Hollingsworth & Vose Air Filtration Limited

Annual report

for the year ended 31 December 2020

Registered Number: 03926749

Contents page

Strategic report for the year ended 31 December 2020

The directors of Hollingsworth & Vose Company Air Filtration Limited present their Strategic report on the Company for the year ended 31 December 2020.

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

2020 was another year of growth from a sales and earnings perspective and was predominantly driven by the Covid 19 Pandemic. There was a significant shift in product portfolio away from Industrial lightweight media to Healthcare heavyweight media. The product is a key component in hospital ICU ventilators and FFP3/N95 facemasks. This change in product mix was the main driver for the higher earnings. Raw materials remained stable through until Q4 when marked increases were noted in the synthetic fibres and scrims, due to tight capacity and declaration of Force Majeure within the petrochemical industry, which is a precursor market. The plant operated at full capacity throughout the year, with only one shutdown for the Christmas holidays.

Looking forward, the parent company will start up a similar manufacturing facility in Germany, and some lightweight volume transfer is planned. However continued growth within the Healthcare markets is expected to backfill the majority of the transfer.

Net assets increased to £18,514,000 from £18,349,000 resulting from a decrease in current assets and a decrease in the pension liability.

Results

The profit for the financial year attributable to shareholders amounted to £7,332,000 (2019: profit £4,461,000).

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 ongoing Brexit issues, 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 to three year basis), aligned product development in relation to market requirements and the ability to hire and retain qualified staff in Technical Functions. Further Covid 19 lockdowns pose a risk to battery sales if these result in temporary closure of automotive manufacturing businesses, however sales to medical equipment manufacturers will mitigate this.

The Company maintains a mixture of short and long-term debt with banks and Company 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 Company funding commitments and undertakings, 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.

The board of directors and management developed a strategy to mitigate the ongoing risks of Brexit, which at this point in time has proven effective. Increased inventory levels have been approved and continue to protect the company from potentially extended supply chain times. We work closely with European customers and supply chain partners in order to ensure the business continues to develop as strategy requires. Due to the nature of our products and the pandemic we have yet to see any reductions in volumes as a result of Brexit.

Strategic report for the year ended 31 December 2020 (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.

	2020	2019
Gross profit to sales	53%	47%
Operating profit to sales	46%	33%
Number of headcount (includes employed and agency staff)	77	61
Male	91%	89%
Female	9%	11%
UK citizen by birth	92%	92%
Non-UK citizen by birth	8%	8%
Number of lost time health & safety incidents	Nil incidents	Nil incidents

The movement in gross profit to sales is mainly due to the increase in sales, although cost of sales has also risen slightly. The movement in operating profit to sales is mainly due to the increase in sales, although the operating costs have increased slightly. Headcount KPI's are relatively static, whilst health & safety incidents are also stable.

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 Company 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 2020. The Company 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 2021 and the strategic plan for subsequent years, (2) appropriate investments confirming the Company's commitment to meet our customer needs as they develop over time, as well as (3) the Company'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 Company's strategic plan as well as the Company's budget for the coming year.

Ad-hoc informal meetings involving some of the directors also take place. Directors of the Company 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 Company 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 Company'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 Companys headline logo and tagline - "Advanced Materials for a Cleaner World" - is integral to everything the Company represents to stakeholders, both internal and external.

By order of the board

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E Swain
Company Secretary
Date: 5/8/21

Directors' report for the year ended 31 December 2020

The directors present their report and the Financial statements of the Company for the year ended 31 December 2020.

Directors

The directors who served during the year ended 31 December 2020, 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 (2019: None).

Dividends

A dividend of £7,500,000 (2019: £5,500,000) was paid during the year, and the directors recommend a final dividend of £Nil (2019: £Nil).

Research & development

The research & development expenditure incurred during the year amounted to £93,000 (2019: £112,000). 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.

Stakeholder engagement

The Company promotes active engagement with all stakeholders, both internal and external. When it comes to the interests of the Company's employees, we aim to be a socially responsible employer in our approach to remuneration 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, through into 2021 with the Covid 19 pandemic and its effects on workplace. Another important aspect in the overall Corporate Governance framework in the Company consists of local lead teams who are specifically responsible for maintenance of the Company'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 Company 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, we continue to place emphasis on developing stronger ties with our supplier base and making sure that we have multi-sourcing possibilities for our strategic materials. This continues to enhance our capacity to optimise manufacturing and delivery times to our customers.
As the Company'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.

Streamlined energy and carbon reporting ("SECR")

The Company does not meet the reporting threshold for this disclosure.

Directors' report for the year ended 31 December 2020 (continued)

Compliance laws and regulations

(i) Taxation

The Company regularly reviews its compliance with tax regulation and has processes in place which highlight any errors or omissions, as well as ensuring all deadlines are met for filing and payment of tax liabilities. The Company employs a specialist firm to ensure commitments are fully met and these advisors frequently audit our processes to ensure that they would be judged as legal and reasonable by the tax authorities. In addition, the Company's payroll and accounting staff are formally trained as and when regulations are modified or expanded.

(ii) Human Resources

The Company has processes and policies which ensure compliance with employment laws and regulations. This includes, but is not limited to, equal opportunities, anti-discrimination legislation, data security, bullying and harassment, as well as national minimum wage regulations - in order to ensure the fair treatment of all our stakeholders. National minimum wage checks are undertaken for all employee's starting salaries and monitored thereafter. Any issues or conflicts which arise or represent a potential risk are subject to review and consultation with our legal specialists. In addition, human resources staff regularly attend legal update courses to further ensure compliance.

(iii) Health, Safety and Environment

The safety of all stakeholders is of paramount importance to all Hollingsworth & Vose group companies. We employ an external third party to maintain our legal register of health, safety and environment regulations and obligations. In addition we have achieved accreditation for ISO 45001 and 14001 and we are subject to external audit. External agencies undertake yearly inspections to ensure that we are compliant with engineering and electrical regulations.

Post Balance Sheet Events

There have been no post balance sheet events.

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 and of the profit or loss 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

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E Swain
Company Secretary
Date: 5/8/21

Audit exemption report for the year ended 31 December 2020

As a 100% subsidiary of Hollingsworth and Vose Company (U.K.) Limited, company registered number 01664523, 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 2020

Profit and loss account for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	5	20,045	15,692
Cost of sales		(9,375)	(8,340)
Gross profit		10,670	7,352
Distribution costs		(362)	(262)
Administrative expenses		(1,512)	(934)
Other operating income/(expenses)		338	(927)
Operating profit	6	9,134	5,229
Interest payable	8	(58)	(21)
Profit before taxation		9,076	5,208
Tax on profit	9	(1,744)	(747)
Profit for the financial year		7,332	4,461

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Profit for the financial year		7,332	4,461
Other comprehensive income/(expense):			
Remeasurements of net defined benefit obligation	17	367	(1,053)
Movement on current tax relating to pension scheme		-	-
Movement on deferred tax relating to pension scheme	9	(34)	179
Total tax on other comprehensive income/(expense)	9	(34)	179
Other comprehensive income/(expense) for the year, net of tax		333	(874)
Total comprehensive income for the year		7,665	3,587

Financial statements for the year ended 31 December 2020

Balance sheet as at 31 December 2020

	Note	2020	2019
		£000	£000
Fixed assets			
Intangible assets	10	576	-
Tangible assets	11	2,418	2,818
		2,994	2,818
Current assets			
Inventories	13	1,345	782
Debtors	14	16,274	16,997
		17,619	17,779
Creditors: amounts falling due within one year	15	(794)	(498)
Net current assets		16,825	17,281
Total assets less current liabilities		19,819	20,099
Creditors: amounts falling due after more than one year	16	-	-
Post-employment benefits	17	(1,305)	(1,750)
Provisions for liabilities	18	-	-
NET ASSETS		**18,514**	**18,349**
CAPITAL AND RESERVES			
Called up share capital	20	3,400	3,400
Dividends		(7,500)	(5,500)
Retained earnings		22,614	20,449
TOTAL EQUITY		**18,514**	**18,349**

For the year ending 31 December 2020 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 : J Kaiser
Hollingsworth & Vose Air Filtration Limited
Registered no. 3926749

Date: 5/8/21............

Financial statements for the year ended 31 December 2020

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2019	**3,400**	**16,862**	**20,262**
Profit for the year	-	4,461	4,461
Other comprehensive expense for the year	-	(874)	(874)
Total comprehensive income for the year	-	3,587	3,587
Dividends		(5,500)	(5,500)
Total transactions	-	(5,500)	(5,500)
Balance as at 31 December 2019	**3,400**	**14,949**	**18,349**
Balance as at 1 January 2020	**3,400**	**14,949**	**18,349**
Profit for the year	-	7,332	7,332
Other comprehensive expense for the year	-	333	333
Total comprehensive income for the year	-	7,665	7,665
Dividends	-	(7,500)	(7,500)
Total transactions	-	(7,500)	(7,500)
Balance as at 31 December 2020	**3,400**	**15,114**	**18,514**

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 United Kingdom. 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

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 which are in place through a centralised cash pooling arrangement operated by the ultimate parent company, Hollingsworth and Vose Company. 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 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) 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

The Company has chosen to adopt Sections 11 and 12 of FRS102 in respect of 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 17 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements (continued)

5. Turnover

Analysis of turnover by geographical area:

	2020	2019
	£000	£000
United Kingdom	3,835	1,332
Europe	9,481	8,495
USA	3,599	3,800
Rest of world	3,130	2,065
	20,045	15,692

6. Operating profit

Operating profit is stated after charging/(crediting):

	2020	2019
	£000	£000
Wages and salaries	2,561	2,148
Social security costs	228	180
Other pension costs	373	276
Staff costs	3,162	2,604
Profit on disposal of tangible fixed assets	-	(1)
Depreciation of owned tangible assets	194	203
Amortisation of intangible assets	-	-
Operating lease charges	28	30
Research and development	93	112
Foreign exchange gains on trade	93	(43)
Audit fees payable to the company's auditors	37	44
Taxation advisory and compliance fees	68	41
Inventories recognised as an expense	10,280	8,906
Impairment of inventories	9	63

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:

	2020	2019
By activity		
Production	48	39
Administration	16	15
	64	54

Directors
The directors' emoluments were as follows:

	2020	2019
	£000	£000
Aggregate emoluments	-	-

There are Nil (2019: Nil) UK based directors. The number of directors serving at the year end was 3 (2019: 3).
No director received remuneration for his services to this company (2019: 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 (2019: Nil).

Notes to the financial statements (continued)

8. Net interest expense

(a) Interest receivable and similar income

	2020 £000	2019 £000
Total interest receivable and similar income	-	-

(b) Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable to group undertakings	22	-
Net interest expense on post-employment benefits	36	21
Total interest payable and similar expenses	58	21

(c) Net interest expense

	2020 £000	2019 £000
Interest receivable and similar income	-	-
Interest payable and similar expenses	58	21
Net interest expense	58	21

9. Tax on profit

(a) Tax expense included in profit

	2020 £000	2019 £000
Current tax:		
UK corporation tax on profits for the year	1,643	709
Adjustment in respect of prior periods	(1)	(27)
Total current tax	1,642	682
Deferred tax:		
Current year	85	73
Impact of change in tax rate	17	(8)
Total deferred tax	102	65
Tax on profit	1,744	747

Notes to the financial statements (continued)

9. Tax on profit (continued)

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

	2020	2019
	£000	£000
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	34	(179)
Total tax expense/(income) included in other comprehensive income/(expense)	34	(179)

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

	2020	2019
	£000	£000
Current tax	-	-
Deferred tax	34	(179)
Total tax expense/(income) included in equity	34	(179)

(d) Reconciliation of tax charge

Tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (2019: 19.00%). The differences are explained below:

	2020	2019
	£000	£000
Profit before taxation	9,076	5,208
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2019: 19.00%)	1,724	990
Effects of:		
Expenses not deductible	4	4
Effect of other tax reliefs	-	(212)
Adjustment from previous years	(1)	(27)
Tax rate changes	17	(8)
Tax charge for the year	**1,744**	**747**

Notes to the financial statements (continued)

9. Tax on profit (continued)

(e) Tax rate changes

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

A further change was announced in the Chancellor's Budget on 3 March 2021 to increase the main rate to 25% from 1 April 2023. The change has not been substantively enacted and therefore the efftect of this increase in not included in these financial statements, but the effect on the deferred tax liability at 31 March 2021 is expected to be immaterial.

10. Intangible assets

	Goodwill	Software	Assets in the course of construction	Total
	£000	£000	£000	£000
At 1 January 2020				
Cost	3,398	18	-	3,416
Amortisation charge	(3,398)	(18)	-	(3,416)
Net book amount	-	-	-	-
Year ended 31 December 2020				
Opening net book amount	-	-	-	-
Reclassication from Tangible assets	-	-	423	423
Additions	-	-	153	153
Amortisation charge	-	-	-	-
Closing net book amount	-	-	576	576
At 31 December 2020				
Cost	3,398	18	576	3,992
Amortisation charge	(3,398)	(18)	-	(3,416)
Net book amount	-	-	576	576

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 2020					
Cost	1,823	4,746	41	549	7,159
Depreciation charge	(640)	(3,665)	(36)	-	(4,341)
Net book amount	1,183	1,081	5	549	2,818
Year ended 31 December 2020					
Opening net book amount	1,183	1,081	5	549	2,818
Reclassication to Intangible assets	-	-	-	(423)	(423)
Additions	-	-	-	217	217
Reclassification	15	183	-	(198)	-
Depreciation charge	(56)	(136)	(2)	-	(194)
Closing net book amount	1,142	1,128	3	145	2,418
At 31 December 2020					
Cost	1,838	4,929	41	145	7,376
Depreciation charge	(696)	(3,801)	(38)	-	(4,535)
Net book amount	1,142	1,128	3	145	2,418

Notes to the financial statements (continued)

12. Fixed asset investments

	2020	2019
	£000	£000
At 1 January and 31 December	-	-

13. Inventories

	2020	2019
	£000	£000
Raw materials and consumables	1,254	616
Work in progress	-	-
Finished goods and goods for resale	91	166
	1,345	782

14. Debtors

	2020	2019
	£000	£000
Trade debtors	2,132	1,800
Amounts owed by group undertakings	13,832	14,887
Other debtors	-	65
Corporation tax	81	-
Deferred tax (refer note 18)	29	164
Prepayments and accrued income	200	81
	16,274	16,997

Trade debtors includes £Nil (2019: £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

	2020	2019
	£000	£000
Trade creditors	348	331
Amounts owed to group undertakings	1,175	873
Corporation tax	-	203
Other taxation and social security	57	48
Other creditors	75	1
Accruals and deferred income	(861)	(958)
	794	498

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

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

	2020	2019
	£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	-	-
	-	-
	-	-

Notes to the financial statements (continued)

17. Post-employment benefits

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

	2020	2019
	£000	£000
Defined benefit scheme liability	1,305	1,750

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

	2020	2019
	£000	£000
Defined benefit scheme:		
Current service cost	41	15
Define contribution scheme	332	261
Total charge in operating profit (Note 6)	373	276
Defined benefit scheme:		
Net interest expense (Note 8)	36	21
Total charge	409	297

(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 2020. Adjustments to the valuation at that date have been made based on the following assumptions:

	2020	2019
Expected rate of salary increases	N/A	N/A
Expected rate of increase of pensions in payment	2.75%	2.65%
Discount rate	1.45%	2.10%
Rate of inflation	2.85%	2.70%

Notes to the financial statements (continued)

17. Post-employment benefits (continued)

The mortality assumptions used were as follows:

	2020	2019
Longevity at age 65 for current pensioners:		
Men	21.70	22.00
Women	24.40	25.00
Longevity at age 65 for future pensioners (retiring in 25 years):		
Men	23.40	24.20
Women	26.30	27.40

Reconciliation of scheme assets and liabilities:

	Assets £000	Liability £000	Total £000
At 1 January 2020	9,723	(11,473)	(1,750)
Benefits paid	(229)	229	-
Employer contributions	155	-	155
Current service cost	-	(41)	(41)
Interest income/(expense)	203	(239)	(36)
Remeasurement gains/(losses):			
Actuarial gains/(loss)	1,299	(932)	367
At 31 December 2020	11,151	(12,456)	(1,305)

Total cost recognised as an expense:

	2020 £000	2019 £000
Current service cost	(41)	(15)
Interest cost	(239)	(21)
	(280)	(36)

The fair value of the plan assets was:

	2020 £000	2019 £000
Cash and cash equivalents	293	394
Equity instruments	2,118	2,277
Debt instruments	8,437	6,864
Other	303	188
	11,151	9,723

Notes to the financial statements (continued)

17. Post-employment benefits (continued)

The return on the plan assets was:	2020	2019
	£000	£000
Interest income	203	269
Return on plan assets	1,299	396
Total return on plan assets	1,502	665

(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:

	2020	2019
	£000	£000
Current period contributions	332	261

18. Provisions for liabilities

Deferred tax

The movement in net provision for deferred tax asset is as follows:

	2020	2019
	£000	£000
At 1 January	(164)	(50)
Deferred tax charge in profit and loss account	70	61
Deferred tax charge/(credit) relating to rate change	15	(6)
Deferred tax charge relating to pension in profit and loss account	16	10
Deferred tax charge/(credit) relating to pension in OCI	34	(179)
At 31 December *	(29)	(164)

* Deferred tax asset of £29,000 (2019: £164,000) is presented as part of Debtors (refer Note 14)

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

	2020	2019
	£000	£000
Fixed assets realised through use	218	132
Pensions - actuarial loss	(312)	(342)
Others	65	46
	(29)	(164)

Notes to the financial statements (continued)

19. Financial instruments

The company has the following financial instruments:

	2020	2019
	£000	£000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	2,132	1,800
Amounts owed by group undertakings	13,832	14,887
Other debtors	0	65
	15,964	16,752
Financial liabilities measured at amortised cost:		
Trade creditors	348	331
Amounts owed to group undertakings	1,175	873
Other creditors	75	1
Accruals	(861)	(958)
	737	247

20. Called up share capital

	2020	2019
Authorised	£000	£000
Equity shares:		
5,000,000 (2019: 5,000,000) Ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
Equity shares:		
3,400,000 (2019: 3,400,000) Ordinary shares of £1 each	3,400	3,400

Notes to the financial statements (continued)

21. Capital and other commitments

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

	2020	2019
	£000	£000
Contract for future capital expenditure not provided in the financial statements	21	580

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

	2020	2019
	£000	£000
Payments due:		
Not later than one year	28	31
Later than one year and not later than five years	44	65
Later than five years	2	10
	74	106

The company had no other off-balance sheet arrangements.

22. 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.

23. 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.

24. Events after the end of the reporting period

There have been no post balance sheet events.