

Tri-Wall UK Limited
(formerly Tri-Wall Europe Limited)
Annual report and financial statements
For the year ended 31 December 2019

Registered number: 08311508



Tri-Wall UK Limited

Officers and Professional advisers

DIRECTORS

K Baker
H Hori
Y Suzuki
G Peters

REGISTERED OFFICE

77 Wonastow Road
Monmouth
Gwent
NP25 5TW
United Kingdom

BANKERS

Lloyds Bank PLC
Bank of Tokyo
HSBC Bank PLC

AUDITOR

Deloitte LLP
Statutory Auditor
Cardiff
United Kingdom

Tri-Wall UK Limited

Strategic report

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

Principal Activities

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

Strategy and objectives

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

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

The business model

As of the reporting date, TWUKG employed 300 people in the UK and Continental Europe, split approximately 110 in Monmouth, 54 at Swansea, 135 at Rosewood and one in Continental Europe.

TWUKG has over 1000 customers in the UK, Ireland and Continental Europe.

Geography	Percent Revenue		Corrugated	Timber	Ancillary
UK & Ireland	89%	Of which:	74%	20%	6%
Continental Europe	11%	Of which:	100%	-	-

The Monmouth plant in the UK manufactures heavy-duty corrugated material and converts 40% of this into product for shipment to fabricators and direct customers. The other 60% is sold as unconverted flat product known as Sheet board to other businesses to convert for markets that we simply cannot supply, either due to service levels or small format size of packaging.

Tri-Wall UK Limited

Strategic report (continued)

The business model (continued)

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

Review of the business

Group revenue for the year increased to £38.5m (2018: £29.4m) largely driven by full year inclusion of the Rosewood Manufacturing Group, which was acquired in October 2018. The Monmouth plant saw a slight reduction in revenue to £18.9m (2018: £20m) which the directors attribute to reduced activity in the automotive sector.

The Swansea plant achieved £6.3m of revenue (2018: £6.6m) whilst the Rosewood Group achieved £14.5m (2018: £3.4m).

Group operating profit more than doubled to £1.67m (2018: £0.7m) due to a change in product mix and realisation of synergies following the acquisition of the Rosewood Group. Net profit before exceptional items increased to just over £1m (2018: £0.4m). Exceptional items comprised re-measurement of puttable options of which further information is disclosed in the notes to the consolidated financial statements.

As of the balance sheet date, the Group maintained cash of over £1m. Net current assets moved to a net current liability position due to re-measurement and timing differences of gross obligations under puttable options. During the year the Group secured a new £2m revolving credit facility with HSBC Bank PLC of which £1.3m was undrawn as of the balance sheet date. Total Group borrowings, which the Group defines as including lease liabilities, increased due to transition to the new leasing standard (IFRS 16) which required recognition of substantial lease liabilities.

2019 saw a focus on addressing how we continue to effectively transition from a collection of brands and business units into one group united by a common purpose and shared goals, whilst retaining the history and identity of individual parts.

A key theme for 2019 was therefore to develop a UK-wide management structure to facilitate improved information sharing, decision making and customer engagement. A UK Finance Director was appointed in January 2019 to provide strategic financial support to the CEO and to drive greater alignment of financial processes, controls and reporting. A UK Sales Director was recruited in June 2019 tasked with the design and implementation of a group sales strategy. The centralisation of the Finance and Sales functions has allowed greater autonomy to be granted to the general managers of each site, which has encouraged innovation and faster decision-making.

Due to a major acquisition in Europe, by the Group's parent Company, the decision was made to change the name of Tri-Wall Europe Ltd to Tri-Wall UK Ltd. The name of Welsh Boxes and Engineering Company Ltd was changed to Tri-Wall Swansea Ltd.

In July a number of managers from each site gathered for the Group's first regional management meeting where the CEO shared his vision for the future and each manager presented key information for discussion. This was followed, the next day, by a large conference to launch Tri-Wall UK as a brand, which was well attended with delegates from all sites and departments.

During the year, the Monmouth business joined a consortium to propose a project to research safety in Lithium-ion batteries under the Faraday battery challenge, part of the UK Government's Industrial Strategy Challenge Fund. Tri-Wall has been engaged in the project from the perspective of packaging and transit, including proposal of regulations in addressing thermal runaway hazards. The directors believe the project is a magnificent opportunity to develop technical know-how and build commercial relationships in a sector that is expected to grow significantly.

Tri-Wall UK Limited

Strategic report (continued)

Section 172(1) statement

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

Consequences of any decision in the long term

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

Interests of the Company's employees

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

Interest of the Company's suppliers, customers and others

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

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

The Group maintains close contact with its bankers and finance providers including regular meetings and provision of monthly management information.

Impact on Company's operations on the community and environment

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

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

Maintaining a reputation for high standards of business conduct

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

The need to act fairly between members of the Company

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

Tri-Wall UK Limited

Strategic report (continued)

Key performance indicators

What we measure:

Objective	2018 Result	2019 Result	2020 Target
Customer Service <ul style="list-style-type: none"> On-time in full delivery 	95%	98%	99%
Quality <ul style="list-style-type: none"> Zero defects (delivered to Customers) 	0.9% defect notes	0.3% defect notes	0.2% defect notes
People <ul style="list-style-type: none"> Training programmes Development plans 	<ul style="list-style-type: none"> Lean Training Value Sales Training Toyota Skills Matrix 	<ul style="list-style-type: none"> Lean Training Value Sales Training Toyota Skills Matrix 	<ul style="list-style-type: none"> Brand awareness HR Training Internal auditing
Financial <ul style="list-style-type: none"> m² corrugated board Activity Sales Net Profit (before exceptional items) 	<ul style="list-style-type: none"> 11.8 million m² GBP 29.3 million GBP 386k 	<ul style="list-style-type: none"> 11.5 million m² GBP 38.5 million GBP 1,016k 	<ul style="list-style-type: none"> 11.5 million m² GBP 39.9 million GBP 1,193k
Growth <ul style="list-style-type: none"> UK Sales Continental Sales 	<ul style="list-style-type: none"> GBP 25 million GBP 4.3 million 	<ul style="list-style-type: none"> GBP 34.4 million GBP 4.1 million 	<ul style="list-style-type: none"> GBP 36.2 million GBP 3.7 million

Tri-Wall UK Limited

Strategic report (continued)

Principal risks and uncertainties

Risk	Mitigation
Loss of production capability could threaten our ability to deliver product.	We have identified internal and external back-up capability. Investment in 2017 helped secure more reliable capacity.
IT and Order processing systems could go down resulting in delay and stoppage of the UK plants.	Back-up and mirroring capabilities are being enhanced in order to enable rapid re-start and recovery of data.
Raw materials prices could increase, reducing profitability below break-even.	Close contact with key suppliers and access to up to date with market intelligence assists with pro-active adjustment of selling prices to reflect input costs.
Fluctuations in energy price levels, being a significant cost, could seriously impact profitability.	Energy is purchased through a combination of flexible trading products and fixed price agreements as a balance between access to best prices are acceptable risk.
Foreign exchange fluctuations have the potential to impact ability to forecast profitability.	Access to currency hedge facility helps control the effects of variability in foreign exchange rates on profitability.
Reduction in revenues could bring the Company below break-even.	Investing both in additional sales resources and marketing programmes to expand coverage and develop the UK brand. Cost control measures and budgetary responsibility is now more commonly aware across the different levels and areas in the business. Each business unit has a responsible person for control.
The withdrawal of the UK from the EU could lead to disruption in importing raw materials and exporting finished products.	Our key European suppliers are holding additional inventory in UK warehouses. Transitional simplified procedures and customs duty deferral have been granted. Upgrades have been made to our key IT systems to allow generation of customs documentation and our logistics provider is able to act as a freight forwarder.

Tri-Wall UK Limited

Strategic report (continued)

Future Developments

Covid 19

The global pandemic of Corona Virus has presented a number of challenges to the Group. Following a surge in cases during March 2020 the UK government and devolved administrations issued instructions to the general public that they must stay at home except for certain limited purposes in order to reduce the spread of the virus. These limited purpose included attending work when not possible to perform your role from your home.

As a manufacturer of packaging, considered critical in the supply chain of many industries the majority of our production facilities continued in operation to support the nation-wide effort to defeat the virus. Full risk assessments were carried out with strict protocols put in place to ensure social distancing and protect staff working in our production facilities whilst staff able to work from home were instructed to do so.

April saw a sharp drop in demand, with several automotive customers stopping production entirely and the decision was made to utilise the Corona Virus Job Retention Scheme by putting a number of employees onto furlough. The directors recognised the need for liquidity in uncertain times and additional funding was secured from HSBC Bank PLC.

Activity levels dropped further in May followed incremental increases in June & July. In August, activity levels remained constant before a significant increase in September. Whilst recovering activity levels are positive, the directors believe the economic, political and societal effects of the pandemic both domestically and internationally will continue to suppress demand for some time to come.

Following stress testing of revised forecasts of each company it was established that the Monmouth plant would need to be restructured to remain viable. A review of the operations of the Monmouth plant was completed and the difficult decision was made to begin a collective redundancy consultation. The new business model is leaner and more sustainable and the directors are confident this will preserve the longevity of the business. Funding for the restructuring has been secured from the Tri-Wall Ltd (parent company incorporated in Hong Kong) and we anticipate the process will be complete by the end of October 2020.

Brexit

The longer-term Brexit ramifications are still very unclear but we have put in place several plans and contingencies to reduce disruption in the event of the UK trading with the EU on World Trade Organisation terms. The closure of our European sales office (Rijswijk in Holland) has reduced our cost of service to the continental customer base with no impact on customer satisfaction or service levels. This decision was made irrespective of any imminent Brexit concerns.

Final thoughts

January 2020 saw an excellent start to the year with plans in place to embark on various projects and acquisitive activity. Whilst it is unfortunate that events have not transpired in the way that we had hoped, the directors have been tremendously impressed, and express their gratitude, for the strength and resilience displayed by our people.

The Group remains in a strong position to compete in the competitive markets of the UK and Europe. We will continue to address new challenges and embrace new opportunities with fortitude and determination.

Tri-Wall UK Limited

Strategic report (continued)

Approval

This report was approved by the board of directors on 21/10/2020 and signed on its behalf by:



Director

Gavin Peters

Tri-Wall UK Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2019.

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

Going concern, current trading and outlook

As discussed in the strategic report the directors were pleased with the Group performance during 2019. While 2020 was expected to see further development of integration, synergies and acquisitions the focus to date has been on mitigating the unprecedented disruption caused by the Covid-19.

After making enquiries, the directors have an expectation that the Group has adequate resources along with continued support from parent companies to continue in operational existence for the foreseeable future. The net current liability position is caused by the obligation to purchase further shares in Rosewood Manufacturing Holdings Limited. The Group has adequate funding to meet these obligations through drawing on the HSBC revolving credit facility and through access to loans from parent companies. Accordingly, they continue to adopt the going concern basis in preparing directors' report and financial statements

Event after the balance sheet date

The directors consider Covid-19 a post balance sheet non-adjusting event. Whilst it has become clear that Covid-19 is likely to result in a significant economic slowdown the directors are encouraged by recent results and expect the disruption to ultimately pass. Stress testing of forecasts has provided reassurance of Group viability and the directors do not believe that there has been any impact on recoverability of debtors or impairment of non-current assets at the balance sheet date.

As discussed in the strategic report a restructure of the Monmouth plant has commenced and is expected to result in the loss of around thirty jobs. The directors consider this a post balance sheet non-adjusting event.

A review of staffing levels at the Swansea plant was carried out in September 2020 and is expected to result in the loss of five jobs. The directors consider this a post balance sheet non-adjusting event.

In February 2020, the Group acquired additional shares in Rosewood Manufacturing Holdings Limited increasing the Group's share holding to 70.5%. The directors consider this a post balance sheet non-adjusting event.

In May 2020, the Group amended the limit of its revolving credit facility provided by HSBC Bank PLC from £2 million to £3 million. The directors consider this a post balance sheet non-adjusting event.

In October 2020, the Group acquired additional shares in Rosewood Manufacturing Holdings Limited increasing the Group's share holding to 100%. The directors consider this a post balance sheet non-adjusting event.

Disabled employees

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

Tri-Wall UK Limited

Directors' report (continued)

Change of name

The Company changed its name to Tri-Wall UK Limited from Tri-Wall Europe Limited on 1st October 2019.

Directors

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

Dividends

During the year no dividends were proposed or paid for the Group.

Dividends of £175,833 (£0.138 per share) declared in Rosewood Manufacturing Holdings Limited were paid to non-controlling interest equity holders of Rosewood Manufacturing Holdings Limited.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:


- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

This report was approved by the board of directors on 21/10/2020 and is signed on its behalf by.

By order of the Board



Director

Gavin Peters

Tri-Wall UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have chosen to prepare the parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's and the Group's ability to continue as a going concern.

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Tri-Wall UK Limited (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tri-Wall UK Limited (the 'parent Company') and its subsidiaries (the 'Group') which comprise:

- the consolidated income statement;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 39.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Tri-Wall UK 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 respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

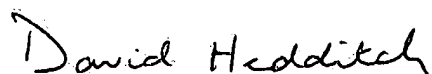
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



David Hedditch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
21 October 2020

Tri-Wall UK Limited
Consolidated income statement
For the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	5	38,539,234	29,358,022
Cost of sales		(28,876,836)	(23,974,025)
Gross profit		<u>9,662,398</u>	<u>5,383,997</u>
Other operating income		104,505	140,071
Administrative expenses		(8,094,806)	(4,823,653)
Operating profit		<u>1,672,097</u>	<u>700,415</u>
Finance costs	9	(370,271)	(237,768)
Re-measurement of puttable options	23	(878,531)	-
Profit before tax		<u>423,295</u>	<u>462,647</u>
Tax	10	(285,393)	(76,040)
Profit for the year from continuing operations		<u>137,902</u>	<u>386,607</u>
Profit for the year	6	<u>137,902</u>	<u>386,607</u>
Attributable to:			
Owner of the Company		(375,929)	344,642
Non-controlling interests		513,831	41,965
		<u>137,902</u>	<u>386,607</u>

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

Tri-Wall UK Limited
Consolidated balance sheet
As at 31 December 2019

		2019	2018
	Note	£	£
Non-current assets			
Goodwill	11	2,095,120	2,095,120
Other intangible assets	12	955,157	1,020,971
Property, plant and equipment	13	12,299,042	8,511,775
Deferred tax asset	18	199,191	184,176
		<u>15,548,510</u>	<u>11,812,042</u>
Current assets			
Inventories	15	1,656,495	1,742,919
Trade and other receivables	16	6,858,224	6,946,325
Cash and bank balances		1,034,768	1,261,302
		<u>9,549,487</u>	<u>9,950,546</u>
Total assets		<u><u>25,097,997</u></u>	<u><u>21,762,588</u></u>
Current liabilities			
Trade and other payables	20	5,149,434	5,327,373
Current tax liabilities		882,871	903,282
Borrowings	17	2,969,319	3,704,948
Gross obligations under puttable options	23	1,255,438	-
		<u>10,257,062</u>	<u>9,935,603</u>
Net current (liabilities)/assets		<u>(707,575)</u>	<u>14,943</u>
Non-current liabilities			
Borrowings	17	9,480,024	6,075,931
Deferred tax liabilities	18	500,225	528,814
Gross obligations under puttable options	23	1,229,848	1,606,755
		<u>11,210,097</u>	<u>8,211,499</u>
Total liabilities		<u><u>21,467,159</u></u>	<u><u>18,147,102</u></u>
Net assets		<u><u>3,630,838</u></u>	<u><u>3,615,485</u></u>

Tri-Wall UK Limited
Consolidated balance sheet (continued)
As at 31 December 2019

	Note	2019 £	2018 £
Equity			
Share capital	21	5,575,100	5,575,100
Retained earnings	21	(1,341,576)	(992,821)
Other reserves	21	(1,606,755)	(1,606,755)
Equity attributable to owner of the Company		<u>2,626,769</u>	<u>2,975,524</u>
Non-controlling interests	21	<u>1,004,069</u>	<u>639,961</u>
Total equity		<u><u>3,630,838</u></u>	<u><u>3,615,485</u></u>

The financial statements of Tri-Wall UK Limited, registered Company number 08311508, were approved by the board of directors and authorised for issue on 21/10/2020. They were signed on its behalf by:



Gavin Peters
Director

Tri-Wall UK Limited
Consolidated statement of changes in equity
For the year ended 31 December 2019

Equity attributable to equity holders of the Company

	Share capital £	Retained earnings £	Other Reserves £	Total £	Other Reserves £	Total equity £
Balance at 1 January 2018	3,600,100	(1,323,247)	-	2,276,853	55,898	2,332,751
Acquisition	-	-	-	-	597,996	597,996
Changes in non-controlling interest	-	-	-	-	(55,898)	(55,898)
Gross obligations under puttable options	-	-	(1,606,755)	(1,606,755)	-	(1,606,755)
Adjustment to owner's equity	-	(14,216)	-	(14,216)	-	(14,216)
Total comprehensive income for the year	-	344,642	-	344,642	41,965	386,607
Issue of share capital	1,975,000	-	-	1,975,000	-	1,975,000
Balance at 31 December 2018	<u>5,575,100</u>	<u>(992,821)</u>	<u>(1,606,755)</u>	<u>2,975,524</u>	<u>639,961</u>	<u>3,615,485</u>
Changes in accounting policy (IFRS 16)	-	27,174	-	27,174	26,110	53,284
Total comprehensive income for the year	-	(375,929)	-	(375,929)	513,831	137,902
Dividends paid	-	-	-	-	(175,833)	(175,833)
Balance at 31 December 2019	<u>5,575,100</u>	<u>(1,341,576)</u>	<u>(1,606,755)</u>	<u>2,626,769</u>	<u>(1,004,069)</u>	<u>3,630,838</u>

Tri-Wall UK Limited
Consolidated cash flow statement
For the year ended 31 December 2019

	Note	2019 £	2018 £
Cash generated from operations	24	3,448,133	1,030,695
Tax paid		(321,829)	(92,862)
Interest paid		(385,858)	(237,768)
Net cash from operating activities		<u>2,740,446</u>	<u>700,065</u>
Investing activities			
Purchases of property, plant and equipment		(154,644)	(315,369)
Acquisition of subsidiary (net of cash acquired)		-	(1,762,647)
Purchases of intangible assets		(34,260)	-
Proceeds on disposal of property, plant and equipment		28,707	-
Net cash used in investing activities		<u>(160,197)</u>	<u>(2,078,016)</u>
Financing activities			
Repayments of borrowings		(3,147,248)	(1,130,339)
New bank loans raised		1,442,430	219,570
Purchase of shares		-	(70,000)
Issue of share capital		-	1,975,000
Principal element of lease payments		(919,701)	-
Dividends paid to equity shareholders		(175,833)	-
Net cash (used in)/from financing activities		<u>(2,800,352)</u>	<u>994,231</u>
Net decrease in cash and cash equivalents		(220,103)	(383,720)
Cash and cash equivalents at beginning of year		1,261,302	1,639,627
Effect of foreign exchange rate changes		(6,431)	5,395
Cash and cash equivalents at end of year		<u><u>1,034,768</u></u>	<u><u>1,261,302</u></u>

Tri-Wall UK Limited

Notes to the consolidated financial statements

For the year ended 31 December 2019

1. General information

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

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

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic report on pages 2 to 6.

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

2. Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 Leases

During the year, the Group adopted IFRS 'Leases' (IFRS 16") for the first time. IFRS 16 replaces IAS 17 'Leases' ("IAS 17"). The Group previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the Group and "operating leases".

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable were previously expensed under IAS 17 on a straight-line basis over the lease term.

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The Group has applied IFRS 16 retrospectively to all leases but has elected to recognise the cumulative effect against opening reserves as at 1 January 2019. Therefore, the comparative figures are as previously reported under IAS 17. The Group has applied this approach subject to the transition provisions set out below:

- For all contracts that existed prior to 1 January 2019, the Group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease;
- A single discount rate has been applied to portfolios of leases with similar characteristics;
- Initial direct costs have been excluded from the measurement of the right-of-use assets; and
- Hindsight has been applied in determining the lease term for contracts that contain a lease extension or termination options.

As of 1 January 2019 the Group recognised right-of-use assets of £5,146,411, a lease liability of £5,173,960, an increase in retained earnings of £53,284, a reduction in prepayments of £10,492 and a reclassification of existing finance lease liabilities of £91,325

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

Adoption of new and revised Standards (continued)

IFRS 16 Leases

The amounts recognised for leases at 1 January 2019 have been measured as follows:

- The lease liability is measured at the present value of the remaining lease payments at 1 January 2019, discounted at the lessee's incremental borrowing rate at that date.
- The right of use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above, adjusted for accrued or prepaid operating lease payments at 1 January 2019.
- When the value of the underlying asset (if new) at 1 January 2019 is £4,000 or less, the Group has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.
- When the lease term ends before 31 December 2019, the group has continued to recognise the lease payments associated with the leases on a straight-line basis over the lease term.

2. Adoption of new and revised Standards

New and revised IFRSs in issue but not yet effective

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

IFRS 17	<i>Insurance contracts</i>
IFRS 9 (amendments)	<i>Prepayment Features with negative Compensation</i>
Annual improvements to IFRS Standards 2015-2017 Cycle	<i>Amendments to IFRS3 Business Combinations, IFRS 11 Joint Arrangements, IAS12 Income Taxes and IAS 23 Borrowing Costs</i>
IAS 19 (amendments)	<i>Employee benefits</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

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

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

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

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

The principal accounting policies adopted are set out below

Basis of consolidation

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

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

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

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Going concern

The directors have prepared detailed forecasts for the Company and the Group which have been updated to reflect the impact of the Covid 19 pandemic on activity levels, working capital and overall funding requirements. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the viability statement included in the Strategic report on pages 2 to 6.

Business combinations

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

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

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

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

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

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

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Business combinations (continued)

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

Goodwill

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

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

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

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

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Leases

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

Initial measurement of the lease liability

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

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

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

Subsequent measurement of the lease liability

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

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

Foreign currencies

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

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

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings, and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Borrowing costs

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

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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

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

Government grants

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

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

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

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

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

Operating profit

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

Retirement benefit costs

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Taxation (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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

Current tax and deferred tax for the year

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Property, plant and equipment

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

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

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

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

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

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

Buildings	4% – 6.7% per annum
Plant & machinery	6.7% - 10% per annum
Fixtures & fittings	10% - 25% per annum

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

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

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

Intangible assets acquired in a business combination

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

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Derecognition of intangible assets

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

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

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

3. Significant accounting policies (continued)

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an expected credit loss provision. When a trade receivable is considered uncollectable, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

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

Equity instruments

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

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

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Provisions

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

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

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

Restructuring

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Key sources of estimation uncertainty

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of goodwill

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

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in note 13.

5. Revenue

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

	2019 £	2018 £
Sale of goods (UK & Ireland)	34,392,379	25,089,442
Sale of goods (Continental Europe)	4,146,855	4,268,580
	<u>38,539,234</u>	<u>29,358,022</u>

6. Profit for the year

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

	2019 £	2018 £
Net foreign exchange losses / (gains)	6,431	(5,509)
Depreciation of property, plant and equipment	1,831,326	712,409
Amortisation of other intangible assets	100,073	57,112
Cost of inventories recognised as expense (see note 15)	20,216,414	16,084,130
Staff costs (see note 8)	9,163,673	6,315,350
Research and development expenditure	308,225	-
Government grant towards research & development expenditure (deducted from related expenses)	(184,935)	-
Re-measurement of puttable options	878,531	-
	<u>878,531</u>	<u>-</u>

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

7. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	60,000	62,500
<i>Total audit fees</i>	<u>60,000</u>	<u>62,500</u>
- Taxation compliance services	10,000	11,000
- Other taxation advisory services	6,250	5,000
<i>Total non-audit fees</i>	<u>16,250</u>	<u>16,000</u>

Fees of £64,228 (2018: £39,496) were paid to other auditors in respect of the audit of subsidiaries, tax compliance and other professional advice.

8. Staff costs

The average monthly number of employees and directors was:

	Group 2019 Number	Group 2018 Number	Company 2019 Number	Company 2018 Number
Manufacturing and design	215	152	84	90
Sales and distribution	48	31	18	21
Administration	33	25	8	9
Directors	4	3	1	1
	<u>300</u>	<u>211</u>	<u>111</u>	<u>121</u>

Their aggregate remuneration comprised:

	£	£	£	£
Wages and salaries	8,099,637	5,580,175	3,391,419	3,500,733
Social security costs	776,370	545,223	386,634	381,371
Other pension costs	287,666	189,952	153,550	147,354
	<u>9,163,673</u>	<u>6,315,350</u>	<u>3,931,603</u>	<u>4,029,458</u>

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

8. Staff costs (continued)

Directors' remuneration included above comprised:

	2019 £	2018 £
Wages and salaries	84,950	75,540
Other pension costs	3,098	2,644
	<u>88,048</u>	<u>78,184</u>

One director is a member of a money purchase plan.

The Group also incurred redundancy costs of £176,308 (2018: 30,000). Redundancy costs all related to the Company.

9. Finance costs

	2019 £	2018 £
Interest on inter-company loans	126,677	149,390
Interest on external loans	77,086	42,895
Interest on invoice financing	30,076	32,384
Interest on lease liabilities	136,432	13,099
	<u>370,271</u>	<u>237,768</u>

10. Tax

	2019 £	2018 £
Current taxation:		
Current year	329,710	111,093
Adjustments in respect of prior years	(713)	-
Current taxation	<u>328,997</u>	<u>111,093</u>
Deferred taxation:		
Current year	(43,604)	(42,668)
Adjustments in respect of prior years	-	(10,306)
Effect of changes in tax rates	-	17,921
Deferred tax (see note 18)	<u>(43,604)</u>	<u>(35,053)</u>
Total tax charge	<u>285,393</u>	<u>76,040</u>

Tri-Wall UK Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

10. Tax (continued)

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year.

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

	2019	2018
	£	£
Profit before tax	423,295	462,647
Tax at the UK corporation tax rate of 19% (2018: 19%)	80,426	87,903
Adjustments in respect of prior years	(79,741)	(10,306)
Tax effect of expenses that are not deductible in determining taxable profit	354,239	24,830
Tax effect of income not taxable in determining taxable profit	(195,127)	(13,606)
Amounts not recognised	44,543	(41,464)
Tax rate changes	(139)	17,921
Non-allowable amortisation and depreciation	81,193	10,762
Tax expense for the year	<u>285,393</u>	<u>76,040</u>

11. Goodwill

	£
Carrying amount	
At 1 January 2018	867,524
Recognised on acquisition of a subsidiary	<u>1,227,596</u>
At 31 December 2018	<u>2,095,120</u>
At 31 December 2019	<u><u>2,095,120</u></u>

The Group tests annually for goodwill impairment or more frequently if there are indications that goodwill might be impaired.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

12. Other intangible assets

	Software £	Land use rights £	Customer relationship £	Total £
Cost or valuation				
At 1 January 2018	247,718	370,000	-	619,718
Additions	3,014	-	-	3,014
Acquisition of a subsidiary	-	90,000	529,000	619,000
At 31 December 2018	252,732	460,000	529,000	1,241,732
Additions	34,260	-	-	34,260
At 31 December 2019	286,992	460,000	529,000	1,275,992
Accumulated depreciation and impairment				
At 1 January 2018	(162,170)	(1,480)	-	(163,650)
Charge for the year	(35,235)	(3,509)	(18,368)	(57,112)
At 31 December 2018	(197,405)	(4,989)	(18,368)	(220,762)
Charge for the year	(21,445)	(5,156)	(73,472)	(100,073)
At 31 December 2019	(218,850)	(10,145)	(91,840)	(320,835)
Carrying amount				
At 31 December 2017	87,548	368,520	-	456,068
At 31 December 2018	55,327	455,011	510,632	1,020,971
At 31 December 2019	68,142	449,855	437,160	955,157

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

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

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

Customer relationships have a useful life of seven years.

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

Amortisation of intangible assets is recognised in administrative expenses.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

13. Property, plant and equipment

	Land and buildings £	Plant and machinery £	Right-of- use assets £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2018	1,420,000	7,136,716	-	531,906	9,088,622
Additions	-	302,202	-	10,153	312,355
Acquisition of subsidiary	1,610,000	737,567	-	67,205	2,414,772
Disposals	-	(25,247)	-	(38,892)	(64,139)
At 31 December 2018 as previously reported	3,030,000	8,151,238	-	570,372	11,751,610
Right-of-use assets on transition to IFRS 16	-	(455,962)	5,602,373	-	5,146,411
At 1 January 2019	3,030,000	7,695,276	5,602,373	570,372	16,898,021
Additions	4,429	122,452	342,522	27,761	497,164
Transfer to ownership	-	369,000	(369,000)	-	-
Disposals	-	(68,953)	-	-	(68,953)
At 31 December 2019	3,034,429	8,117,774	5,575,895	598,133	17,326,231
Accumulated depreciation and impairment					
At 1 January 2018	(29,733)	(2,385,029)	-	(157,019)	(2,571,781)
Charge for the year	(67,340)	(579,269)	-	(65,800)	(712,409)
Eliminated in respect of disposals	-	16,444	-	27,910	44,354
At 31 December 2018 as previously reported	(97,073)	(2,947,854)	-	(194,909)	(3,239,836)
Right-of-use assets on transition to IFRS 16	-	80,783	(80,783)	-	-
At 01 January 2019	(97,073)	(2,867,071)	(80,783)	(194,909)	(3,239,836)
Charge for the year	(63,060)	(756,764)	(956,170)	(55,332)	(1,831,326)
Transfer to ownership	-	(73,801)	73,801	-	-
Eliminated in respect of disposals	-	43,971	-	-	43,791
At 31 December 2019	(160,132)	(3,653,665)	(963,152)	(250,240)	(5,027,189)
Carrying amount					
At 31 December 2017	1,390,267	4,751,687	-	374,887	6,516,841
At 31 December 2018	2,932,927	5,203,384	-	375,464	8,511,775
At 31 December 2019	2,874,297	4,464,110	4,612,743	347,893	12,299,042

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

13. Property, plant and equipment (continued)

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

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

The fair value measurements of the Group's freehold land and buildings as at 1 July 2017 and 1 October 2018 (acquisition date) were performed by Duff & Phelps Limited, independent valuers not related to the Group. The valuers are members of the Royal Institute of Chartered Surveyors, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

Had the Group's freehold land and buildings (other than land and buildings classified as held for sale or included in a disposal group) been measured at cost at acquisition, their carrying amount would have been as follows:

	2019 £	2018 £
Freehold land	643,197	643,197
Buildings	1,622,144	1,682,467
	<u>2,265,341</u>	<u>2,325,664</u>

14. Subsidiaries

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

15. Inventories

	2019 £	2018 £
Raw materials	970,302	964,530
Work-in-progress	27,950	35,735
Finished goods	412,333	533,400
Engineering stock	157,116	97,262
Merchandise	88,794	111,992
	<u>1,656,495</u>	<u>1,742,919</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £20,216,414 (2018: £16,084,130).

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

16. Trade and other receivables

	2019 £	2018 £
Amount receivable for the sale of goods	6,089,284	6,185,053
Allowance for doubtful debts	-	(11,302)
Expected credit losses	(93,556)	(49,141)
	<u>5,995,728</u>	<u>6,124,610</u>
Other debtors	226,538	208,951
Prepayments	635,958	612,764
	<u>6,858,224</u>	<u>6,946,325</u>

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The average credit period taken on sales of goods is 56 days (2018: 56 days).

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

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are regularly reviewed. Of the trade receivables balance at the end of the year £192,093 (2018: £135,643) is due from, the Group's largest customer (by trade receivable balance). There are no customers who represent more than 3.2% of the total balance of trade receivables.

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

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

	2019 £	2018 £
Amount receivable not past due	3,869,528	3,924,192
Amount receivable past due but not impaired	2,219,756	2,249,560
Amount receivable impaired (gross)	-	11,302
Less impairment	-	(11,302)
Less expected credit losses	(93,556)	(49,141)
	<u>5,995,728</u>	<u>6,124,611</u>

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

16. Trade and other receivables (continued)

Trade receivables (continued)

As at 31 December 2019 the lifetime expected loss provision for trade receivables is as follows:

	Not yet due	Up to 3 months past due	Up to 6 months past due	Total £
Expected loss rate	0.15%	3.75%	10%	
Gross carrying amount	<u>3,869,528</u>	<u>2,146,754</u>	<u>73,002</u>	<u>6,089,284</u>
Loss provision	5,837	80,419	7,300	93,556

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

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

17. Borrowings

	2019 £	2018 £
Unsecured borrowing at amortised cost		
Loans from related parties	<u>4,628,016</u>	<u>5,558,131</u>
Secured borrowing at amortised cost		
Loans from related parties	156,330	290,182
Bank loans	3,068,215	3,841,241
Finance lease liabilities (see note 19)	<u>4,596,782</u>	<u>91,325</u>
	<u>7,821,326</u>	<u>4,222,748</u>
	<u>12,449,343</u>	<u>9,780,879</u>
Total borrowings		
Amount due for settlement within 12 months	<u>2,969,319</u>	<u>3,704,948</u>
Amount due for settlement after 12 months	<u>9,480,024</u>	<u>6,075,931</u>

All borrowings are denominated in pounds sterling.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

17. Borrowings (continued)

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

- (i) The Group has six principal loans from related parties:
 - (a) £2,109,375 provided by Tri-Wall Europe Holdings Limited relates to the remaining start-up loan balance following a debt for equity swap of £3,300,000 in 2014. The loan term runs from 1 January 2014 to 31 July 2025. Interest payments of 2.37% per annum commence from 1 January 2015 and repayments of the principal amount commenced on 1 November 2017 in quarterly instalments of £78,125.
 - (b) £34,360 is the balance of the £750,000 loan provided by Tri-Wall Limited in June 2015. The loan term runs from 1 June 2015 to 31 December 2020. Interest payments of 2.5% per annum commenced from 1 January 2016 and repayments of the principal amount commenced on 31 March 2016 in quarterly instalments of £17,176.
 - (c) £1,470,081 is the balance of the £1,960,108 loan provided by Tri-Wall Limited in April 2017 for the purpose of replacement of machinery. The loan term runs from 1 April 2017 to 30 April 2027. Interest payments of 2.98% per annum commenced from 1 April 2017 and repayments of the principal amount commenced on 31 July 2017 in quarterly instalments of £49,003.
 - (d) £1,014,200 is the balance of the £1,420,000 loan provided by Tri-Wall Limited in August 2017 for the purpose of the acquisition of a subsidiary. The loan term runs from 1 August 2017 to 1 August 2024. Interest payments of 2.68% per annum commenced from 31 August 2017 and repayments of the principal amount commence on 1 August 2018 in annual instalments of £202,900.
 - (e) £21,597 is the balance of the £200,000 loan provided by the Trustees of the Rosewood Pension Fund in June 2015 for the purpose of acquisition of a subsidiary. The loan term runs from 15 June 2015 to 14 June 2020. Interest payments of 3.5% per annum commenced from 15 June 2015 and repayments of the principal commenced on 2 December 2015 in semi-annual instalments of £21,975.
 - (f) £134,733 is the balance of the £450,000 loan provided by the Trustees of the Rosewood Pension Fund in May 2016 for the purpose of acquisition of a subsidiary. The loan term runs from 6 May 2016 to 5 May 2021. Interest payments of 3% per annum commenced from 6 May 2016 and repayments of the principal commenced on 5 June 2016 in quarterly instalments of £8,086.
- (ii) The Group has four principal bank loans:
 - (a) £710,403 is the balance of the £800,000 HSBC loan provided in March 2019 for the purpose of the purchase of the long land lease and buildings at Pleasant Road, Swansea, and the purchase of the land and buildings at Bruce Road, Swansea. The loan term runs from 27 March 2019 to 27 March 2025. Interest payments of 4.09% commenced from 27 March 2019 and repayments of the principal amount commenced on 27 April 2019 in monthly instalments. The loan is secured by a floating charge over the assets of Welsh Boxes & Engineering Holding Company Limited and Tri-Wall Swansea Limited.
 - (b) £732,026 is the balance of a £2,000,000 revolving credit facility provided by HSBC secured by a fixed and floating charge over the assets of Tri-Wall UK Limited and Tri-Wall Swansea Limited.
 - (c) £747,580 is the balance utilised through an invoice financing facility provided by Barclays Bank PLC secured against the trade receivables of Rosewood Manufacturing Company (Gateshead) Limited, Rosewood Packaging (Wolverhampton) Limited and Rosewood Packaging (Manchester) Limited.
 - (d) £878,205 is the balance of the £1,200,000 Barclays loan provided in June 2015 for the purpose of the purchase of freehold property at West Chirton North Industrial Estate, North Shields. The loan term runs from 1 June 2015 to 30 June 2020. Interest payments of 1.6% over base rate per annum commenced on 1 June 2015 and repayments of the principal amount commenced on 30 June 2015 based on a 15-year repayment profile. The loan will require renewal in June 2020. The loan is secured by a fixed and floating charge over the assets of Rosewood Manufacturing (Holdings) Limited and its subsidiaries.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

17. Borrowings (continued)

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

	2019	2018
	%	%
Loans from related parties	2.6	2.7
Bank loans	3.0	3.0
Invoice financing	2.8	2.8

18. Deferred tax

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

	Accelerated tax depreciation £	Revaluation of financial assets £	Tax losses £	Total £
At 1 January 2018	161,440	145,240	(152,170)	154,510
Prior year R&D expenditure credit	-	-	(12,328)	(12,328)
Charge/(credit) to profit or loss	(6,964)	(8,411)	(19,678)	(35,053)
Acquisition of subsidiary	125,769	111,740	-	237,509
At 31 December 2018	280,245	248,569	(184,176)	344,638
Charge/(credit) to profit or loss	(28,589)	-	(15,015)	(43,604)
At 31 December 2019	251,656	248,569	(199,191)	301,034

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

	2019 £	2018 £
Deferred tax liabilities	500,225	528,814
Deferred tax assets	(199,191)	(184,176)
	<u>301,034</u>	<u>344,638</u>

The Group assess recoverability of deferred tax assets based on forecast taxable profits. The directors believe sufficient profits will be generated to utilise accrued tax losses.

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used deferred tax liability would have been £58,850 higher and the deferred tax asset would have been £23,434 higher.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

19. Lease liabilities

Differences between the operating lease commitments disclosed at 31 December 2018 under IAS 17 discounted at the Group's incremental borrowing rate at 1 January 2019 and lease liabilities recognised at 1 January under IFRS 16 are explained below:

	£
Operating lease commitments disclosed as at 31 December 2018	3,639,266
Discounted using the lessee's incremental cost of borrowing at the date of initial application	(376,095)
(Less): Short-term leases not recognised as a liability	(90,327)
(Less): Low-value leases not recognised as a liability	(4,432)
Add: Contracts reassessed as leases	1,914,223
Add: Obligation under finance leases as at 31 December 2018	91,325
	<hr/>
Lease liability recognised as at 1 January 2019	<u>5,173,960</u>

The total cash outflow for leases during the year was £917,701.

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

	Land and buildings	Plant & machinery	Motor vehicles	Total
Within one year	545,994	174,727	204,825	925,546
Between one and five years	1,809,101	188,046	262,847	2,259,994
In over five years	1,411,242	-	-	1,411,242
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>3,766,337</u>	<u>362,773</u>	<u>467,672</u>	<u>4,596,782</u>

At 31 December 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £
Within one year	697,626
In the second to fifth years inclusive	1,781,834
In over five years	1,159,806
	<hr/>
	<u>3,639,266</u>

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

The cost recognised in the year of lease payments classified as 'low-value' and 'short' term was £94,759.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

20. Trade and other payables

	2019 £	2018 £
Trade creditors and accruals	4,439,694	4,707,498
Group undertakings	709,740	619,875
	<u>5,149,434</u>	<u>5,327,373</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 70 day (2018: 66 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

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

21. Share capital and reserves

Share capital

	2019 £	2018 £
Authorised, issued and fully paid: 5,575,100 ordinary shares of £1 each	<u>5,575,100</u>	<u>5,575,100</u>

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

Other reserves

Retained earnings	(1,341,576)	(992,821)
Non-controlling interests	1,004,069	639,961
Other reserves	(1,606,755)	(1,606,755)
	<u>(1,944,261)</u>	<u>(1,959,615)</u>

Other reserves relate to gross obligations under puttable options disclosed in note 23.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

22. Non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The information below is disclosed prior to consolidation adjustments.

	2019 £	2018 £
Rosewood Manufacturing Holdings Limited		
Current assets	3,233,308	3,338,694
Non-current assets	5,380,534	3,330,364
Current liabilities	3,205,978	3,717,109
Non-current liabilities	2,809,498	1,158,876
Equity attributable to owners of the Company	1,325,167	914,467
Non-controlling interests	1,273,199	876,606
Revenue	14,516,714	3,415,398
Expenses	(13,405,866)	(3,329,754)
Profit attributable to owners of the Company	566,532	43,679
Profit attributable to the non-controlling interests	544,316	41,965
Profit for the year	1,110,848	85,644
Net cash inflow from operating activities	1,154,971	117,314
Net cash outflow from investing activities	(65,272)	(3,915)
Net cash outflow from financing activities	(870,877)	(157,655)
Net cash inflow	218,822	(44,256)

Details of the Group's subsidiaries that have material non-controlling interests at 31 December 2019 are as follows:

Name	Place of business	Proportion of ownership interest %	Proportion of voting power held %
Rosewood Manufacturing Holdings Limited	Gateshead	51	57

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

23. Gross obligations under puttable options

On 1 October 2018, the Group acquired 51% of the issued share capital of Rosewood Manufacturing Holdings Limited, obtaining control of Rosewood Manufacturing Holdings Limited and three wholly-owned subsidiaries listed below:

- Rosewood Manufacturing Company (Gateshead) Limited
- Rosewood Packaging (Wolverhampton) Limited
- Rosewood Packaging (Manchester) Limited

At the date of acquisition, the Group entered into a written put option with the sellers that permits the seller to put its remaining interest in Rosewood Manufacturing Holdings Limited to the group at a price per share calculated in accordance with the performance and position of Rosewood Manufacturing Holdings.

In accordance with IAS 32 the group recognised an amount equal to the gross obligation that the group would be obliged to pay assuming all options are exercised at first permitted option dates. The directors estimated that the present value of the gross obligation at 1 October 2018 was £1,606,755. The directors assumed that no movement in the present value of the gross obligation under puttable options occurred between 1 October 2018 and 31 December 2018.

Following re-measurement of the gross obligation due to unwinding of discounts and changes in forecasts the directors estimated that the value of the gross obligation as at 31 December 2019 is £2,485,286.

	£
Gross obligation under puttable options as at 31 October 2018	1,606,755
Gross obligation under puttable options as at 31 December 2019	2,485,286
Charge to income statement	<hr/> 878,531

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

24. Notes to the cash flow statement

	2019 £	2018 £
Profit for the year	137,902	386,607
Adjustments for:		
Other losses / (gains)	6,431	(5,510)
Finance costs	370,271	237,768
Income tax expense	285,393	84,451
Depreciation of property, plant and equipment	1,831,326	712,409
Amortisation of intangible assets	100,073	57,112
Write off of fixed assets	-	19,785
Change in provisions	-	(38,970)
Loss on sale of property, plant and equipment	(3,725)	-
Re-measurement of puttable options	878,531	-
Grant Income	7,558	7,558
	<u>3,613,761</u>	<u>1,461,210</u>
Operating cash flows before movements in working capital		
Decrease in inventories	86,423	224,584
Decrease in receivables	66,442	231,916
(Decrease) in payables	(318,493)	(887,015)
	<u>3,448,133</u>	<u>1,030,695</u>
Cash and cash equivalents		
	2019 £	2018 £
Cash and bank balances (see note 25)	<u>1,034,768</u>	<u>1,261,302</u>

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

25. Financial instruments

Capital risk management

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

The Group manages its capital to ensure that the Company will be able to continue as a going concern. Continued support from the parent companies (Tri-Wall Europe Holdings Limited and Tri-Wall Limited) is expected to continue throughout 2020 as required.

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

25. Financial instruments (continued)

Gearing ratio

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

	2019 £	2018 £
Debt	(12,449,343)	(9,780,879)
Cash and cash equivalents	1,034,768	1,261,302
Net debt	<u>(11,414,575)</u>	<u>(8,519,577)</u>
Equity	<u>3,630,838</u>	<u>3,615,485</u>
Net debt to equity ratio	<u>314%</u>	<u>236%</u>

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

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

Significant accounting policies

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

Credit risk management

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

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

Liquidity risk management

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

25. Financial instruments (continued)

Liquidity and interest risk tables

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

	Weighted average effective interest rate	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
	%	£	£	£	£	£
31 December 2019						
Non-interest-bearing		5,149,433	-	-	-	5,149,433
Finance lease liability	2.82	1,041,896	946,653	1,467,121	3,030,603	6,486,273
Variable interest rate instruments	2.65	860,297	825,348	279,962	512,656	2,478,263
Fixed interest rate instruments	2.75	1,433,775	989,359	2,946,757	545,390	5,915,282
		<u>8,485,401</u>	<u>2,761,359</u>	<u>4,693,839</u>	<u>4,088,650</u>	<u>20,029,250</u>
31 December 2018						
Non-interest-bearing		5,327,373	-	-	-	5,327,373
Finance lease liability	12.08	49,182	18,117	46,672	-	113,971
Variable interest rate instruments	2.88	2,253,179	151,261	453,784	982,729	3,840,953
Fixed interest rate instruments	2.67	1,596,606	1,031,026	2,986,749	995,116	6,609,497
		<u>9,226,340</u>	<u>1,200,404</u>	<u>3,487,205</u>	<u>1,977,845</u>	<u>15,891,794</u>

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

26. Related party transactions

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

Trading transactions

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

	Sale of goods		Purchase of goods	
	2019	2018	2019	2018
	£	£	£	£
Tri-Wall Polska	263	2,021	95,122	49,479
Tri-Wall Japan	-	27,511	-	1,252
Tri-Wall Turkey	-	15,934	-	-
Tri-Wall Thailand	-	-	-	8,915
Tri-Wall Austria	244,698	199,886	-	-
Tri-Wall Slovakia	64,679	-	-	-
Tri-Wall Mexico	-	-	23,869	-
	<u>309,640</u>	<u>245,352</u>	<u>118,991</u>	<u>59,646</u>

During the year there was an intercompany recharge from Welsh Boxes & Engineering (Holding) Company Limited to Tri-Wall Swansea Limited of £73,794 which related to rental of business premises.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2019	2018	2019	2018
	£	£	£	£
Tri-Wall Europe Holdings Limited	51,600	51,600	2,381,985	2,703,641
Tri-Wall Polska	7,653	-	63,617	3,313
Tri-Wall Japan	-	-	-	606
Tri-Wall Limited	-	-	2,955,770	3,474,365
Tri-Wall Thailand	-	-	8,915	8,915
Tri-Wall Austria	-	34,054	-	-
Tri-Wall Slovakia	11,393	-	-	-
Tri-Wall Mexico	-	-	20,945	-
	<u>70,646</u>	<u>85,654</u>	<u>5,341,232</u>	<u>6,190,840</u>

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

Tri-Wall UK Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

26. Related party transactions (continued)

Amounts repayable to Tri-wall Europe Holdings Limited carry interest of 2.37% (2018: 2.37%) per annum charged on the outstanding loan balances (see note 16).

Amounts repayable to Tri-wall Limited carry interest of 2.5%-2.98% (2018: 2.5% - 2.98%) per annum charged on the outstanding loan balances (see note 16).

Remuneration of key management personnel

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

	2019 £	2018 £
Short-term employee benefits	84,950	75,540
Post-employment benefits	3,098	2,644
	<u>88,048</u>	<u>78,184</u>

Aggregate directors' remuneration

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

	2019 £	2018 £
Salaries, fees, bonuses and benefits in kind	84,950	75,540
Money purchase pension contributions	3,098	2,644
	<u>88,048</u>	<u>78,184</u>

Tri-Wall UK Limited
Company balance sheet
As at 31 December 2019

		2019	2018
	Note	£	£
Non-current assets			
Investments in subsidiaries	30	3,403,651	3,403,651
Goodwill		606,340	606,340
Other intangible assets	31	68,143	55,328
Property, plant and equipment	32	5,441,541	3,908,612
Deferred tax asset		199,191	184,176
Loan receivable		800,000	-
		<u>10,518,866</u>	<u>8,158,107</u>
Current assets			
Trade and other receivables	33	3,712,136	3,488,662
Cash and bank balances		608,208	1,165,180
Inventories	34	869,937	773,884
		<u>5,190,282</u>	<u>5,427,726</u>
Total assets		<u>15,709,147</u>	<u>13,585,833</u>
Current liabilities			
Trade and other payables	35	3,326,395	3,153,764
Borrowings	36	1,520,864	1,250,440
Current tax liability		173,398	221,625
		<u>5,020,657</u>	<u>4,625,829</u>
Net current assets		<u>169,624</u>	<u>801,897</u>
Total assets less current liabilities		<u>10,688,490</u>	<u>8,960,004</u>
Non-current liabilities			
Borrowings	36	5,974,407	4,371,062
		<u>5,974,407</u>	<u>4,371,062</u>
Total liabilities		<u>10,995,065</u>	<u>8,996,890</u>
Net assets		<u>4,714,082</u>	<u>4,588,942</u>
Equity			
Share capital		5,575,100	5,575,100
Retained earnings		(861,018)	(986,158)
Equity attributable to owners of the Company		<u>4,714,082</u>	<u>4,588,942</u>

The Company reported a profit for the financial year ended 31 December 2019 of £125,140 (2018: £273,108).

The financial statements of Tri-Wall UK Limited (registered number 08311508) were approved by the board of directors and authorised for issue on 21/10/2020. They were signed on its behalf by:

By Order of the Board



Gavin Peters

Tri-Wall UK Limited
Company statement of changes in equity
For the year ended 31 December 2019

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	3,600,100	(1,259,266)	2,340,834
Total comprehensive income for the year	-	273,108	273,108
Issue of share capital	1,975,000	-	1,975,000
Balance at 31 December 2018	5,575,100	(986,158)	4,588,942
Total comprehensive income for the year	-	125,140	125,140
Balance at 31 December 2019	<u>5,575,100</u>	<u>(861,018)</u>	<u>4,714,082</u>

Tri-Wall UK Limited

Notes to the Company financial statements (continued)

For the year ended 31 December 2019

27. Significant accounting policies

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

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

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

28. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The critical accounting judgements and key sources of estimation uncertainty are the same as those set out in note 4 to the consolidated financial statements.

29. Profit/(loss) for the year

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

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

30. Investment in subsidiaries

	£
Cost and net book value	
At 1 January 2019	3,403,651
At 31 December 2019	<u>3,403,651</u>

Details of the Company's subsidiaries at 31 December 2019 are as follows:

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2019

30. Investment in subsidiaries (continued)

Name	Place of business	Proportion of ownership interest %	Proportion of voting power held %
Welsh Boxes & Engineering (Holding) Company Limited	Swansea	100	100
Tri-Wall Swansea Limited	Swansea	100	100
Rosewood Manufacturing Holdings Limited	Gateshead	51	57
Rosewood Manufacturing Company (Gateshead) Limited	Gateshead	51	57
Rosewood Packaging (Wolverhampton) Limited	Wolverhampton	51	57
Rosewood Packaging (Manchester) Limited	Manchester	51	57

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

The principal activity of Welsh Boxes & Engineering Holding Company Limited is that of a holding Company. The Company is directly owned by Tri-Wall UK Limited.

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

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

The principal activity of Rosewood Manufacturing Company (Gateshead) Limited is the manufacture and sale of packaging products. The Company is indirectly owned by Tri-Wall UK Limited.

The principal activity of Rosewood Packaging (Wolverhampton) Limited is the manufacture and sale of packaging products. The Company is indirectly owned by Tri-Wall UK Limited.

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

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

Further information about subsidiaries, including disclosures about non-controlling interests, is provided in note 22 to the consolidated financial statements.

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2019

31. Other intangible assets

	Software £
Cost or valuation	
At 1 January 2018	249,718
Additions	3,014
	<hr/>
At 31 December 2018	252,732
Additions	34,260
	<hr/>
At 31 December 2019	286,992
	<hr/>
Accumulated depreciation and impairment	
At 1 January 2018	(162,169)
Charge for the year	(35,235)
	<hr/>
At 31 December 2018	(197,404)
Charge for the year	(21,445)
	<hr/>
At 31 December 2019	(218,849)
	<hr/>
Carrying amount	
At 31 December 2017	87,549
	<hr/> <hr/>
At 31 December 2018	55,328
	<hr/> <hr/>
At 31 December 2019	68,143
	<hr/> <hr/>

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2019

32. Property, plant and equipment

	Plant and machinery £	Right-of- use assets £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2018	6,258,255	-	383,959	6,642,214
Additions	276,887	-	-	276,887
At 31 December 2018 as previously reported	6,535,142	-	383,959	6,919,101
Right-of-use assets on transition to IFRS 16	(86,962)	2,386,474	-	2,299,512
At 1 January 2019	6,448,180	2,386,474	383,959	9,218,613
Additions	40,249	208,197	-	248,446
Disposals	(29,568)	-	-	(29,568)
At 31 December 2019	6,458,861	2,594,671	383,959	9,437,491
Accumulated depreciation and impairment				
At 1 January 2018	(2,350,770)	-	(146,839)	(2,497,609)
Charge for the year	(468,692)	-	(44,186)	(512,878)
Eliminated in respect of disposals	-	-	-	-
At 31 December 2018 as previously reported	(2,819,462)	-	(191,025)	(3,010,487)
Right-of-use assets on transition to IFRS 16	11,595	(11,595)	-	-
At 01 January 2019	(2,807,867)	(11,595)	(191,025)	(3,010,487)
Charge for the year	(506,717)	(455,205)	(43,208)	(1,005,130)
Eliminated in respect of disposals	12,320	-	-	12,320
At 31 December 2019	(3,302,264)	(466,800)	(234,233)	(4,003,297)
Carrying amount				
At 31 December 2017	3,907,485	-	237,120	4,144,605
At 31 December 2018	3,715,680	-	192,934	3,908,612
At 31 December 2019	3,156,596	2,127,871	149,726	5,434,194

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2019

33. Trade and other receivables

	2019 £	2018 £
Amounts falling due within one year		
Amounts owed for the sale of goods	2,875,738	2,704,592
Amounts owed by Group undertakings	342,810	267,635
Other debtors and prepayments	493,588	516,435
	<u>3,712,136</u>	<u>3,488,662</u>

Amounts receivable from group undertakings are expenses recharged from the Company to the immediate Parent Company (Tri-Wall Europe Holdings Limited).

34. Inventories

	2019 £	2018 £
Raw materials	619,831	553,645
Finished goods	92,990	122,977
Engineering stock	157,116	97,262
	<u>869,937</u>	<u>773,884</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £10,434,799 (2018: £9,540,459).

35. Trade and other payables

	2019 £	2018 £
Amounts falling due within one year		
Trade payables and accruals	2,616,656	2,533,889
Amounts owed to Group undertakings	709,739	619,875
	<u>3,326,395</u>	<u>3,153,764</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days (2018: 77 days).

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

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2019

36. Borrowings

	2019 £	2018 £
Unsecured borrowing at amortised cost		
Loans from related parties	4,628,016	5,558,131
	<hr/>	<hr/>
Secured borrowing at amortised cost		
Finance lease liabilities	2,135,228	63,371
Bank loans	732,027	-
	<hr/>	<hr/>
	7,495,271	5,621,502
	<hr/> <hr/>	<hr/> <hr/>
Total borrowings		
Amount due for settlement within 12 months	1,520,864	1,250,440
	<hr/> <hr/>	<hr/> <hr/>
Amount due for settlement after 12 months	5,974,407	4,371,062
	<hr/> <hr/>	<hr/> <hr/>

The Company has four principal loans from related parties:

(a) £2,109,375 provided by Tri-Wall Europe Holdings Limited relates to the remaining start-up loan balance following a debt for equity swap of £3,300,000 in 2014. The loan term runs from 1 January 2014 to 31 July 2025. Interest payments of 2.37% per annum commence from 1 January 2015 and repayments of the principal amount commenced on 1 November 2017 in quarterly instalments of £78,125.

(b) £34,360 is the balance of the £750,000 loan provided by Tri-Wall Limited in June 2015. The loan term runs from 1 June 2015 to 31 December 2020. Interest payments of 2.5% per annum commenced from 1 January 2016 and repayments of the principal amount commenced on 31 March 2016 in quarterly instalments of £17,176.

(c) £1,470,081 is the balance of the £1,960,108 loan provided by Tri-Wall Limited in April 2017 for the purpose of replacement of machinery. The loan term runs from 1 April 2017 to 30 April 2027. Interest payments of 2.98% per annum commenced from 1 April 2017 and repayments of the principal amount commenced on 31 July 2017 in quarterly instalments of £49,003.

(d) £1,014,200 is the balance of the £1,420,000 loan provided by Tri-Wall Limited in August 2017 for the purpose of the acquisition of a subsidiary. The loan term runs from 1 August 2017 to 1 August 2024. Interest payments of 2.68% per annum commenced from 31 August 2017 and repayments of the principal amount commence on 1 August 2018 in annual instalments of £202,900.

The Company has one bank loan comprising of the balance of a £2,000,000 revolving credit facility provided by HSBC Bank PLC secured by a fixed and floating charge over the assets of Tri-Wall UK Limited and Tri-Wall Swansea Limited.

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2019

37. Lease liabilities

Differences between the operating lease commitments disclosed at 31 December 2018 under IAS 17 discounted at the Company's incremental borrowing rate at 1 January 2019 and lease liabilities recognised at 1 January under IFRS 16 are explained below:

	£
Operating lease commitments disclosed as at 31 December 2018	275,148
Discounted using the lessee's incremental cost of borrowing at the date of initial application	(15,046)
(Less): Short-term leases not recognised as a liability	(61,255)
Add: Contracts reassessed as leases	2,100,663
Add: Obligation under finance leases as at 31 December 2018	63,371
	<hr/>
Lease liability recognised as at 1 January 2019	<u>2,362,881</u>

The total cash outflow for leases during the year was £435,852.

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

	Land and buildings	Plant & machinery	Motor vehicles	Total
Within one year	286,122	103,316	73,155	462,593
Between one and five years	597,335	108,263	90,886	796,484
In over five years	876,151	-	-	876,151
	<hr/>	<hr/>	<hr/>	<hr/>
	1,759,608	211,579	164,041	2,135,228
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 December 2018, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £
Within one year	141,293
In the second to fifth years inclusive	133,855
	<hr/>
	<u>275,148</u>

Tri-Wall UK Limited
Notes to the Company financial statements (continued)
For the year ended 31 December 2019

38. Government grants

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

The Company incurred revenue expenditure of £308,225 during the year. The Company claimed a revenue grant of £184,935, which was released to the income statement as the expenditure was incurred.

39. Ultimate parent Company

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

Copies of the group financial statements of Tri-Wall Europe Holdings Limited are available from Queensway Government Offices, 66 Queensway, Hong Kong. The Company's immediate controlling party is Tri-Wall Europe Holdings Limited registered at 19/F, Chu Kong Shipping Tower, 143 Connaught Road Central, Sheung Wan, Hong Kong.

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