Hollingsworth & Vose Air Filtration Limited

Annual report

for the year ended 31 December 2018

Registered Number· 3926749

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Hollingsworth & Vose Air Filtration Limited

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Strategic report for the year ended 31 December 2018

The directors of Hollingsworth & Vose Company Air Filtration Limited present their Strategic report on the Group for the year ended 31 December 2018.

Principal activities
The principal activities of the Company continue to be the manufacture and sale of synthetic nonwovens for use in air filtration systems.

Business review and future developments
The business continued to grow in the following market segments; automotive cabin air, appliance and medical. New business opportunities were realised in the appliance and medical segments due to a competitor exiting the market. Product portfolio favoured lower basis weight media, volume grew modestly by 1%, whilst net sales revenue reduced by 6% verses 2017. Raw material prices remained relatively stable over the period, with tight control over variable costs and effective leveraging of labour.

Intellectual property around new media development culminated in a successful patent application. Combination of media with other H&V products will enable future product differentiation and secure our market position and business growth.

Net assets increased to £20,262,000 from £15,774,000 due to improved working capital.

Results
The profit for the financial year attributable to shareholders amounted to £4,502,000 (2017: profit £4,606,000).

Risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks and uncertainties for the Company that would affect the delivery of a well defined strategy include Brexit, unforeseen competitive pressure from emerging market providers, unforeseen technical production problems, significant changes to sales and major input prices (although these are usually agreed in advance for periods of 6-24 months), significant energy price increases (although these are agreed on a rolling two year basis), aligned product development in relation to market requirements and the ability to hire and retain qualified staff in Technical Functions.

The Company continues to maintain a positive financial position, therefore it is not considered that the Company is subject to any liquidity risk presently or in the future.

Failure to comply with legal obligations or regulatory frameworks in the markets in which the Company operates could result in financial penalties, the inability to fulfil contracts and/or reputational damage. The Company's legal and tax functions work closely with the business to identify and mitigate legal and regulatory risk using both internal resources and external advisors where specialist advice is needed.

Strategic report for the year ended 31 December 2018 (continued)

Key performance indicators

The Company assesses its performance using a number of measures, the key measures being gross profit to sales, and operating profit to sales.

	2018	2017
Gross profit to sales	45%	48%
Operating profit to sales	40%	38%

The movement in gross profit to sales is due to the decrease in sales outweighing the decrease in cost of sales. The movement in operating profit to sales due to the decrease in sales being outweighed by the decrease in operating costs.

Health and safety at work

Health and safety remains a core value to the Company and we continue to employ the best practice and benchmark our business throughout the wider company and similar industries.

Environment

The group operates within all relevant environmental legislation.

By order of the board

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E Swain
Company Secretary
Date: 19/9/19

Directors' report for the year ended 31 December 2018

The directors present their report and the Financial statements of the Company for the year ended 31 December 2018.

Directors
The directors who served during the year ended 31 December 2018, and up to the date of signing the Financial statements are as follows:
J Hofstetter
J Kaiser
J Madej
None of the directors have qualifying third party indemnity insurance (2017: None).

Dividends
A dividend of £Nil (2017: £10,000,000) was paid during the year, and the directors recommend a final dividend of £Nil (2017: £Nil).

Research & development
The research & development expenditure incurred during the year amounted to £96,000 (2017: £99,000). The expenditure includes new product development, technical improvements and support for speciality technical paper and synthetic nonwovens.

Financial risk management objectives and policies
In carrying out its activities, the Company has limited the use of financial instruments to a minimal level. Short term funding is by overdraft and excess cash balances are invested in short term deposit accounts with group undertaking companies until required.

The Company use commodities in its manufacturing process and is significantly affected by fluctuations in raw material prices. The risk of increases in these prices affecting margins is minimised by an active purchasing organisation that secures the best available prices for raw materials and products for resale.

Credit risk is minimised by a structured central credit activity that assesses customers for ability to pay, sets suitable credit limits and oversee the entire debtors' ledger as well as using credit insurance arranged by group undertaking companies. Day to day management of debtors is carried out by specialised staff to maintain regular contact with the customer from the point of ordering to the receipt of payment.

The liquidity and cash flow impact of management decisions are regulated at the highest level within the Company and form an integral part of the planning process.

Future developments
An indication of the likely future developments of the business is included in the Strategic report on page 1.

Directors' report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements
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 prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company for that period. In preparing the financial statements, the directors are required to.
(a) select suitable accounting policies and then apply them consistently;
(b) state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements,
(c) make judgements and accounting estimates that are reasonable and prudent; and
(d) 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 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.

The directors are responsible for keeping adequate 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

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:
(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning the re-appointment will be proposed.

By order of the board

E Swain
Company Secretary
Date: 19/9/19

Audit exemption report for the year ended 31 December 2018

As a 100% subsidiary of Hollingsworth and Vose Company (U K) Limited, company registered number 1664523, who have taken advantage of the exemption under Section 479A of the Companies Act 2006, this company is entitled to exemption from audit

Financial statements for the year ended 31 December 2018

Profit and loss account for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	5	12,857	13,735
Cost of sales		(7,056)	(7,188)
Gross profit		5,801	6,547
Distribution costs		(289)	(242)
Administrative expenses		(360)	(407)
Other operating charges		(251)	(676)
Finance income/(expense)		223	(8)
Operating profit	6	5,124	5,214
Interest receivable and similar income	8	-	-
Interest payable and similar expenses	8	(19)	(39)
Net interest expense	8	(19)	(39)
Profit before taxation		5,105	5,175
Tax on profit	9	(603)	(569)
Profit for the financial year		4,502	4,606

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Profit for the financial year		4,502	4,606
Other comprehensive income/(expense):			
Remeasurements of net defined benefit obligation	18	(46)	927
Movement on current tax relating to pension scheme		-	-
Movement on deferred tax relating to pension scheme	9	32	(158)
Total tax on other comprehensive income/(expense)	9	32	(158)
Other comprehensive (expense)/income for the year, net of tax		(14)	769
Total comprehensive income for the year		4,488	5,375

Financial statements for the year ended 31 December 2018

Balance sheet as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	2,715	2,706
		2,715	2,706
Current assets			
Inventories	13	1,003	838
Debtors	14	17,906	13,696
		18,909	14,534
Creditors: amounts falling due within one year	15	(521)	(830)
Net current assets		18,388	13,704
Total assets less current liabilities		21,103	16,410
Creditors: amounts falling due after more than one year	16	-	-
Post-employment benefits	18	(762)	(570)
Provisions for liabilities	19	(79)	(66)
NET ASSETS		**20,262**	**15,774**
CAPITAL AND RESERVES			
Called up share capital	21	3,400	3,400
Dividends		-	(10,000)
Retained earnings		16,862	22,374
TOTAL EQUITY		**20,262**	**15,774**

For the year ending 31 December 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.
Directors' responsibilities:
The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.
The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The Financial statements on pages 6 to 33 were authorised for issue by the board of directors and were signed on its behalf.

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Director
Hollingsworth & Vose Air Filtration Limited
Registered no. 3926749

Date: 19/9/19

Financial statements for the year ended 31 December 2018

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2017	**3,400**	**16,999**	**20,399**
Profit for the year		4,606	4,606
Other comprehensive income for the year		769	769
Total comprehensive income for the year	-	5,375	5,375
Dividends		(10,000)	(10,000)
Total transactions	-	(10,000)	(10,000)
Balance as at 31 December 2017	**3,400**	**12,374**	**15,774**
Balance as at 1 January 2018	**3,400**	**12,374**	**15,774**
Profit for the year		4,502	4,502
Other comprehensive expense for the year		(14)	(14)
Total comprehensive income for the year	-	4,488	4,488
Balance as at 31 December 2018	**3,400**	**16,862**	**20,262**

Notes to the financial statements

1. General information

Hollingsworth & Vose Company Air Filtration Limited ('the Company') manufactures, converts and sells speciality technical papers and synthetic nonwovens for use in engine filtration systems and air filtration media. The Company is incorporated and domiciled in the UK. The address of its registered office is Waterford Bridge, Kentmere, Nr Kendal, Cumbria, LA8 9JJ.

2. Statement of compliance

The individual financial statements of Hollingsworth & Vose Company Air Filtration Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The Company meets its day-to -day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the Company's products; and (b) the availability of bank finance for the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its Financial statements.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(c) Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions.
The Company has taken advantage of the exemption from preparing company statement of cash flows, under FRS102 paragraph 1.12(b), on the basis that it is a qualifying entity and the consolidated cash flows, included in these financial statements, includes the Company's cash flows

(d) Consolidated financial statements

The company is a wholly owned subsidiary of Hollingsworth and Vose Company (UK) Limited and of its ultimate parent, Hollingsworth & Vose Company. It is included in the consolidated financial statements of Hollingsworth and Vose Company (UK) Limited which are publically available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

(e) Foreign currency

(i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in Other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'Finance (expense)/income'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'Turnover', 'Cost of sales' or 'Other operating (losses)/gains'

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financial transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer, (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably, (d) it is probable that future economic benefits will flow to the entity, and (e) when a specific criteria relating to each of the Company's sales channels have been met

(g) Exceptional items

The Company classifies charges or credits that have material impact on the Company's financial results as 'exceptional items' These are disclosed separately to provide further understanding of the financial performance of the Company

(h) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, and defined benefit and defined contribution pension plans

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Annual bonus plan

The Company operates an annual bonus plan for employees An expense is recognised in the Profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

(iii) Defined benefit pension plan

The Group operates a defined benefit pension plan, which was closed to all members on 31 July 2016. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments (discount rate)

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'

The cost of the defined benefit plan, recognised in the Profit and loss account as employee costs, except where included in the cost of an asset, comprises.

(a) the increase in pension benefit liability arising from employee service during the period; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements
The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Profit and loss account as 'Finance expense'.

(iv) Defined contribution pension plan

The Company operates a defined contribution plan for the benefit of its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(i) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and loss account, except to the extent that it relates to items recognised in Other comprehensive income or directly in equity. In this case tax is also recognised in Other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years *Tax is calculated on the basis of tax rates and laws that have been enacted or substantively* enacted by the period end

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

(ii) Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial statements

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(j) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years on a straight line basis.

Where factors such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life, or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(k) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset into its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

(i) Land and buildings

Land and buildings include freehold assets. Land and buildings are stated at cost (or deemed cost for and land buildings held at valuation at the date of transition to FRS102) less accumulated depreciation and accumulated impairment losses.

The Company has adopted the transition exemption under FRS102 paragraph 35.10(d) and has elected to use the previous valuation as deemed cost.

(ii) Plant and machinery and fixtures, fittings, tools and equipment

Plan and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Freehold buildings - over periods up to 40 years
- Plant and machinery - over periods up to 20 years
- Fixtures, fittings, tools and equipment - over periods up to 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(k) Tangible assets (continued)

(iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably

The carrying amount of any replaced component is derecognised Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use

(vi) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Profit and loss account and included in 'Other operating (losses)/gains'

(l) Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the period in which they are incurred

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(m) Leased assets

At inception the company assesses agreements that transfer the right to use assets The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset, or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Profit and loss account on a straight-line basis over the period of the lease.

(iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the Profit an loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets

At each Balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount An impairment loss is recognised in the Profit and loss account, unless the assets has been revalue when the amount is recognised in Other comprehensive income to the extent of any previously recognised revaluation Thereafter any excess is recognised in the Profit or loss account

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods A reversal of an impairment loss is recognised in the Profit and loss account

(o) Investments

Investment in subsidiary company is held at historical cost less accumulated impairment losses.

(p) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised. In respect of work in progress and finished goods, cost includes a relevant proportion of overheads according to the stage of manufacture or completion.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(r) Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one items included in the same class of obligations may be small.

(i) Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by wither starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring;

(ii) Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to passage of time is recognised as a finance cost.

(iii) Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote. Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an outflow of economic benefits is probable.

(s) Financial instruments

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds

(u) Distribution to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders These amounts are recognised in the statement of changes in equity.

(v) Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group It does not disclose transactions with members of the same group that are wholly owned

Notes to the financial statements (continued)

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimates useful economic lives and residual values of the assets. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets See note 11 for the carrying amount of the property plant and equipment, and note 3(k) for the useful economic lives for each class of assets.

(ii) Inventory provisioning

The Company manufactures and converts speciality technical papers, and is subject to changing consumer demands and market trends As a result it is necessary to consider the recoverability of the cost of inventory and the associated net realisable provisioning required When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory and associated provision.

(iii) Defined benefit pension scheme

The Group has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. The scheme was closed to all member on 31 July 2016. See note 18 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements (continued)

5. Turnover

Analysis of turnover by geographical area:

	2018 £000	2017 £000 Restated
United Kingdom	1,102	1,239
Europe	6,891	7,611
USA	2,970	2,528
Rest of world	1,894	2,357
	12,857	13,735

The 2017 figures have been restated due to the correction of a classification error between Europe and USA which has resulted in the prior year balances being adjusted by £2,169,000. The balance was previously incorrectly classified as European and has now been classified as USA.

6. Operating profit

Operating profit is stated after charging/(crediting)

	2018 £000	2017 £000
Wages and salaries	1,942	1,873
Social security costs	175	173
Other pension costs	294	292
Staff costs	2,411	2,338
Profit on disposal of tangible fixed assets	-	(1)
Depreciation of owned tangible assets	217	242
Amortisation of intangible assets	-	-
Operating lease charges	28	31
Research and development	96	99
Foreign exchange losses/(gains) on trade	(111)	176
Audit fees payable to the company's auditors	37	36
Other services payable to the company's auditors	30	20
Inventories recognised as an expense	6,766	8,325
Impairment of inventories	82	62

Notes to the financial statements (continued)

7. Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2018	2017
By activity		
Production	39	39
Administration	14	14
	53	53

Directors

The directors' emoluments were as follows:

	2018 £000	2017 £000
Aggregate emoluments	-	-

There are Nil (2017. Nil) UK based directors. The number of directors serving at the year end was 3 (2017: 3).

No director received remuneration for his services to this company (2017. Nil). All directors emoluments are paid by fellow group undertakings; Hollingsworth & Vose Company, based in USA, and Hollingsworth & Vose GmbH, based in Germany, who make no recharge for their services to other Group companies, to this company.

Key management compensation

Key management includes the directors There are no key management compensation during the year (2017: Nil).

Notes to the financial statements (continued)

8. Net interest expense

(a) Interest receivable and similar income

	2018 £000	2017 £000
Total interest receivable and similar income	-	-

(b) Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	-	-
Interest payable to group undertakings	-	-
Net interest expense on post-employment benefits	19	39
Total interest payable and similar expenses	19	39

(c) Net interest expense

	2018 £000	2017 £000
Interest receivable and similar income	-	-
Interest payable and similar expenses	19	39
Net interest expense	19	39

9. Tax on profit

(a) Tax expense included in profit

	2018 £000	2017 £000
Current tax:		
UK corporation tax on profits for the year	591	572
Adjustment in respect of prior periods	-	(2)
Total current tax	591	570
Deferred tax:		
Current year	13	(4)
Prior year	-	2
Impact of change in tax rate	(1)	1
Total deferred tax	12	(1)
Tax on profit	603	569

Notes to the financial statements (continued)

9. Tax on profit (continued)

(b) Tax (income)/expense included in other comprehensive income

	2018	2017
	£000	£000
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(32)	158
Total tax (income)/expense included in income	(32)	158

(c) Tax (income)/expense included in equity

	2018	2017
	£000	£000
Current tax	-	-
Deferred tax	(32)	158
Total tax (income)/expense included in equity	(32)	158

(d) Reconciliation of tax charge

Tax assessed for the year is lower (2017 lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below.

	2018	2017
	£000	£000
Profit before taxation	5,105	5,175

Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2017: 19.25%)

	970	996
Effects of:		
Expenses not deductible	4	5
Effect of other tax reliefs	(370)	(433)
Tax rate changes	(1)	1
Tax charge for the year	603	569

Notes to the financial statements (continued)

9. Tax on profit (continued)

(e) Tax rate changes

The main rate of corporation tax was aligned with the small profits rate at 20% with effect from 1 April 2015 Changes to the UK corporation tax rates were enacted as part of the Finance (No 2) Act 2015 which received Royal Assent on 18 November 2015 and Finance Act 2016 which received Royal Assent on 15 September 2016. These include reductions to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

10. Intangible assets

	Goodwill	Software
	£000	£000
At 1 January 2018		
Cost	3,398	18
Accumulated amortisation	(3,398)	(18)
Net book amount	-	-
Year ended 31 December 2018		
Opening net book amount	-	-
Additions	-	-
Amortisation	-	-
Closing net book amount	-	-
At 31 December 2018		
Cost	3,398	18
Accumulated amortisation	(3,398)	(18)
Net book amount	-	-

Notes to the financial statements (continued)

11. Tangible assets

	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Assets in the course of construction £000	Total £000
At 1 January 2018					
Cost	1,823	4,611	41	172	6,647
Accumulated depreciation and impairment	(519)	(3,390)	(32)	-	(3,941)
Net book amount	1,304	1,221	9	172	2,706
Year ended 31 December 2018					
Opening net book amount	1,304	1,221	9	172	2,706
Additions	-	-	-	226	226
Reclassification	-	52	-	(52)	-
Depreciation	(62)	(153)	(2)	-	(217)
Closing net book amount	1,242	1,120	7	346	2,715
At 31 December 2018					
Cost	1,823	4,663	41	346	6,873
Accumulated depreciation and impairment	(581)	(3,543)	(34)	-	(4,158)
Net book amount	1,242	1,120	7	346	2,715

Notes to the financial statements (continued)

12. Fixed asset investments

	2018	2017
	£000	£000
At 1 January and 31 December	-	-

13. Inventories

	2018	2017
	£000	£000
Raw materials and consumables	812	591
Work in progress	-	-
Finished goods and goods for resale	191	247
	1,003	838

14. Debtors

	2018	2017
	£000	£000
Trade debtors	1,500	1,322
Amounts owed by group undertakings	16,116	12,081
Other debtors	82	73
Prepayments and accrued income	129	123
Deferred tax asset	79	97
	17,906	13,696

Trade debtors includes £Nil (2017. £Nil) falling due after more than one year
Amounts owed by group undertakings are traded under standard customer terms

Notes to the financial statements (continued)

15. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	255	367
Amounts owed to group undertakings	765	830
Corporation tax	364	240
Other taxation and social security	48	79
Other creditors	18	45
Accruals and deferred income	(929)	(731)
	521	830

The amounts owed to group undertakings are traded under standard supplier terms.

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

	2018	2017
	£000	£000
Amounts falling due between one and five years		
Amounts owed to group undertakings	-	-
	-	-
Amounts falling due after more than five years		
Amounts owed to group undertakings	-	-
	-	-
	-	-

17. Loans and other borrowings

	2018	2017
	£000	£000
Loans	-	-
	-	-

Notes to the financial statements (continued)

18. Post-employment benefits

The company operates a number of pension schemes for its employees. The amount recognised in the balance sheet is as follows.

	2018	2017
	£000	£000
Defined benefit scheme liability	762	570

The amount recognised in the profit and loss account is as follows·

	2018	2017
	£000	£000
Defined benefit scheme·		
Current service cost	35	78
Define contribution scheme	259	214
Total charge in operating profit (Note 6)	294	292
Defined benefit scheme.		
Net interest expense (Note 8)	18	39
Total charge	312	331

(a) Defined benefit scheme

For certain employees, the company operates a defined benefit scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The company has agreed a funding plan with the trustee, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary Additional contributions are agreed with the trustee to reduce the funding deficit where necessary

On 31 July 2016, the defined benefit pension scheme was closed to all members At the same time, the company established a defined contribution scheme to provide benefits to these employees.
A comprehensive actuarial valuation of the company pension scheme, using the projected unit credit method, was carried out at 31 March 2017 by Mercer Limited, independent consulting actuaries, and updated at 31 December 2018. Adjustments to the valuation at that date have been made based on the following assumptions.

	2018	2017
Expected rate of salary increases	N/A	N/A
Expected rate of increase of pensions in payment	3.00%	2.95%
Discount rate	2.95%	2.55%
Rate of inflation	3.15%	3.15%

Notes to the financial statements (continued)

18. Post-employment benefits (continued)

The mortality assumptions used were as follows

	2018	2017
Longevity at age 65 for current pensioners:		
Men	21.90	21.80
Women	24.90	24.80
Longevity at age 65 for future pensioners (retiring in 25 years).		
Men	24.10	24.00
Women	27.30	72.20

Reconciliation of scheme assets and liabilities:

	Assets	Liability	Total
	£000	£000	£000
At 31 December 2017	7,953	(8,523)	(570)
Reclassification between subsidiary companies	1,988	(2,131)	(143)
At 1 January 2018	9,941	(10,654)	(713)
Benefits paid	(321)	321	-
Employer contributions	50	-	50
Current service cost	-	(35)	(35)
Interest income/(expense)	249	(267)	(18)
Remeasurement (losses)/gains:			
Actuarial (loss)/gains	(746)	700	(46)
At 31 December 2018	9,173	(9,935)	(762)

Total cost recognised as an expense:

	2018	2017
	£000	£000
Current service cost	(35)	(78)
Interest cost	(18)	(39)
	(53)	(117)

The fair value of the plan assets was:

	2018	2017
	£000	£000
Cash and cash equivalents	21	96
Equity instruments	6,279	5,395
Debt instruments	2,873	2,461
	9,173	7,952

Notes to the financial statements (continued)

18. Post-employment benefits (continued)

The return on the plan assets was

	2018	2017
	£000	£000
Interest income	249	200
Return on plan assets	(746)	487
Total return on plan assets	(497)	687

(b) Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, the company provides a defined contribution scheme for its employees

The amount recognised as an expense for the defined contribution scheme was

	2018	2017
	£000	£000
Current period contributions	259	214

19. Provisions for liabilities

Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities

	2018	2017
	£000	£000
At 1 January	66	55
Deferred tax charge in profit and loss account	14	10
Prior year deferred tax charge in profit and loss account	-	2
Deferred tax credit relating to rate change	(1)	(1)
At 31 December	79	66

Notes to the financial statements (continued)

20. Financial instruments

The company has the following financial instruments:

	2018	2017
	£000	£000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	1,500	1,322
Amounts owed by group undertakings	16,116	12,081
Other debtors	82	73
	17,698	13,476
Financial liabilities measured at amortised cost:		
Trade creditors	255	367
Amounts owed to group undertakings	765	830
Other creditors	18	45
Accruals	(929)	(731)
	109	511

21. Called up share capital

	2018	2017
Authorised	£000	£000
Equity shares:		
5,000,000 (2017: 5,000,000) Ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
Equity shares:		
3,400,000 (2017: 3,400,000) Ordinary shares of £1 each	3,400	3,400

Notes to the financial statements (continued)

22. Capital and other commitments

At 31 December, the company had the following capital commitments:

	2018	2017
	£000	£000
Contract for future capital expenditure not provided in the financial statements	401	51

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018	2017
	£000	£000
Payments due		
Not later than one year	27	27
Later than one year and not later than five years	60	62
Later than five years	-	-
	87	89

The company had no other off-balance sheet arrangements

23. Guarantees

A guarantee exists as at 31 December 2018 in favour of H M Revenue & Customs in respect of *deferment of VAT to a maximum of £10,000 (2017. £10,000).*

24. Related party transactions

See note 7 for the disclosure of the directors' remuneration and key management compensation.
The company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.

25. Controlling parties

The immediate parent undertaking is Hollingsworth and Vose Company (U.K.) Limited, which prepares group financial statements available from its registered office: Postlip Mills, Winchcombe, Gloucestershire, GL54 5BB, UK.

The ultimate parent undertaking and controlling party of the largest group of undertakings of which the company is a member and for which group financial statements are drawn up is Hollingsworth & Vose Company, incorporated in the USA. Copies of its group financial statements, which include the company, are available from 112 Washington Street, East Walpole, Massachusetts, 02032, USA.

26. Events after the end of the reporting period

The are no post Balance Sheet events to report