

# Hollingsworth and Vose Company (U.K.) Limited

## Financial Statements

for the year ended 31 December 2019

Registered Number: 01664523



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## **Strategic report for the year ended 31 December 2019**

The directors of Hollingsworth and Vose Company (U.K.) Limited present their Strategic report on the Group for the year ended 31 December 2019.

### **Principal activities**

The principal activities of the Group continue to be the manufacture, conversion and sale of speciality technical papers and synthetic nonwovens for use in engine filtration systems, high efficiency glass and battery separator applications and air filtration media

### **Business review and future developments**

The automotive cabin air and medical device business continued to grow in terms of volume, sales and earnings. Raw material prices remained relatively stable over the period, with tight control over variable costs and effective leveraging of labour. Battery volumes remained low during the first three quarters of 2019 with some recovery during Q4. Continued control of productivity helped to partially mitigate volume losses and inflationary increases. Mix enhancement continued with a planned movement towards more profitable grades within the HESF business division

Volumes of technostat filter material to medical equipment and face mask manufacturers increased during 2019 Q4, and in 2020 it is expected to be operating at full capacity for a significant proportion of the year. 2020 will see a reduction in prices for battery with the Group compensated with additional volume; subject to Covid19 restrictions which are causing a temporary pause to the planned growth. Uncertainty over Brexit continues to result in increased stock levels. Mill forecasts are expected to be at full capacity by the start of Q3 subject to Covid19. Uncertainty over the final Brexit deal means planning for Q4 in terms of inventories and production demand is difficult.

Net assets decreased to £27,561,000 from £31,593,000 due to an increase in the pension liability

### **Results**

The profit for the financial year amounted to £4,964,000 (2018: profit £6,543,000).

### **Risks and uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks and uncertainties for the Group 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. Covid19 poses a risk to battery sales due to the temporary closure of automotive manufacturing businesses, however sales to medical equipment manufacturers will mitigate this.

The Group maintains a mixture of short and long-term debt with banks and Group companies to fund its operations. This is designed to ensure that the business has sufficient resource to fund working capital requirements and capital investment plans. As a result of Parent and Group funding commitments and undertakings, it is not considered that the Group 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 Group operates could result in financial penalties, the inability to fulfil contracts and/or reputational damage. The Group'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.

The board of directors and management have developed a strategy to mitigate risks of a no deal Brexit. Increased inventory levels have been approved to protect the company from potentially extended supply chain times. European customers have been contacted and we will continue to closely liaise with them in order to reassure and ensure continued supply. Additionally, we have briefed and engaged existing logistic partners to provide the import/export administration support. From a financial viewpoint we have secured the group company's financial backing should there be any adverse effects from any imposition of import tariffs or duties. The majority of customers are on collector terms but we have nonetheless briefed them on the potential additional costs from doing business with us and as yet we have seen no negative effect. We recently stress-tested our Brexit preparations by working with sector organisations to make sure we are addressing the risks anticipated with the implications of Brexit.

### **Health and safety at work**

Health and safety remains a core value to the Group and we continue to employ the best practice and benchmark our business. The Winchcombe site maintained its OHSAS 18001 and ISO 14001 certification

### **Environment**

The Group operates within all relevant environmental legislation.

## Strategic report for the year ended 31 December 2019 (continued)

### Key performance indicators

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

	2019	2018
Gross profit to sales	21%	23%
Operating profit to sales	12%	16%
Number of headcount (includes employed and agency staff)	234	232
Male	90%	89%
Female	10%	11%
UK citizen by birth	18%	16%
Non-UK citizen by birth	82%	84%
Number of lost time health & safety incidents	Nil incidents	1 incident

The movement in gross profit to sales is due to the increase in sales being slightly outweighed by the increase in cost of sales. The movement in operating profit to sales is due to the increase in sales being outweighed by the increase in operating costs. Headcount KPI's are relatively static, whilst health & safety incidents have fallen.

### Shareholder engagement


The directors believe, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019. The Group maintains an extensive range of policies to underpin and support its Code of Ethics and Core Values Statement, both of which all employees and officers are expected to comply with and decisions are taken in the context of this framework of control. These policies are set, reviewed and maintained in order to promote the long terms success of the business and also to protect the interests of all stakeholders.

That is particularly the case for important strategic decisions such as the approvals of (1) our budget for the year 2020 and the strategic plan for subsequent years, (2) appropriate investments confirming the Group's commitment to meet our customer needs as they develop over time, as well as (3) the Group's re-affirmed commitment to the environment, by a comprehensive sustainable approach to making business and particularly with the setting of ambitious sustainability strategy and carbon reduction targets. The directors make decisions based on a framework of long term goals set by its Parent Company and decisions are taken in observance of our core values in order to ensure that stakeholder interests are protected and value is added to the business.

The board of directors generally meet approximately 4 times a year, out of which one meeting focuses mostly on the approval of the Annual Report of the preceding year while another meeting, held in the last quarter of the year, discusses the Group's strategic plan as well as the Group's next year's budget.

Ad-hoc informal meetings involving some of the directors also take place. Directors of the Group in principle meet at least once a month either physically or via teleconference. In addition to the approval of the Annual Report as well as the budget for the following year, all major decisions having a potential impact on the long-term strategy of the Group are discussed at board meetings where these are finally decided upon. Directors ensure that decisions made are in line with their legal obligations and account for the long term interests of all stakeholders and partners. The Group's positioning as a responsible and environment-friendly organisation is central to its long-term strategy and the impact that it has on all our stakeholders (employees, customers, suppliers and shareholders). Further, the Groups headline logo and tagline - "Advanced Materials for a Cleaner World" - is integral to everything the Group represents to stakeholders, both internal and external.

By order of the board



E Swain

Company Secretary

Date: 9/9/20

## Directors' report for the year ended 31 December 2019

The directors present their report and the audited Financial statements of the Company and the Group for the year ended 31 December 2019.

### Directors

The directors who served during the year ended 31 December 2019, and up to the date of signing the Financial statements are as follows:

J Hofstetter

J Madej

None of the directors have qualifying third party indemnity insurance, either during the period or at the date of approval of the financial statements (2018: None).

### Dividends

A dividend of £5,500,000 (2018: £Nil) was paid during the year, and the directors recommend a final dividend of £Nil (2018: £Nil).

### Research & development

The research & development expenditure incurred during the year amounted to £462,000 (2018: £450,000). 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 Group 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 Group 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 Group 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.

### Stakeholder engagement

The Group promotes active engagement with all stakeholders, both internal and external. When it comes to the interests of the Group's employees, we aim to be a socially responsible employer in our approach to our employees' remunerations and benefits. Likewise, the health, safety and well-being of our employees is one of our primary considerations in the way we do business. This was of specific importance during early 2020 with the Covid-19 pandemic and its effects on workplace.

Another important aspect in the overall Corporate Governance framework in the Group consists of local lead teams who are specifically responsible for maintenance of the Group's core values, ethics and policies throughout our locations. New and modified policies are communicated and re-validated with all employees and the directors place great importance upon employee engagement and involvement at all levels of decision making. The Group also provides in-depth training with regards to whistle-blower protection, along with Anti-Bribery and Corruption.

Finally, with the assistance of our centralised corporate department, a strong emphasis is placed recently on developing stronger cooperation ties with our supplier base and making sure that we had multi-sourcing possibilities for our strategic materials. Whilst this has definitely improved our capacity to optimise manufacturing and delivery times to our customers, it has also strengthened and further developed relations with critical suppliers.

As the Group's directors, our intention is to behave responsibly towards all stakeholders and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our budget and long term strategic goals and stakeholder requirements.

**Directors' report for the year ended 31 December 2019 (continued)**

**Post Balance Sheet Events**

Since the balance sheet date, there has been significant macro-economic uncertainty as a result of Covid 19 which was confirmed as a pandemic by the World Health organisation on 11 March 2020. Whilst the impact of this global crisis is considered to be a non-adjusting event after the end of the reporting, Covid 19 has subsequently had no impact on the carrying value of the Group's assets as at the approval date of these financial statements.

Senior management have been monitoring and reacting to the situation on a daily basis and have put in place contingency plans to safeguard the employees and mitigate the developing risks of this global pandemic. These includes appropriate guidance, communication, equipment and facilities to maintain a safe working environment, whether for those working at home or on site. The Group has also been working with customers and suppliers to mitigate any disruption to supply chains. Due to manufacturing filtration media for the medical device industry, the Group is likely to be more resilient than many other companies across the world as demand for these products increase, however key financial risks that have been identified are a decline in the turnover of battery separator applications for the automotive industry, increased levels of absenteeism, and possible increases in working capital if customers delay payments.

**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 Group and 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 Group and Company and of the profit or loss of the Group and 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 Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

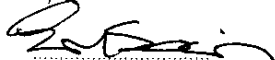
In the case of each director in office at the date the Directors' Report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the Group and 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 Group and 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: 9/9/20

## **Independent auditors' report to the members of Hollingsworth and Vose Company (U.K.) Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Hollingsworth and Vose Company (U.K.) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 'Financial Statements' (the "Annual Report"), which comprise: the Consolidated and Company balance sheet as at 31 December 2019; the Consolidated profit and loss account and Statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to ongoing concern**

We have nothing to report in respect of the following matters in relation to which 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below

**Independent auditors' report to the members of Hollingsworth and Vose Company (U.K.) Limited (continued)**

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

**Responsibilities of the directors for the financial statements**

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

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

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

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

**Use of this report**

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

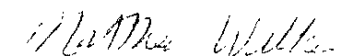
**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Wilker (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

Date 9 SEPTEMBER 2020



# Financial statements for the year ended 31 December 2019

## Consolidated profit and loss account for the year ended 31 December 2019

	Note	2019 £000	Restated 2018 £000
<b>Turnover</b>	5	50,417	49,220
Cost of sales		(39,778)	(37,964)
<b>Gross profit</b>		<u>10,639</u>	<u>11,256</u>
Distribution costs		(1,097)	(1,259)
Administrative expenses		(2,596)	(2,385)
Other operating charges		(945)	212
<b>Operating profit</b>	6	<u>6,001</u>	<u>7,824</u>
Interest receivable and similar income	8	-	-
Interest payable and similar expenses	8	(169)	(190)
Net interest expense	8	<u>(169)</u>	<u>(190)</u>
<b>Profit before taxation</b>		5,832	7,634
Tax on profit	9	(868)	(1,091)
<b>Profit for the financial year</b>		<u>4,964</u>	<u>6,543</u>

The 2018 figures have been restated due to a reclassification of Finance income to Other operating charges and Other operating charges to Administrative expenses, amounting to £212,000 and £773,000 respectively.

## Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £000	2018 £000
<b>Profit for the financial year</b>		<u>4,964</u>	<u>6,543</u>
<b>Other comprehensive expense:</b>			
Remeasurements of net defined benefit obligation	18	(4,212)	(182)
Movement on current tax relating to pension scheme	9	-	-
Movement on deferred tax relating to pension scheme	9	716	31
<b>Total tax on other comprehensive expense</b>	9	<u>716</u>	<u>31</u>
<b>Other comprehensive expense for the year, net of tax</b>		<u>(3,496)</u>	<u>(151)</u>
<b>Total comprehensive income for the year</b>		<u>1,468</u>	<u>6,392</u>

Financial statements for the year ended 31 December 2019

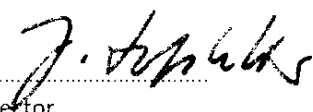
Consolidated balance sheet as at 31 December 2019

	Note	2019 £000	Restated 2018 £000
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible assets	11	12,915	13,332
		<u>12,915</u>	<u>13,332</u>
<b>Current assets</b>			
Inventories	13	5,036	6,390
Debtors	14	25,467	25,875
		<u>30,503</u>	<u>32,265</u>
<b>Creditors: amounts falling due within one year</b>	15	(7,934)	(9,724)
<b>Net current assets</b>		<u>22,569</u>	<u>22,541</u>
<b>Total assets less current liabilities</b>		35,484	35,873
Creditors: amounts falling due after more than one year	16	(922)	(922)
Post-employment benefits	18	(7,001)	(3,049)
Provisions for liabilities	19	-	(309)
<b>NET ASSETS</b>		<u><u>27,561</u></u>	<u><u>31,593</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	11,154	11,154
Capital redemption reserve		1,434	1,434
Capital contribution		210	210
Merger reserve		(1,500)	(1,500)
Retained earnings		16,263	20,295
<b>TOTAL EQUITY</b>		<u><u>27,561</u></u>	<u><u>31,593</u></u>

The 2018 figures have been restated due to a reclassification of Deferred Tax Asset from Debtors to Provisions for liabilities

The notes on pages 12 to 37 are an integral part of these Financial statements.

The Financial statements on pages 7 to 37 were authorised for issue by the board of directors and were signed on its behalf.



Director

Hollingsworth and Vose Company (U.K.) Limited

Registered no. 01664523

Date: 27/9/20

**Financial statements for the year ended 31 December 2019**

**Company balance sheet as at 31 December 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Investments	12	14,364	14,364
		<u>14,364</u>	<u>14,364</u>
<b>Total assets less current liabilities</b>		14,364	14,364
<b>NET ASSETS</b>		<u><b>14,364</b></u>	<u><b>14,364</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	11,154	11,154
Capital contribution		210	210
Retained earnings		3,000	3,000
<b>TOTAL EQUITY</b>		<u><b>14,364</b></u>	<u><b>14,364</b></u>

The notes on pages 12 to 37 are an integral part of these Financial statements.

The Group has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Parent Company profit and loss account.

The Parent Company's profit for the financial year is £Nil (2018: £Nil).

The Financial statements on pages 7 to 37 were authorised for issue by the board of directors and were signed on its behalf.



Director

Hollingsworth and Vose Company (U.K.) Limited

Registered no. 01664523

Date: 9/9/20

# Financial statements for the year ended 31 December 2019

## Consolidated statement of changes in equity for the year ended 31 December 2019

	Called up share Capital £000	Capital redemption reserve (a) £000	Capital contribution (b) £000	Merger reserve (c) £000	Retained earnings £000	Total equity £000
<b>Balance as at 1 January 2018</b>	<b>11,154</b>	<b>1,434</b>	<b>210</b>	<b>(1,500)</b>	<b>13,903</b>	<b>25,201</b>
Profit for the year	-	-	-	-	6,543	6,543
Other comprehensive expense	-	-	-	-	(151)	(151)
Total comprehensive income	-	-	-	-	6,392	6,392
<b>Balance as at 31 December 2018</b>	<b>11,154</b>	<b>1,434</b>	<b>210</b>	<b>(1,500)</b>	<b>20,295</b>	<b>31,593</b>
<b>Balance as at 1 January 2019</b>	<b>11,154</b>	<b>1,434</b>	<b>210</b>	<b>(1,500)</b>	<b>20,295</b>	<b>31,593</b>
Profit for the year	-	-	-	-	4,964	4,964
Other comprehensive expense	-	-	-	-	(3,496)	(3,496)
Total comprehensive income	-	-	-	-	1,468	1,468
Dividends	-	-	-	-	(5,500)	(5,500)
<b>Balance as at 31 December 2019</b>	<b>11,154</b>	<b>1,434</b>	<b>210</b>	<b>(1,500)</b>	<b>16,263</b>	<b>27,561</b>

Notes:

(a) The company purchased its own shares out of distributable profits and so to maintain the capital of the company the nominal value of the shares cancelled is treated as a non-distributable capital redemption reserve.

(b) The capital contribution relates to an equity injection from the company's parent company and is classified as a separate non distributable reserve.

(c) Merger reserve represents the excess of new shares issued in exchange for the issued share capital and the balance of profit and loss account of Hollingsworth & Vose Air Filtration Limited, pursuant to the acquisition.

## Company statement of changes in equity for the year ended 31 December 2019

	Called up share Capital £000	Capital contribution £000	Retained earnings £000	Total equity £000
<b>Balance as at 1 January 2018</b>	<b>11,154</b>	<b>210</b>	<b>3,000</b>	<b>14,364</b>
Profit for the financial year	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>11,154</b>	<b>210</b>	<b>3,000</b>	<b>14,364</b>
<b>Balance as at 1 January 2019</b>	<b>11,154</b>	<b>210</b>	<b>3,000</b>	<b>14,364</b>
Profit for the financial year	-	-	5,500	5,500
Dividends	-	-	(5,500)	(5,500)
<b>Balance as at 31 December 2019</b>	<b>11,154</b>	<b>210</b>	<b>3,000</b>	<b>14,364</b>

**Financial statements for the year ended 31 December 2019**

**Consolidated statement of cash flows for the year ended 31 December 2019**

	Note	2019 £000	2018 £000
<b>Net cash from operating activities</b>	<b>22</b>	<b>7,577</b>	<b>2,884</b>
Taxation paid		(433)	(639)
<b>Net cash generated from operating activities</b>		<b>7,144</b>	<b>2,245</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible assets		(858)	(1,067)
Proceeds from disposals of tangible assets		1	-
Interest received		-	-
<b>Net cash used in investing activities</b>		<b>(857)</b>	<b>(1,067)</b>
<b>Cash flow from financing activities</b>			
Repayment of long-term loan		(702)	(1,060)
Interest paid on long-term loan		(8)	(45)
Interest paid on intercompany loans		(77)	(73)
Dividends paid		(5,500)	-
<b>Net cash used in financing activities</b>		<b>(6,287)</b>	<b>(1,178)</b>
<b>Net increase in cash and cash equivalents</b>		<b>-</b>	<b>-</b>

## Notes to the financial statements for the year ended 31 December 2019

### 1. General information

Hollingsworth and Vose Company (U.K.) Limited ('the Company') and its subsidiaries (together "the Group") manufactures, converts and sells speciality technical papers and synthetic nonwovens for use in engine filtration systems, high efficiency glass and battery separator applications and air filtration media. The Company is a private company limited by shares, and is incorporated and registered in England. The address of its registered office is Postlip Mills, Winchcombe, Gloucestershire, GL54 5BB.

### 2. Statement of compliance

The Group and individual financial statements of Hollingsworth and Vose Company (U.K.) 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 directors have restated the prior year balance sheet to correct a non-material classification error in relation to the Group's deferred tax balances. The 2018 figures have been restated due to a reclassification of Deferred Tax Asset from Debtors to Provisions for liabilities, amounting to £518,000. Further, the 2018 figures have been restated due to a reclassification of Finance income to Other operating charges and Other operating charges to Administrative expenses, amounting to £212,000 and £773,000 respectively. The adjustment has resulted in no change in the profit for the year or net assets previously reported. Further detail is included in note 14 for deferred taxes.

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.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 3. Summary of significant accounting policies (continued)

#### (b) Going concern

The Group meets its day-to-day working capital requirements through its bank facilities which are in place through a centralised cash pooling arrangement operated by the Group's parent company, Hollingsworth and Vose Company. The current economic conditions continue to create uncertainty over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

'At the date of signing these accounts, the Group is closely monitoring the implications of Covid 19 and has updated its budgets to reflect the potential impacts of Covid 19 on the business. As reported in more detail in the Directors' Report, due to manufacturing filtration media for the medical device industry, the Group is likely to be more resilient than many other companies across the world, as demand for these products increase. The Group expects to remain cash generative during the next year. After making enquiries, including of the financial performance, cash flow forecasts and available financing at a group Hollingsworth and Vose Company level, the directors have a reasonable expectation for the Group to weather the impact of this pandemic. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

#### (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 a 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) Basis of consolidation

The Group financial statements consolidate the financial statements of Hollingsworth and Vose Company (U.K.) Limited and its subsidiary undertakings drawn up to 31 December each year. The Parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Parent Company's profit for the financial year was £5,500,000 (2018: £Nil).

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (continued)**

**(e) Foreign currency**

*(i) Functional and presentation currency*

The Group and 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 charges'.

**(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 Group and value added taxes.

The Group 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 Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group 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 Group's sales channels have been met.



**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (continued)**

**(g) Exceptional items**

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

**(h) Employee benefits**

The Group 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 Group operates an annual bonus plan for employees. An expense is recognised in the Profit and loss account when the Group 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.

*(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.

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (continued)**

**(h) Employee benefits (continued)**

*(iii) Defined benefit pension plan (continued)*

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group 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 Group'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 Group operates a defined contribution plan for the benefit of its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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 Group in independently administered funds.

**Notes to the financial statements for the year ended 31 December 2019 (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 for the year ended 31 December 2019 (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. Amortisation is charged to administration expenses in the Profit and loss account.

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 land and buildings held at valuation at the date of transition to FRS102) less accumulated depreciation and accumulated impairment losses. The Group 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 equipment*

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

*(iii) Motor vehicles*

Motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (continued)**

**(k) Tangible assets (continued)**

*(iv) 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 equipment - over periods up to 20 years
- Motor vehicles - over periods up to 4 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.

*(v) 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 Group 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.

*(vi) 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.

*(vii) 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'.

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (continued)**

**(l) Borrowing costs**

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

**(m) Leased assets**

At inception the Group 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.

*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.

**(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.

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (continued)**

**(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.

**(r) Financial instruments**

Basic financial assets, including trade and other receivables, amounts owed to group undertakings, and cash and bank balances, 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.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (continued)**

**(s) 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.

**(t) Distribution to equity holders**

Dividends and other distributions to Group'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 Group's shareholders. These amounts are recognised in the statement of changes in equity.

**(u) Related party transactions**

The Group 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 for the year ended 31 December 2019 (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 Group 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) 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 for the year ended 31 December 2019 (continued)**

**5. Turnover**

Analysis of turnover by geographical area:

	2019	2018
	£000	£000
United Kingdom	5,308	5,314
Europe	35,884	30,809
USA	4,037	3,284
Rest of world	5,188	9,813
	<u>50,417</u>	<u>49,220</u>

Analysis of turnover by category:

	2019	2018
	£000	£000
Sales of goods	<u>50,417</u>	<u>49,220</u>
	<u>50,417</u>	<u>49,220</u>

**6. Operating profit**

Operating profit is stated after charging/(crediting):

	2019	2018
	£000	£000
Wages and salaries	8,172	7,954
Social security costs	785	779
Other pension costs	1,020	1,113
<b>Staff costs</b>	<u>9,977</u>	<u>9,846</u>
Profit on disposal of tangible fixed assets	(1)	-
Depreciation of owned tangible assets	1,275	1,297
Amortisation of intangible assets	-	79
Operating lease charges	131	84
Research and development	462	450
Foreign exchange losses on trade	1,029	950
Audit fees payable to the company's auditors	82	74
Taxation advisory and compliance fees	72	57
Inventories recognised as an expense	38,994	37,821
Impairment of inventories	78	99

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**7. Employees and directors**

**Employees**

**Group**

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

	2019 No	2018 No
<b>By activity</b>		
Production	161	157
Administration	59	57
	<u>220</u>	<u>214</u>

**Company**

The Company had no employees during 2019 or 2018.

**Directors**

The directors' emoluments were as follows:

	2019 £000	2018 £000
Aggregate emoluments	<u>-</u>	<u>-</u>

There are Nil (2018: Nil) UK based directors. The number of directors serving at the year end was 2 (2018: 2).

No director received remuneration for his services to the Group (2018: Nil). All directors emoluments are paid by fellow group undertakings; Hollingsworth & Vose Company, incorporated in the USA, and Hollingsworth & Vose GmbH, incorporated in Germany, who make no recharge for their services to other group companies, to this Group.

**Key management compensation**

Key management includes the directors of the Group. There are no key management compensation during the year (2018: Nil)

**Notes to the financial statements for the year ended 31 December 2019 (continued)**
**8. Net interest expense**
**(a) Interest receivable and similar income**

	2019	2018
	£000	£000
Total interest receivable and similar income	-	-

**(b) Interest payable and similar expenses**

	2019	2018
	£000	£000
Bank interest payable	8	45
Interest payable to group undertakings	77	73
Net interest expense on post-employment benefits	84	72
Total interest payable and similar expenses	169	190

**(c) Net interest expense**

	2019	2018
	£000	£000
Interest receivable and similar income	-	-
Interest payable and similar expenses	169	190
Net interest expense	169	190

**9. Tax on profit**
**(a) Tax expense included in profit or loss**

	2019	2018
	£000	£000
Current tax:		
UK corporation tax on profits for the year	766	1,037
Adjustment in respect of prior periods	(26)	2
Total current tax	740	1,039
Deferred tax:		
Current year	143	58
Impact of change in tax rate	(15)	(6)
Total deferred tax	128	52
<b>Tax on profit</b>	<b>868</b>	<b>1,091</b>

**Notes to the financial statements for the year ended 31 December 2019 (continued)**
**9. Tax on profit (continued)**
**(b) Tax expense/(income) included in other comprehensive (expense)/income**

	2019	2018
	£000	£000
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(716)	(31)
Total tax income included in other comprehensive (expense)/income	<u>(716)</u>	<u>(31)</u>

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

	2019	2018
	£000	£000
Current tax	-	-
Deferred tax	(716)	(31)
Total tax income included in equity	<u>(716)</u>	<u>(31)</u>

**(d) Reconciliation of tax charge**

Tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	2019	2018
	£000	£000
Profit before taxation	<u>5,832</u>	<u>7,634</u>
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2018: 19.00%)	1,108	1,451
Effects of:		
Expenses not deductible	13	14
Effects of other tax reliefs	(212)	(370)
Adjustment in respect of prior periods	(26)	2
Tax rate changes	<u>(15)</u>	<u>(6)</u>
<b>Tax charge for the year</b>	<u><u>868</u></u>	<u><u>1,091</u></u>

## Notes to the financial statements for the year ended 31 December 2019 (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.

Subsequent to year end, a reversal of these plans and maintenance of the current 19% rate was announced in the UK Budget and this was enacted on 17 March 2020. However, the Group does not expect this change to have a material financial impact on the deferred tax balances presented.

### 10. Intangible assets

<i>Group</i>	Goodwill £000	Software £000	Total £000
<b>At 1 January 2019</b>			
Cost	3,398	270	3,668
Accumulated amortisation	(3,398)	(270)	(3,668)
Net book amount	-	-	-
<b>Year ended 31 December 2019</b>			
Opening net book amount	-	-	-
Additions	-	-	-
Accumulative amortisation	-	-	-
Closing net book amount	-	-	-
<b>At 31 December 2019</b>			
Cost	3,398	270	3,668
Accumulated amortisation	(3,398)	(270)	(3,668)
Net book amount	-	-	-

#### *Company*

The Company has no intangible assets (2018: Nil).

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 11. Tangible assets

<i>Group</i>	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Assets in the course of construction £000	Total £000
<b>At 1 January 2019</b>					
Cost	5,262	39,486	135	1,003	45,886
Accumulated depreciation and impairment	(2,526)	(29,914)	(114)	-	(32,554)
Net book amount	2,736	9,572	21	1,003	13,332
<b>Year ended 31 December 2019</b>					
Opening net book amount	2,736	9,572	21	1,003	13,332
Additions	-	-	-	858	858
Disposals: cost	-	(20)	-	-	(20)
Reclassification	40	820	-	(860)	-
Accumulated depreciation	(114)	(1,153)	(8)	-	(1,275)
Disposals: depreciation	-	20	-	-	20
Closing net book amount	2,662	9,239	13	1,001	12,915
<b>At 31 December 2019</b>					
Cost	5,302	40,286	135	1,001	46,724
Accumulated depreciation and impairment	(2,640)	(31,047)	(122)	-	(33,809)
Net book amount	2,662	9,239	13	1,001	12,915

As at 31 December 2019, included in the above assets is equipment with a Net book amount of £4,198,000 (2018: £4,532,000) which is used as a collateral against borrowings of \$9,571,000 (approximately £6,112,000) taken out in 2012, and paid off in full during 2019 (see note 17).

#### *Company*

The Company has no tangible assets (2018: Nil).

### 12. Investments

#### *Company*

	2019 £000	2018 £000
At 1 January	14,364	14,364
Additions	-	-
At 31 December	14,364	14,364

# Notes to the financial statements for the year ended 31 December 2019 (continued)

## 12. Investments (continued)

The Group holds 100% of the issued share capital of the following United Kingdom subsidiary undertakings:

Name and registered address of company	Class of shares	Nature of business
Hollingsworth & Vose Air Filtration Limited, Waterford Bridge, Kentmere, Kendal, Cumbria, LA8 9JJ	Ordinary	Air filtration media
Hollingsworth & Vose Company Limited, Postlip Mills, Winchcombe, Gloucestershire, GL54 5BB	Ordinary	Paper products
Postlip Pensions Limited, Postlip Mills, Winchcombe, Gloucestershire, GL54 5BB	Ordinary	Pension trustee

In the opinion of the directors, the aggregate values of the shares in and the amounts owing from subsidiary undertakings are not less than the amounts at which they are shown in the balance sheet.

## 13. Inventories

Group	2019 £000	2018 £000
Raw materials and consumables	3,933	4,930
Work in progress	-	18
Finished goods and goods for resale	1,103	1,442
	<u>5,036</u>	<u>6,390</u>

## 14. Debtors

Group	2019 £000	Restated 2018 £000
Trade debtors	8,931	8,100
Amounts owed by group undertakings	15,746	16,714
Other debtors	141	151
Corporation tax	44	-
Deferred tax (refer note 19)	278	-
Prepayments and accrued income	327	910
	<u>25,467</u>	<u>25,875</u>

The 2018 figures have been restated due to a reclassification of Deferred tax asset from Debtors to Provisions for liabilities, amounting to £518,000.

Trade debtors includes £Nil (2018: £Nil) falling due after more than one year.

Amounts owed by group undertakings are traded under standard customer terms.



**Notes to the financial statements for the year ended 31 December 2019 (continued)**
**15. Creditors: amounts falling due within one year**

Group	2019 £000	2018 £000
Bank loans and overdrafts (see note 17)	-	702
Trade creditors	1,627	2,755
Amounts owed to group undertakings	3,702	3,587
Corporation tax	-	351
Other taxation and social security	423	439
Other creditors	21	38
Accruals and deferred income	2,161	1,852
	<u>7,934</u>	<u>9,724</u>

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

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

Group	2019 £000	2018 £000
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**Amounts falling due between one and five years**

Bank loans and overdrafts (see note 17)	-	-
Amounts owed to group undertakings	922	922
	<u>922</u>	<u>922</u>

Amounts owed to group undertakings	-	-
<b>Amounts falling due after more than five years</b>	-	-
	<u>922</u>	<u>922</u>

The amounts owed to group undertakings are traded under standard supplier terms. The Group entered into a line of credit agreement due for repayment on 1 March 2021 bearing monthly interest at Libor + 2.5%.

**17. Loans and other borrowings**

	2019 £000	2018 £000
Asset finance security note	-	702
	<u>-</u>	<u>702</u>

**Banking facilities:**

On 13 July 2012 the Group entered into an asset finance security note to borrow \$9,571,000 (approximately £6,112,000) which is repayable over 84 monthly instalments bearing interest at 3.56% p.a. This loan is secured by a collateral of the Group's production equipment with a net book value of £4,198,000 as at 31 December 2019 (2018: £4,532,000). It has been paid off in full during 2019.

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 18. Post-employment benefits

The Group operates a number of pension schemes for its employees. The amount recognised in the Balance Sheet is as follows:

	2019 £000	2018 £000
Defined benefit scheme liability	7,001	3,049

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

	2019 £000	2018 £000
Defined benefit scheme:		
Current service cost	61	141
Defined contribution scheme	959	972
Total charge in operating profit (Note 6)	<u>1,020</u>	<u>1,113</u>
Defined benefit scheme:		
Net interest expense (Note 8)	84	72
Total charge	<u>1,104</u>	<u>1,185</u>

#### (a) Defined benefit scheme

For certain employees, the Group 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 Group 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 Group established a defined contribution scheme to provide benefits to these employees.

A comprehensive actuarial valuation of the Group 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 2019. Adjustments to the valuation at that date have been made based on the following assumptions:

	2019	2018
Expected rate of salary increases	N/A	N/A
Expected rate of increase of pensions in payment	2.65%	3.00%
Discount rate	2.10%	2.95%
Rate of inflation	2.70%	3.15%

**Notes to the financial statements for the year ended 31 December 2019 (continued)**
**18. Post-employment benefits (continued)**
**(a) Defined benefit scheme (continued)**

The mortality assumptions used were as follows:

	2019	2018
Longevity at age 65 for current pensioners:		
Men	22.00	21.90
Women	25.00	24.90

Longevity at age 65 for future pensioners (retiring in 25 years):

Men	24.20	24.10
Women	27.40	27.30

Reconciliation of scheme assets and liabilities:

	Assets £000	Liability £000	Total £000
At 1 January 2019	36,691	(39,740)	(3,049)
Benefits paid	(865)	865	-
Employer contributions	405	-	405
Current service cost	-	(61)	(61)
Interest income/(expense)	1,076	(1,160)	(84)
Remeasurement gains/(losses):			
Actuarial gain/(loss)	1,586	(5,798)	(4,212)
At 31 December 2019	<u>38,893</u>	<u>(45,894)</u>	<u>(7,001)</u>

Total cost recognised in the profit and loss account:

	2019 £000	2018 £000
Current service cost	(61)	(141)
Interest cost	(84)	(72)
	<u>(145)</u>	<u>(213)</u>

The fair value of the plan assets was:

	2019 £000	2018 £000
Cash and cash equivalents	1,577	85
Equity instruments	9,109	25,115
Debt instruments	27,456	11,491
Other	751	-
	<u>38,893</u>	<u>36,691</u>

# Notes to the financial statements for the year ended 31 December 2019 (continued)

## 18. Post-employment benefits (continued)

### (a) Defined benefit scheme (continued)

The return on the plan assets was:

	2019	2018
	£000	£000
Interest income	1,076	996
Return on plan assets	1,586	(2,984)
Total return on plan assets	<u>2,662</u>	<u>(1,988)</u>

### (b) Defined contribution scheme

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

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

	2019	2018
	£000	£000
Current year contributions	<u>959</u>	<u>972</u>

## 19. Provisions for liabilities

Group

### Deferred tax

The movement in provision for deferred tax is as follows:

	2019	Restated 2018
	£000	£000
At 1 January	309	288
Deferred tax charge in profit and loss account	95	60
Deferred tax credit relating to rate change	(9)	(6)
Deferred tax charge/(credit) relating to pension in profit and loss account	43	(2)
Deferred tax credit relating to pension in OCI	<u>(716)</u>	<u>(31)</u>
At 31 December *	<u>(278)</u>	<u>309</u>

\* Deferred tax asset of £278,000 (2018: £Nil) is presented as part of Debtors (refer Note 14).

**Notes to the financial statements for the year ended 31 December 2019 (continued)**

**19. Provisions for liabilities (continued)**

The provision for deferred tax comprises of the following deferred tax liabilities/(assets):

	2019	Restated 2018
	£000	£000
Fixed assets realised through use	901	798
Pensions - actuarial loss	(1,258)	(542)
Others	79	53
	<u>(278)</u>	<u>309</u>

The 2018 figures have been restated due to a reclassification of Deferred tax asset from Debtors to Provisions for liabilities, amounting to £518,000.

The Group has taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit of certain 100% subsidiaries. Further the Group guarantees the performance of its subsidiaries in the course of their usual commercial activities.

As a result, for the year ended 31 December 2019, the following subsidiaries are entitled to exemption from audit:

Hollingsworth & Vose Company Limited	Company Number:	00066266
Hollingsworth & Vose Air Filtration Limited	Company Number:	03926749

**20. Financial instruments**

The Group has the following financial instruments:

	2019	2018
	£000	£000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	8,931	8,100
Amounts owed by group undertakings	15,746	16,714
Other debtors	141	151
	<u>24,818</u>	<u>24,965</u>
Financial liabilities measured at amortised cost:		
Bank loans and overdrafts	-	702
Trade creditors	1,627	2,755
Amounts owed to group undertakings	3,702	3,587
Other creditors	21	38
Accruals and deferred income	2,161	1,852
	<u>7,511</u>	<u>8,934</u>

**Notes to the financial statements for the year ended 31 December 2019 (continued)**
**21. Called up share capital**
*Group and Company*

	2019	2018
<i>Authorised</i>	£000	£000
Equity shares:		
13,255,000 (2018: 13,255,000) Ordinary shares of	13,255	13,255
<i>Allotted, called up and fully paid</i>		
Equity shares:		
11,154,000 (2018: 11,154,000) Ordinary shares of	11,154	11,154

**22. Notes to the cash flow statement**

	2019	Restated 2018
<b>Net cash from operating activities</b>	£000	£000
Profit for the financial year	4,964	6,543
Adjustments for:		
Tax on profit	868	1,091
Net interest expense	169	190
Operating profit	6,001	7,824
Amortisation of intangible assets	-	79
Depreciation of tangible assets	1,275	1,297
Profit on disposal of tangible assets	(1)	-
Post-employment benefits less payments	(344)	(59)
Working capital movements:		
Decrease/(Increase) in inventories	1,354	(794)
Decrease/(Increase) in debtors	1,359	(5,817)
(Decrease)/Increase in creditors	(2,067)	354
Cash flow from operating activities	<u>7,577</u>	<u>2,884</u>

The 2018 figures have been restated due to a reclassification of Deferred tax asset from Debtors to Provisions for liabilities, amounting to £518,000.

<b>Analysis of changes in net debt</b>	2017	Cash flow	2018	Cash flow	2019
	£000	£000	£000	£000	£000
Cash and cash equivalents	-	-	-	-	-
Long-term loan	(1,762)	1,060	(702)	702	-
Total	<u>(1,762)</u>	<u>1,060</u>	<u>(702)</u>	<u>702</u>	<u>-</u>

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 23. Capital and other commitments

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

	2019	2018
	£000	£000
Contract for future capital expenditure not provided in the financial statements.	605	444

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

	2019	2018
	£000	£000
Payments due:		
Not later than one year	134	80
Later than one year and not later than five years	264	209
Later than five years	10	-
	408	289

The Group had no other off-balance sheet arrangements.

### 24. Related party transactions

See note 7 for the disclosure of the directors' remuneration and key management compensation.

The Group 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 Isbourne Holdings GmbH., which prepares Group financial statements available from its registered office: Lavhenhof, Metallstrasse 9A, CH-6304, ZUG, Switzerland.

The ultimate parent undertaking and controlling party of the largest group of undertakings of which the Group 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 Group, are available from 112 Washington Street, East Walpole, Massachusetts, 02032, USA.

### 26. Events after the end of the reporting year

Since the balance sheet date, there has been significant macro-economic uncertainty as a result of Covid 19 which was confirmed as a pandemic by the World Health organisation on 11 March 2020. Whilst, the impact of this global crisis is considered to be a non-adjusting event after the end of the reporting period, Covid 19 has subsequently had no impact on the carrying value of the Group's assets as at the approval date of these financial statements.