).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

28 RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the defined benefit pension scheme, which is a related party, are detailed in note 6.

During the year, the Group loaned its Employee Benefit Trust (EBT) £7.4m of cash to enable the purchase of 3,678,000 shares from the Directors. This loan is fully repayable on completion of the sale of the Group. In accordance with IFRS 10, the EBT is deemed to be under the control of the Group and hence the transaction has been accounted for as the purchase of own shares within the Statement of Changes in Equity.

The Directors now collectively own 16,226,238 shares (75.05% of the total Group shareholding) (2020: 19,904,238; 92.06%).

No dividends to shareholders were paid during the current year or prior year.

Compensation of key management personnel, being the Executive Directors:

	2021	2020
	£m	£m
Short term benefits	1.4	0.8

29 ULTIMATE CONTROLLING PARTY

The Directors consider there to be no ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

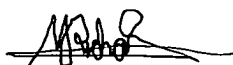
		2021	2020
	Note	£m	£m
ASSETS			
NON-CURRENT ASSETS			
Investments	3	8.0	8.0
Defined benefit pension asset	4	7.8	—
Deferred income tax asset	6	—	0.7
		15.8	8.7
CURRENT ASSETS			
Other receivables	5	29.0	25.5
TOTAL ASSETS		44.8	34.2
EQUITY AND LIABILITIES			
Share capital	7	—	—
Retained earnings	8	42.1	30.3
TOTAL EQUITY		42.1	30.3
NON-CURRENT LIABILITIES			
Defined benefit pension liability	4	—	3.9
Deferred income tax liability	6	2.7	—
TOTAL EQUITY AND LIABILITIES		44.8	34.2

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year within the financial statements of the Company was £3.8m (2020: profit of £2.7m).

The accounts and notes on pages 51 to 61 were approved by the Board of Directors on 4 March 2022 and are signed on its behalf by:



M Wardhaugh
Chief Executive



M J Richards
Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

		Share capital	Retained earnings	Total Equity
	Note	£m	£m	£m
AT 1 JANUARY 2020		—	27.9	27.9
Profit for the year		—	2.7	2.7
Actuarial loss on defined benefit pension plan	4	—	(0.4)	(0.4)
Deferred tax on actuarial loss on defined benefit pension plan	6	—	0.1	0.1
Total comprehensive income for the year		—	2.4	2.4
AT 1 JANUARY 2021		—	30.3	30.3
Profit for the year		—	3.8	3.8
Actuarial gain on defined benefit pension plan	4	—	11.4	11.4
Deferred tax on actuarial gain on defined benefit pension plan	6	—	(3.4)	(3.4)
Total comprehensive income for the year		—	11.8	11.8
AT 31 DECEMBER 2021		—	42.1	42.1

The above was entirely attributable to the owners of the Company.

There were no transactions with the owners in the current or preceding year that impacted equity.

NOTES TO THE COMPANY ACCOUNTS

YEAR ENDED 31 DECEMBER 2021

1 ACCOUNTING POLICIES

Accounting convention and going concern

The major committed bank facility of the Group at the year end was a £15.0m global asset-based funding agreement (the "Facility") with Wells Fargo Capital Finance (UK) Limited ("Wells Fargo"). The facility runs until 30 June 2025. The facility is based on the level of qualifying receivables and inventories which fluctuate over the period of the facility. As is normal within these agreements, the level of qualifying assets is subject to periodic appraisal by the lender.

The financial statements have been prepared on a going concern basis, which assumes that the Group has sufficient resources to enable it to continue operating and to meet its liabilities as they fall due. The Directors believe the going concern assumption to be appropriate for the reasons as set out below.

Included within the facility are operating conditions with which the Group will need to comply as well as a normal fixed charge cover ratio covenant.

In assessing the Group's ability to operate within, and in compliance with, the terms of the facility in the foreseeable future, the Directors have taken consideration of the Group's financial projections and the current trading performance. They have also reviewed the sensitivities including their assessment of any likely changes to the assumptions that the lender might make to the facility levels for the period through to June 2025.

The Group's forecasts and projections have been thoroughly reassessed, taking account of reasonably possible risks. This exercise has demonstrated that it would require a significant and sustained reduction in the Group's revenue to cause the Group to be unable to comply with its responsibilities to its lender. The likelihood of such a reduction is deemed by the Directors as remote and the Group is well placed to operate within the level of its current bank facilities despite the current uncertain economic outlook.

Having considered the financial projections, the financial covenant and operating conditions and the sensitivity to changes in facility levels, the Directors have concluded that there is a reasonable expectation that the Group has sufficient liquidity and capital resources to meet its obligations in the normal course of business for the foreseeable future. Within this assessment, the going concern of the Company has also been considered. Following this exercise, the Directors continue to adopt the going concern basis in preparing the Company's financial statements.

The financial statements have also been prepared under the historical cost convention and are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The accounting policies of the Company have been consistently applied in the period. The Company has departed from consistent accounting policies with the Group as the Group accounts are prepared under UK-adopted international accounting standards and the Company Directors have taken the decision to prepare the Company accounts in accordance with FRS 101.

Disclosure exemptions adopted

Under FRS 101, the following disclosure exemptions have been adopted:

- Preparation of a cash flow statement
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the Group as they are wholly owned within the Group
- Disclosures in respect of standards in issue not yet effective

Investments

Fixed asset investments in subsidiaries are held at cost, less provision for impairment. Gains and losses are recognised in the profit and loss account as and when the investments are impaired.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

1 ACCOUNTING POLICIES CONTINUED

Pensions

The Company operates a defined benefit pension plan. The scheme is closed to new members and future accrual, instead membership of a defined contribution plan is available. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on Plan assets (excluding net interest), are recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the Plan amendment or curtailment, and the date that the Company recognises restructuring related costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises these changes in the net defined benefit obligation under finance income or costs.

Income tax

Current tax

Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount payable, the excess is recognised as an asset. The benefits relating to a tax loss that can be carried back to recover current tax of a previous period are held as an asset.

Deferred tax

Deferred income tax is provided on temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and financial asset investments, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and financial asset investments, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and increased or reduced to the extent that it fulfils the criteria for recognition, or it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

2 AUDIT FEES

Fees paid to Grant Thornton UK LLP and its associates for audit services to the Company itself are not disclosed in the individual accounts of Arran Isle Limited because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

3 FIXED ASSET INVESTMENTS

	Investments in subsidiaries £m
Cost	
At 1 January and 31 December 2021	8.0
Provision for impairment	
At 1 January and 31 December 2021	—
Net book values	
At 31 December 2021	8.0
At 31 December 2020	8.0

The Company has the following investments in subsidiaries:

	Registered address	Class of share held	Ownership
Arran Isle Holdings Limited	4 Coop Place, Bradford BD5 8JX	Ordinary	100%

The subsidiaries of Arran Isle Holdings Limited (both direct and indirect), all of which are wholly owned and registered in England and Wales (unless otherwise indicated) are listed below by principal activity.

Designing and distributing fenestration hardware

Heywood Williams Components Limited	4 Coop Place, Bradford BD5 8JX	Ordinary	100%
Mila Limited (Ireland)	13-18 City Quay, Dublin, Ireland	Ordinary	100%
Mila Beslag AS (Denmark)	H C Ørsteds Vej 18, DK-3000, Helsingør, Denmark	Ordinary	100%
UAB Mila Baltics (Lithuania)*	Kirtimų g. 59A, Vilnius, Lithuania	Ordinary	83.25%

Designing and distributing architectural hardware

Carlisle Brass Limited	4 Coop Place, Bradford BD5 8JX	Ordinary	100%
Locks & Hardware Limited (Ireland)	13-18 City Quay, Dublin, Ireland	Ordinary	100%

Manufacturing architectural hardware

AI BEI XIN (Hangzhou) Machinery Limited (China)	193 Hongda Road, Hangzhou, Zhejiang, 311200	Ordinary	100%
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Non-Trading Companies

Dawnforest Limited	4 Coop Place, Bradford BD5 8JX	Ordinary	100%
Planet Overseas Holdings Limited	4 Coop Place, Bradford BD5 8JX	Ordinary	100%
Balmar Limited (Ireland)	13-18 City Quay, Dublin, Ireland	Ordinary	100%
Carlisle Brass Ironmongery Trading LLC (Dubai)	c/o 4 Coop Place, Bradford BD5 8JX	Ordinary	100%

* An 83.25% share is held in UAB Mila Baltics. The remaining 16.75% represents a non-controlling interest in the business.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

4 PENSION ARRANGEMENTS

Defined benefit scheme

The defined benefit scheme is now closed to new entrants and future accrual.

The benefits of this scheme are based upon years of pensionable service and final pensionable remuneration of the employees as defined under the respective scheme provisions. A sole independent Trustee (Ross Trustee Services Limited) is responsible for the operation and governance of the Plan, including making decisions regarding the Plan's funding and investment strategy, in conjunction with the Company. Future employer contributions to the scheme are at rates determined by independent qualified actuaries based upon triennial actuarial valuations.

The Company's funding policy is to ensure that assets are sufficient to cover accrued service liabilities. The most recent triennial full valuation was carried out as at 31 December 2020, and the actuaries reported that:

- (i) the actuarial method used in the valuation of the scheme was the projected unit credit method;
- (ii) the principal actuarial assumptions were that the discount rate was 1.0 per cent per annum and the annual increase in inflation was 3.2 per cent and 2.3 per cent per annum for RPI and CPI respectively; and
- (iii) the market value of the assets of the scheme was £164.4m representing 94 per cent of the value of benefits accrued to members.

No amounts were owed to the Company by the scheme as at 31 December 2020 (2020: £nil).

The Group contributed £0.9m to the UK Plan in 2021 (2020: £0.1m). Following the most recent triennial valuation, the Group is committed to make regular contributions of £1.0m per annum. This commenced in February 2021. In the preceding year, contributions related solely to expenses paid on behalf of the pension scheme. The contributions made to date and the scheme's surplus position at the year end have been considered in line with IFRIC 14 and management have concluded that the accounting complies with its requirements.

The pension scheme Trustee has second ranking all assets security over the shares of the UK companies below Arran Isle Limited along with a guarantee of indebtedness from Arran Isle Limited in the event of termination and wind up of the scheme, second ranking all assets security over the Irish companies and a charge over the shares in the Irish and Danish companies. In addition, the pension scheme Trustee has first ranking security over the UK and Irish freehold property.

The Plan is governed under the Plan's current Trust Deed and Rules dated 19 July 2002. The Trustee is responsible for the operation and governance of the Plan, including making decisions regarding the Plan's funding and investment strategy.

Information about the risks of the defined benefit scheme to the Company

The ultimate cost of the scheme will depend on actual future events rather than assumptions made. It is unlikely that many of the assumptions made will be borne out in practice and as such, the actual cost of the scheme may be higher (or lower) than disclosed. The main risk to the Company is that the assumptions underlying the disclosures, or the contribution requirements calculated, are not borne out in practice, resulting in the cost to the Company being higher than expected. This could result in higher contributions being needed from the Company and a lower surplus/higher deficit disclosed within the Annual Report & Financial Statements.

More specific risks could include:

- falls in asset values (in particular bond values) are not matched by similar falls in the value of liabilities. As the scheme has a proportion of its assets invested in return-seeking assets, the difference between the asset value and the IAS 19 liabilities may be volatile;
- the return on the scheme's assets is lower than assumed resulting in unaffordable contribution requirements for the Company;
- a large proportion of the liabilities is linked to inflation, with higher inflation leading to higher liabilities. In times of extreme inflation, caps on the level of inflationary increase mean these are restricted to protect the scheme. The majority of the scheme's assets are either unaffected by changes in inflation or are only loosely correlated, meaning that higher inflation is likely to lead to higher deficits;

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

4 PENSION ARRANGEMENTS CONTINUED

- the majority of the benefits are payable for the duration of the member's life. Unanticipated future increases in life expectancy will, therefore, increase the liabilities; and
- the uptake of member options (e.g. early retirement or commutation of pension into cash sums at retirement) could result in higher (or lower) liabilities remaining than anticipated.

IAS 19

Disclosures in accordance with IAS 19 are set out below in respect of the defined benefit scheme. The principal assumptions used for the purpose of the IAS 19 valuations were as follows:

	2021	2020
Discount rate	1.85%	1.35%
Future pension increases	3.35%*	2.95%*
Price inflation		
CPI	2.30%	2.30%
RPI	3.45%	3.00%
Assumed life expectancy for a 65 year old		
Male – pensioner	22 years	21 years
Male – non-pensioner	22 years	22 years
Female – pensioner	24 years	23 years
Female – non-pensioner	25 years	24 years

* The rate of future pension increases of 3.35% applies only to benefits which increase in line with RPI, max 5% p.a.

The Company recognised total retirement benefit costs in the Income Statement of £0.6m (2020: £0.9m).

The remeasurement components recognised in Other Comprehensive Income:

	2021 £m	2020 £m
Actuarial gain due to liability experience	(5.6)	—
Actuarial (gain)/loss due to liability assumption changes	(6.8)	15.8
Actuarial (gain)/loss arising during period	(12.4)	15.8
Return on Plan assets less/(greater) than discount rate	1.0	(15.5)
Expenses settled on behalf of the pension scheme	—	0.1
Remeasurement effects recognised in Other Comprehensive Income	11.4	0.4

The pension gain included in the Statement of Comprehensive Income is stated net of the related deferred tax adjustment (note 6).

The following table shows the change in present value of defined benefit obligations, the change in scheme assets and the funded status recognised in the financial statements:

	2021 £m	2020 £m
Defined benefit obligation (DBO)	(150.6)	(168.3)
Fair value of assets (FVA)	158.4	164.4
Net defined benefit asset/(liability)	7.8	(3.9)

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

4 PENSION ARRANGEMENTS CONTINUED

The Plan is in surplus and is classified in the Statement of Financial Position as a non-current asset (2020: non-current liability).

The movements in the net defined benefit pension asset/(liability) are as follows:

	2021 £m	2020 £m
Net defined benefit liability at end of prior period	(3.9)	(2.7)
Past service cost	—	—
Net interest on defined benefit asset/(liability)	—	(0.1)
Remeasurement effects recognised in Other Comprehensive Income	11.4	(0.4)
Employer contributions	0.9	0.1
Administration costs incurred during the period	(0.6)	(0.8)
Net defined benefit asset/(liability) at end of current period	7.8	(3.9)

The change in the present value of defined benefit obligations (DBO) is as follows:

	2021 £m	2020 £m
DBO at end of prior period	168.3	158.1
Past service cost	—	—
Interest cost on the DBO	2.2	3.1
Actuarial gain - experience	(5.6)	—
Actuarial gain - demographic assumptions	(1.2)	(2.6)
Actuarial (gain)/loss - financial assumptions	(5.6)	18.4
Benefits paid from Plan assets	(7.5)	(8.7)
DBO at end of current period	150.6	168.3

The following table shows the change in the fair value of scheme assets:

	2021 £m	2020 £m
Fair value of assets at end of prior period	164.4	155.4
Interest income on Plan assets	2.2	3.0
Return on Plan assets (less)/greater than discount rate	(1.0)	15.5
Employer contributions	0.9	0.1
Benefits paid from Plan assets	(7.5)	(8.7)
Administration costs incurred during the period	(0.6)	(0.8)
Expenses settled on behalf of the pension scheme	—	(0.1)
Fair value of assets at end of current period	158.4	164.4

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

4 PENSION ARRANGEMENTS CONTINUED

The major categories of scheme assets as at 31 December 2021 are as follows:

	Quoted £m	Unquoted £m	Total £m
Matching Linked Bonds	49.1	—	49.1
Corporate Bonds	89.0	8.7	97.7
Real estate/property	—	10.1	10.1
Insured liabilities	—	0.1	0.1
Cash and cash equivalents	1.4	—	1.4
Fair value of assets at end of current period	139.5	18.9	158.4

The fair value of scheme assets does not include any equities in respect of the Group's own financial instruments (2020: £nil) and the Plan has not invested in any of the Group's own properties.

The expected maturity of the undiscounted future benefit payments is:

	£m
Expected benefit payments during fiscal year ending 31-Dec-22	7.6
Expected benefit payments during fiscal year ending 31-Dec-23	7.7
Expected benefit payments during fiscal year ending 31-Dec-24	7.9
Expected benefit payments during fiscal year ending 31-Dec-25	8.0
Expected benefit payments during fiscal year ending 31-Dec-26	8.2
Expected benefit payments during fiscal years ending 31-Dec-27 through 31-Dec-30	43.0

Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of a change in the key assumptions as noted above. In isolation, the changes would adjust the pension surplus and cost as shown.

	Net surplus (decrease)/increase £m
Discount rate increase of 0.1%	2.1
Price inflation increase of 0.1%	(1.2)
RPI increase of 0.1%	(0.6)
CPI increase of 0.1%	(0.5)
Life expectancy increase of one year	(6.7)

The assumed average duration of the defined benefit plan obligation at the end of the reporting period is 16 years (2020: 16 years).

Information in this note has been prepared with the assistance and advice of actuaries.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

5 OTHER RECEIVABLES

	2021 £m	2020 £m
Amounts owed by Group companies	29.0	25.5

6 DEFERRED TAX

	2021 £m	2020 £m
Deferred tax asset at the beginning of the year	(0.7)	(0.5)
Charge / (credit) to the Statement of Comprehensive Income for the year	3.4	(0.1)
Credit to the Income Statement for the year	—	(0.1)
Deferred tax liability/(asset) at 31 December	2.7	(0.7)

The £2.7m deferred income tax liability relates to the Company's defined benefit pension scheme surplus (note 4).

Due to insufficient evidence of the availability of suitable taxable profits there were unrecognised potential deferred tax assets of £0.2m relating to trading losses. It is not considered likely that these assets will be recoverable in the foreseeable future.

The charge (2020: credit) to the Statement of Comprehensive Income for the year relates to deferred tax on actuarial gains (2020: losses) on the defined benefit pension scheme, including £0.6m credit (2020: nil) arising as a result of providing for deferred tax at a rate of 35%, this being the rate of withholding tax that would be charged on any pension surplus recovered by the Company in the event of the pension scheme being wound up. Deferred tax in relation to the pension deficit was provided for at a rate of 19% in 2020, being the rate at which temporary differences were then expected to reverse.

7 CALLED UP SHARE CAPITAL

	Authorised, allotted and fully paid			
	2021 Number	2021 £	2020 Number	2020 £
Ordinary Shares of 0.001p	21,619,990	216	21,619,990	216

8 RESERVES

Called-up share capital	The nominal value of shares that have been issued
Retained earnings	All current and prior period retained profits and losses

9 CONTINGENCIES

The Company is party to legal actions and claims which have arisen in the normal course of business. The results of the actions and claims cannot be forecast with certainty, but the Directors believe that they will be concluded without any material effect on the net assets of the Company.

10 COMMITMENTS

As at 31 December 2021 the Directors had not contracted for any future capital expenditure and had no leased assets.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2021

11 RELATED PARTIES

Note 1 details the exemptions taken with respect to related parties.

During the year, the Directors sold 3,678,000 shares to the Group's Employee Benefit Trust (EBT) at a value of £2 per share. The Directors now collectively own 16,226,238 shares (75.05% of the total Group shareholding) (2020: 19,904,238; 92.06%). The EBT is not a subsidiary of the Group.