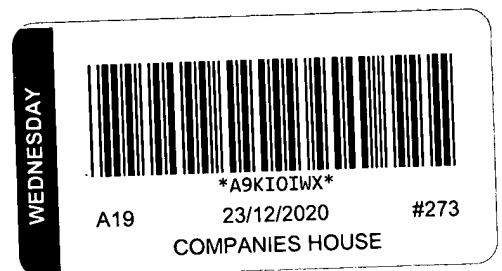


Freudenberg Filtration Technologies UK Limited

Report and Financial Statements

31 December 2019

Registered No. 2888870



Directors

R Lin
S G Langford (Resigned 03 January 2020)
A G Short (Resigned 29 March 2019)

Secretary

A Turner

Auditors

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

Bankers

Barclays Bank plc
Commercial Street
Halifax

Registered office

Unit 3A
Apollo Park
Off University Way
Crewe
Cheshire
CW1 6HX

Directors' report

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

Results and dividends

The loss for the year, after taxation, amounted to £148,677 (2018: £593,352 profit). No dividend was paid during the year (2018: £1,300,000).

Principal activity

The principal activity of the company in the year under review was that of engineers in the design, installation and maintenance of air filtration and air quality control systems and the merchandise and sale of filter products.

Directors

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

R Lin

S G Langford (Resigned 03 January 2020)

A G Short (Resigned 29 March 2019)

Disclosure of information to the auditors

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

Covid-19/Post balance sheet events

Subsequent to the year end, the coronavirus (COVID-19) outbreak has spread rapidly across the world, impacting many economies and markets. The Company was prepared for the event of lockdown with the appropriate infrastructure put in place for home working to be achieved where appropriate and responded in a timely manner to government guidance. For business critical operations, measures were implemented to provide safety for our employees and allow for social distancing. These include daily temperature checks being introduced into the warehouse, the wearing of face coverings was made mandatory, and hand sanitiser being readily available. Any non-regular warehouse staff are now required to contact the warehouse supervisor before turning up to ensure that they can be safely accommodated. Only essential customer visits were made, and with only the essential number of staff attending. The wearing of face coverings at customer sites was also made mandatory, along with adhering to the specific processes that the customers have in place for COVID-19. Where appropriate the Company has taken advantage of government assistance schemes.

Following the outbreak, the Company has experienced reduced demand, particularly from the automotive industry, as they had a period of shutdown at the height of the pandemic. These customers have since reopened and we are seeing sales recover. The projects side of the company has seen projects delayed due to the uncertainty caused by COVID-19. The Company is responding with a focus on cost control in particular existing services and subscriptions have been reviewed and either renegotiated or cancelled, government schemes such as the furlough scheme have been utilised, and there has been a restructure of some departments to allow them to work more effectively.

At the date of this report, the Directors do not consider it is practical to provide a meaningful quantitative or qualitative estimate of the potential impact of the pandemic on the Company. The pandemic is considered an event which is indicative of conditions which arose after the reporting period and as such no adjustments have been made to the Financial Statements as at 31 December 2019 due the impact of the pandemic.

Going Concern

In preparing a cash flow forecast to support the going concern assessment, the Company concluded that the Company would be able to meet its liabilities as and when they fall due for a period of at least twelve months

Directors' report

Going Concern (Continued)

from the date of approval of the Company's financial statements. For this reason, the Company continue to adopt the going concern basis in preparing these financial statements.

The Directors have considered the Company's current and future prospects, its availability of financing, and the impact of COVID-19, and are satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Based on a review of forecasts for the Company through to December 2021, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the Company to continue as a going concern. The Company is also part of a cash pooling arrangement with Freudenberg Group and has been provided with a letter of support to confirm continued access to these funds to enable them to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the Balance Sheet, in order to allow the Company to continue as a Going Concern. Further, Freudenberg Group, after analysis of present risks, concluded that there was no major changes in the overall risk situation compared to the previous year and no threat to its continued existence. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

Ernst & Young LLP will not be reappointed after this year, and Roedl & Partner will be appointed auditors for 2020.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006. The company has taken advantage of the exemption offered by section 414(b) of the Chapter A4 of the Companies Act 2006, not to prepare a strategic report.

Brexit

The directors have ensured that a contingency plan is in place to ensure that the impact of Brexit is minimised.

On behalf of the Board

R Lin
Director



Date 17 December, 2020

Statement of directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 The 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report

to the members of Freudenberg Filtration Technologies UK Limited

Opinion

We have audited the financial statements of Freudenberg Filtration Technologies UK Limited for the year ended 31 December 2019 which comprise Income Statement and Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter – Effects of COVID-19

We draw attention to Notes 1 and 22 of the Financial Statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting the wider UK and global economies, as well as the Company's ability to operate normally. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Independent auditor's report

to the members of Freudenberg Filtration Technologies UK Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

to the members of Freudenberg Filtration Technologies UK Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Anne Wong (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date:

18 December 2020

Income Statement and Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 £	2018 £
Turnover	2	9,016,658	9,003,917
Cost of sales		(6,540,156)	(5,789,145)
Gross profit		2,476,502	3,214,772
Selling expenses		(2,020,014)	(2,461,997)
Administrative expenses		(1,087,341)	(450,778)
Other operating income		483,783	432,805
Operating (Loss)/profit	3	(147,070)	734,802
Interest receivable and similar income	6	-	850
Interest payable and similar charges	7	(34,559)	-
(Loss)/profit on ordinary activities before taxation		(181,629)	735,652
Taxation	8	32,952	(142,300)
(Loss)/profit for the financial year		(148,677)	593,352

There is no other comprehensive income for the year (2018: nil).

All items dealt with in arriving at the profit on ordinary activities relate to continuing operations.

The notes on pages 10 to 20 form an integral part of these financial statements

Balance sheet

at 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets	9	1,522,984	77,895
Intangible asset	10	73,442	90,390
		<u>1,596,426</u>	<u>168,285</u>
Current assets			
Stocks	11	609,519	347,290
Debtors: amounts falling due within one year	12	2,213,762	1,951,729
		<u>2,823,281</u>	<u>2,299,019</u>
Creditors: amounts falling due within one year	13	(2,222,193)	(1,346,884)
Net current assets		<u>601,088</u>	<u>952,135</u>
Creditors: amounts falling after more than one year	14	(1,225,771)	-
Net assets		<u>971,743</u>	<u>1,120,420</u>
Capital and reserves			
Called up share capital	15	92	92
Share premium		9,988	9,988
Capital redemption reserve		30	30
Profit and loss account	17	961,633	1,110,310
Shareholders' funds		<u>971,743</u>	<u>1,120,420</u>

The notes on pages 10 to 21 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and signed on their behalf by:

R. Lin
Director

Date 17 December, 2020

Statement of Changes in Equity

for the year ended 31 December 2019

	<i>Profit and loss account £</i>	<i>Called up share capital £</i>	<i>Share premium capital £</i>	<i>Capital redemption reserve £</i>	<i>Total £</i>
At 1 January 2018	1,816,958	92	9,988	30	1,827,068
Profit for the financial year	593,352	-	-	-	593,352
Total comprehensive income for the year	593,352	-	-	-	593,352
Dividend paid	(1,300,000)	-	-	-	(1,300,000)
At 31 December 2018	1,110,310	92	9,988	30	1,120,420
Loss for the financial year	(148,677)	-	-	-	(148,677)
Total comprehensive expense for the year	(148,677)	-	-	-	(148,677)
Dividends paid (Note 16)	-	-	-	-	-
At 31 December 2019	961,633	92	9,988	30	971,743

Notes to the financial statements

at 31 December 2019

1. Accounting policies

Statement of Compliance

The financial statements of Freudenberg Filtration Technologies UK Limited (the “company”) for the year ended 31 December 2019 were authorised for issue by the board of directors on 17th December 2020 and the balance sheet was signed on the board’s behalf by R Lin. Freudenberg Filtration Technologies UK Ltd is incorporated and domiciled in England and Wales. The registered office is Unit 3A Apollo Park, Off University Way, Crewe, Cheshire, CW1 6HX.

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

The Company’s financial statements are presented in GBP Sterling.

The principal accounting policies adopted by the Company are set out below.

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company applied IFRS 16 Leases from 1 January 2019.

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
 - (b) the requirements in paragraph 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40C, 40D, 111, and 134 to 136 of IAS 1
- ‘Presentation of Financial Statements’ to present comparative information in respect of:
- a. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - b. paragraph 118(e) of IAS 38 Intangible Assets;
 - (c) the requirements of paragraphs 10(d), 111 and 134 of IAS 1 Presentation of Financial Statements;
 - (d) the requirements of IAS 7 Statement of Cash Flows;
 - (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
 - (f) the requirement of paragraph 17 of IAS 24 Related Party Transactions;
 - (g) the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) - (c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers
 - (h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134 (f) and 135(c) to 135(e) of IAS 36, Impairment of Assets

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting policies (continued)

Going Concern

The Covid-19 crisis has had limited impact on the business operations of the Company.

The business has continued to trade, whilst demand has reduced particularly from the automotive industry, as they had a period of shutdown at the height of the pandemic. These customers have since reopened and we are seeing sales recover. The projects side of the company has seen projects delayed due to the uncertainty caused by COVID-19.

In preparing a cash flow forecast to support the going concern assessment, the Company assessed whether the Company would be able to meet its liabilities as and when they fall due for a period of at least twelve months from the date of approval of the Company's financial statements. The assessment included a stress test where the Company assessed a scenario whereby its business would be significantly impacted.

The Company is also part of a cash pooling arrangement with Freudenberg Group and have been provided with a letter of support to confirm continued access to these funds to enable them to meet their liabilities as they fall due. Further, Freudenberg Group, after analysis of present risks, concluded that there was no major changes in the overall risk situation compared to the previous year and no threat to its continued existence.

Having assessed the principle risks and uncertainties, including the Covid-19 crisis, the Company have assessed that the company will continue to be able to meet its financial liabilities as they fall due at least twelve months following the signing date of these financial statements. For this reason, the Company continue to adopt the going concern basis in preparing these financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates. There are no significant judgements made in preparing the financial statements.

The following estimates have had the most significant effect on amounts recognised in the financial statements:

- Taxation

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

-Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using inputs such as interest rates.

Significant accounting policies

Tangible assets and depreciation

All tangible fixed assets are stated at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Motor vehicles	–	25% on reducing balance
Office equipment	–	10% straight-line
Plant and equipment	–	15% straight-line

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting policies (continued)

Intangible assets and amortisation

All intangible fixed assets are stated at cost. Amortisation is provided on all intangible fixed assets at rates calculated to write-off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Computer Software	–	12.5% straight-line
-------------------	---	---------------------

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement

Leases

The Company has adopted IFRS 16 'Leases' on 1 January 2019, effective for accounting periods beginning on or after 1 January 2019. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) resulted in the recognition of a £1,613,027 right of use asset and corresponding lease liability.

i- Right of use assets

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

Buildings are depreciated over their remaining term, which is 1 year and 10 years for the 2 buildings leased.

Vehicles 3 to 4 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii- Lease liabilities

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting policies (continued)

Leases (continued)

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

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

Effect on income statement

Lease costs are replaced by interest incurred on the liability, included within interest payable (2019:£34,559) and depreciation on the asset (2019:£266,658).

Effect on Statement of Financial Position

The creation of an asset and liability in the statement of financial position of £1,461,212 and £ 1,473,460 respectively at the year-end.

Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Stocks

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

Finished goods and goods for resale – at purchase price

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

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting policies (continued)

Turnover

Revenue is recognised in line with IFRS 15 (Revenue from Contracts with Customers), to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. IFRS 15 defines performance obligations as a 'promise to provide a distinct good or service or a series of distinct goods or services'. Revenue is recognised when a performance obligation has been delivered which reflects the point when control over a product or service transfers to a customer. Revenue is measured based on the consideration set out in the contract with the customer and excludes amounts collected on behalf of third parties.

Revenue is recognised when separate performance obligations are delivered to the customer. For engineering projects, the performance obligations reflect the cost allocation within the project and therefore revenue is recognised when the performance obligation is satisfied at a point in time.

For the sale of goods, the performance obligation reflects when the goods are dispatched to the customer and therefore revenue is recognised at this point.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income and expense

Interest income and interest payable is recognised in the profit or loss as it accrues, using the effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Financial Assets

Initial recognition and measurement

The Company determines the classification of its financial assets at initial recognition. When financial assets including debtors due within one year are recognised initially, they are measured at fair value, being the transaction value.

Subsequent measurement

The Company calculates expected credit losses in line with guidance under IFRS 9. Where there is evidence of impairment, any impairment loss is recognised in the income statement.

Derecognition of financial assets

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade creditors and amount owed to related parties due within one year and shall be recorded at transaction price.

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting policies (continued)

Subsequent measurement

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2. Turnover

Turnover is analysed by geographical market as follows:

	2019	2018
	£	£
United Kingdom	9,016,658	9,003,917
	<u>9,016,658</u>	<u>9,003,917</u>

3. Operating (Loss)/profit

Operating (Loss)/profit is stated after charging/crediting:

	2019	2018
	£	£
Stock expensed through Cost of Sales	4,809,091	4,256,663
Other Operating income	(483,783)	(432,805)
Depreciation of tangible fixed assets	287,815	6,413
Amortisation	16,948	16,948
Rent of land and buildings – operating leases	-	94,666
Hire of other assets – operating leases	-	167,047
	<u></u>	<u></u>
Auditors' remuneration:		
Audit of these financial statements	12,000	12,500
	<u></u>	<u></u>

Notes to the financial statements (continued)

at 31 December 2019

3. Operating (Loss)/profit

Other operating income represents costs recharged to other group companies and foreign exchange gains/losses.

4. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	323,378	226,330
Pension contributions	19,644	53,790
	<u>343,022</u>	<u>280,120</u>

In respect of the highest paid director:

Directors' emoluments	151,073	141,306
Pension contributions	11,946	14,904

The number of directors who were accruing benefits under company pension schemes was as follows:

	No.	No.
Money purchase schemes	<u>2</u>	<u>2</u>

5. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2019	2018
	No.	No.
Administration	3	3
Selling and distribution	45	46
	<u>48</u>	<u>49</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	2,197,458	1,960,964
Social security costs	226,663	263,794
Other pension costs	197,432	234,726
	<u>2,621,554</u>	<u>2,459,484</u>

Notes to the financial statements (continued)

at 31 December 2019

6. Interest receivable and similar income

	2019	2018
	£	£
Other interest receivable from third parties	-	850

7. Interest payable and similar charges

	2019	2018
	£	£
Interest payable on lease liabilities (Note 19)	34,559	-

8. Taxation

(a) (Credit)/charge on (loss)/profit

The (credit)/charge is made up as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax on the profit for the year	(2,845)	140,893
Adjustment in respect of prior years	-	(915)
Total current tax	(2,854)	139,978
Deferred tax:		
Deferred tax current year	(30,098)	1,780
Adjustments in respect of prior years	-	542
Total deferred tax (note 12)	(30,098)	2,322
Total tax on profit	(32,952)	142,300

(b) Factors affecting the tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£	£
(Loss)/profit for the year	(181,629)	735,652
Tax on profit at the standard rate of corporation tax in the UK of 19% 31 December 2019 (2018 - 19%)	(34,411)	139,774

Effects of:

Expenses not deductible for tax purposes	95	2,899
Adjustments to tax in respect of prior periods	(2,854)	(373)
Tax rate changes	4,298	-
Total tax for the year (note 8(a))	(32,952)	142,300

Notes to the financial statements (continued)

at 31 December 2019

8. Taxation (continued)

(c) Factors that may affect future tax charges

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 now 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, the deferred tax asset would have been £4,219 higher.

9. Tangible fixed assets

	<i>Right of use assets</i>	<i>Motor vehicles</i>	<i>Office equipment</i>	<i>Plant and machinery</i>	<i>Total</i>
	£	£	£	£	£
Cost or valuation:					
At 1 January 2019	-	5,399	24,548	67,287	97,234
Transition adjustment	1,616,842	-	-	-	1,616,842
Additions	114,844	-	1,219	-	116,063
Eliminated on disposal	(3,815)	-	-	-	(3,815)
At 31 December 2019	1,727,871	5,399	25,767	67,287	1,826,324
Depreciation:					
At 1 January 2019	-	1,764	1,367	16,209	19,340
Provided during the year	270,473	532	3,646	13,164	287,815
Eliminated on disposal	(3,815)	-	-	-	(3,815)
At 31 December 2019	266,658	2,296	5,013	29,373	303,340
Net book value:					
At 31 December 2019	1,461,212	3,103	20,755	37,914	1,522,984
At 1 January 2019	-	3,635	23,182	51,078	77,895

10. Intangible fixed assets

	<i>Computer Software</i>	<i>Total</i>
	£	£
Cost or valuation:		
At 1 January 2019	135,585	135,585
At 31 December 2019	135,585	135,585
Depreciation:		
At 1 January 2019	45,195	45,195
Provided during the year	16,948	16,948
At 31 December 2019	62,143	62,143
Net book value:		
At 31 December 2019	73,442	73,442
At 1 January 2019	90,390	90,390

Notes to the financial statements (continued)

at 31 December 2019

11. Stocks

	2019	2018
	£	£
Finished goods and goods for resale	609,519	347,290

12. Debtors

	2019	2018
	£	£
Trade debtors	1,926,279	1,617,315
Amounts owed by group undertakings	111,629	264,154
Other debtors and accrued income	86,984	64,498
Current corporation tax	53,010	-
Deferred tax (see below)	35,860	5,762
	2,213,762	1,951,729

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	2019	2018
	£	£
Deferred tax asset at start of year	(5,762)	(8,086)
Deferred tax debit in the profit and loss account (note 8(a))	(30,098)	1,780
Adjustment in respect of prior years (note 8(a))	-	544
Asset at end of year	(35,860)	(5,762)

Deferred tax asset:

	2019	2018
	£	£
Temporary timing differences	(4,080)	(4,560)
Fixed assets	(6,905)	(1,202)
Losses	(24,874)	-
	(35,860)	(5,762)

13. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	623,109	676,165
Amounts owed to group undertakings	599,487	142,505
Other creditors and deferred income	465,174	184,580
Current corporation tax	-	57,844
Lease liabilities (Note 19)	247,687	-
Other taxes and social security costs	286,736	285,790
	2,222,193	1,346,884

Notes to the financial statements (continued)

at 31 December 2019

14. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Lease liabilities (Note 19)	1,220,035	-
Amounts owed to parent	5,736	-
	<u>1,225,771</u>	<u>-</u>

15. Called up share capital

	2019	2018
	£	£
<i>Allocated, called up and fully paid</i>		
92 ordinary shares of £1 each	92	92
	<u>92</u>	<u>92</u>

16. Dividend

	2019	2018
	£	£
Dividend paid	-	1,300,000
	<u>-</u>	<u>1,300,000</u>

Dividend per share in 2019 £Nil per share, £14,130.43 during 2018.

17. Other reserves

Share premium

This reserve represents the capital investment by the parent undertaking in addition to share capital.

Retained Earnings

This reserve represents the cumulative comprehensive income recognised in the company, less any dividends paid. The retained earnings for 2019 is £961,633.

18. Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019			2018		
	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>
	£	£	£	£	£	£
Operating leases which expire:						
Within one year	-	-	-	-	6,650	6,650
In two to twelve years	-	-	-	1,628,517	184,025	1,812,542
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,628,517</u>	<u>190,675</u>	<u>1,819,192</u>

Notes to the financial statements (continued)

at 31 December 2019

19. Leases

The Company has operating lease contracts for various items of buildings and vehicles (including forklift trucks) used in its operations. Leases of the 2 buildings have lease terms of 1 and 10 years remaining, while motor vehicles generally have lease terms between 3 and 4 years. The lease contracts include fix lease payment terms.

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

	<i>Buildings</i>	<i>Vehicles</i>	<i>Total</i>
	£	£	£
As at 1 January 2019	-	-	-
IFRS 16 transition (Note 1 and 9)	1,412,429	204,413	1,616,842
Additions	-	114,844	114,844
Depreciation	-131,351	-139,122	-270,473
As at 31 December 2019	1,281,078	180,135	1,461,213

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

	2019
	£
As at 1 January	-
IFRS 16 transition (Note 1)	1,616,842
Additions	114,844
Interest adjustments	34,559
Payments	(298,523)
As at 31 December	1,467,722
Current (Note 13)	247,687
Non-current (Note 14)	1,220,025

The following are the amounts recognised in profit or loss:

	2019
	£
Depreciation expense of right-of-use assets	270,473
Interest expense on lease liabilities	34,559
Total amount recognised in profit or loss	305,032

Notes to the financial statements (continued)

at 31 December 2019

19. Leases (continued)

At 31 December 2019 the Company had the following minimum lease payments under non-cancellable operating leases as set out below:

	2019	2018
	£	£
Not later than one year (Note 18)	-	6,650
More than one year	-	1,812,542
	-	<u>1,819,192</u>

20. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

21. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Filtamark Limited, which as at 31 December 2019, held 100% of the issued share capital of Freudenberg Filtration Technologies UK Limited.

The ultimate parent undertaking and controlling party is Freudenberg SE, a company registered in Germany. The smallest and largest group of undertakings in which the company is consolidated is Freudenberg SE.

Copies of its group financial statements, which include the company, are available from its registered office: 69465 Weinheim, Germany.

22. Events after the balance sheet date

Subsequent to the year end, the coronavirus (COVID-19) outbreak has spread rapidly across the world, impacting many economies and markets. The Company was prepared for the event of lockdown with the appropriate infrastructure put in place for home working to be achieved where appropriate and responded in a timely manner to government guidance. For business critical operations, measures were implemented to provide safety for our employees and allow for social distancing. These include daily temperature checks being introduced into the warehouse, the wearing of face coverings was made mandatory, and hand sanitiser being readily available. Any non-regular warehouse staff are now required to contact the warehouse supervisor before turning up to ensure that they can be safely accommodated. Only essential customer visits were made, and with only the essential number of staff attending. The wearing of face coverings at customer sites was also made mandatory, along with adhering to the specific processes that the customers have in place for COVID-19. Where appropriate the Company has taken advantage of government assistance schemes.

Following the outbreak, the Company has experienced reduced demand, particularly from the automotive industry, as they had a period of shutdown at the height of the pandemic. These customers have since reopened and we are seeing sales recover. The projects side of the company has seen projects delayed due to the uncertainty caused by COVID-19. The Company is responding with a focus on cost control in particular existing services and subscriptions have been reviewed and either renegotiated or cancelled, government schemes such as the furlough scheme have been utilised, and there has been a restructure of some departments to allow them to work more effectively. At the date of this report, the Directors do not consider it is practical to provide a meaningful quantitative or qualitative estimate of the potential impact of the pandemic on the Company. The pandemic is considered an event which is indicative of conditions which arose after the reporting period and as such no adjustments have been made to the Financial Statements as at 31 December 2019 due the impact of the pandemic.