

Low & Bonar Limited

**Annual report and financial
statements**

Registered number SC008349

31 December 2021

Internal



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Strategic report

Business Review

On 12 May 2020 100% of the Ordinary share capital was purchased by Freudenberg Performance Materials Service GmbH ("FPM Service", formerly FV Beteiligungs GmbH). Immediately prior to the acquisition, the Company ceased to be a Public Limited Company and was de-listed from the London Stock Exchange. Immediately after the acquisition the Company was reregistered as a private company limited by shares and the name of the Company was changed to Low & Bonar Limited. The financial year of 2021 is equal to a calendar year. The 2020 financial year was extended to 13 months ending 31 December 2020.

The loss for the period before taxation amounted to £39,023,000 (2020: £9,168,000). Prior to acquisition, the Company employed staff in its London head office and provided strategic and administrative services to the subsidiaries in the former Low & Bonar group. Following the acquisition, the London head office was closed, and the level of activities gradually reduced. The principal costs incurred during financial year 2020 related to professional services incurred in relation to the acquisition of the Company and contingency planning in the event that the acquisition did not go ahead.

The Company now operates as a holding company, and performs some remaining administrative tasks for the other entities within the former Low & Bonar group. The principal risks and uncertainties affecting the Company include the following:

- Impairment of investments and inter-company receivables: The Company holds significant investments and inter-company receivables and should the underlying businesses of these investments and related parties decline, the balances could be at risk of impairment. Significant impairments were taken against such companies in the prior year.

Financial Performance Indicators

	2021	2020
	£000	£000
Net assets	48,626	127,767
<i>Net financial (asset)/debt calculated as follows:</i>		
Interest bearing loans and borrowings	-	-
Less: Cash at bank and in hand	(5,167)	(3,653)
Net financial (asset)/debt	(5,167)	(3,653)

Future Prospects

Now that the Company is a subsidiary of FPM Service its role in performing strategic and administrative tasks for its subsidiaries is much reduced. Going forward the Company will continue to provide some central services as required, and will continue to administer the UK defined benefit scheme (refer to note 11).

By order of the board



A Culbert
Director

c/o Harper Macleod LLP
Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD

14 April 2022

Directors' report

Principal activities

The principal activity of the Company is to act as an intermediate holding company and provide central services to its subsidiaries.

Reregistration as a private company

The Company ceased to be a public limited company during the period and reregistered as a private company, effective from 16 June 2020.

Proposed dividend

The directors do not recommend the payment of a dividend (2020: £nil).

Directors

The directors who held office during the period, and as at the date of this report, were as follows:

Antoinette Culbert (appointed 12 June 2020)

Thomas Herr (appointed 12 May 2020)

Political contributions

The Company made no political donations or incurred any disclosable political expenditure during the year.

Going Concern

At the balance sheet date, the Company had net assets of £57,834,000 and made a loss of £39,564,000 in the period to 31 December 2021.

The purpose of the Company is as an intermediate holding entity and to provide certain central services to subsidiary companies and other companies within the former Low & Bonar Group. At the balance sheet date, the company had receivables of £43,707,000 due from entities within the Group. Although not directly impacted by COVID-19, the impacts felt by the wider Group may have an impact on the ability of receivables from the Group companies to be recovered.

As per 12 May 2020, 100% of the share capital of the Company was purchased by Freudenberg Performance Materials Service GmbH ("FPM Service", formerly FV Beteiligungs-GmbH). The Directors are of the view that, to the best of their current knowledge, Covid-19 will not impact the Company's ability to continue as a going concern. Accordingly, the Directors have adopted the going concern basis in the preparation of these financial statements.

Qualifying third party indemnity provisions

In accordance with the Articles of Association, and to the extent permitted by law, Directors are granted an indemnity by the Company in respect of liability incurred as a result of their office. These qualifying third-party indemnity provisions were in force during the financial period. In addition, the Company maintained a Directors' and Officers' liability insurance policy throughout the period and will continue to do so for the benefit of the Directors.

Directors' report *(continued)*

Post Balance Sheet Event

There are no post balance sheet events to report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following the acquisition of Low & Bonar Ltd by Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs-GmbH) on 12 May 2020, all UK entities within the former Low & Bonar group changed their auditors to Rödl & Partner Limited. In accordance with Section 485 of the Companies Act 2006, a resolution to appoint Rödl & Partner Limited as auditor of the Company was proposed and passed at the AGM of the former ultimate parent company, Low & Bonar Ltd.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed.

By order of the board



A Culbert
Director

c/o Harper Macleod LLP
Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD

14 April 2022

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Low & Bonar Limited

Opinion

We have audited the financial statements of Low & Bonar Limited (the 'company') for the period ended 31 December 2021, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1.2 of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management, those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

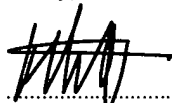
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The use of our report

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



Imran Farooq (Senior Statutory Auditor)
For and on behalf of Rödl & Partner Limited,

170 Edmund Street
Birmingham
B3 2HB

Date: 14 April 2022

Profit and loss account and other comprehensive income
for year ended 31 December 2021 (2020: period ended 31 December 2020)

	<i>Note</i>	2021 £000	2020 £000
Administrative expenses		(3,238)	(6,717)
Other operating income		2,617	4,027
Other operating expenses		-	(8,062)
Restructuring costs		(70)	(44)
Operating loss	2	(691)	(10,796)
Income from shares in group undertakings		2,534	-
Interest receivable and similar income	4	1,473	4,045
Interest payable and similar charges	5	(1,180)	(2,502)
Other income /(losses)	6	(41,159)	85
Loss before taxation		(39,023)	(9,168)
Tax on loss	7	(541)	(983)
Loss for the financial period		(39,564)	(10,151)
Other comprehensive income			
Actuarial gain / (loss) on defined benefit pension scheme		3,613	(3,253)
Deferred tax on defined benefit pension scheme		(1,229)	1,139
		2,384	(2,114)
Total comprehensive loss for the period		(37,180)	(12,265)

Balance sheet

at 31 December 2021 (2020 at 31 December 2020)

	Note	2021		2020	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		33		82
Investment in subsidiaries	10		88,082		74,006
Post-employment benefits	11		8,797		3,739
			<u>96,912</u>		<u>77,827</u>
Current assets					
Debtors	12	44,212		128,985	
Cash at bank and in hand		5,167		3,653	
			<u>49,379</u>		<u>132,638</u>
Creditors: amounts falling due within one year					
Trade and other payables	13	(591)		(4,486)	
Provisions	14	(162)		(385)	
			<u>(753)</u>		<u>(4,871)</u>
Net current assets			48,626		127,767
Total assets less current liabilities			<u>145,538</u>		<u>205,594</u>
Creditors: amounts falling due within one year					
Borrowings	15		(400)		(400)
Deferred tax liabilities	16		(3,078)		(1,309)
Loans from related parties	15		(84,226)		(108,871)
			<u>(87,704)</u>		<u>(110,580)</u>
Net assets			<u>57,834</u>		<u>95,014</u>
Capital and reserves					
Called up share capital	17		34,510		34,510
Share premium account	18		74,883		74,883
Other reserve	19		31,938		31,938
Capital redemption reserve	19		30,914		30,914
Profit and loss account			(114,411)		(77,231)
Shareholders' funds			<u>57,834</u>		<u>95,014</u>

These financial statements were approved by the board of directors on 14 April 2022 and were signed on its behalf by:



A Culbert
Director

Company registered number: SC008349

Statement of changes in equity

	Called up share capital £000	Share premium £000	Other reserve £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 December 2019	65,402	74,851	31,938	-	(65,270)	106,920
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(10,151)	(10,151)
Actuarial loss on defined benefit pension scheme	-	-	-	-	(3,253)	(3,253)
Deferred tax on defined benefit pension scheme	-	-	-	-	1,139	1,139
Total comprehensive loss for the period	-	-	-	-	(12,265)	(12,265)
Transition adjustment – IFRS 16	-	-	-	-	(28)	(28)
Repurchase of share capital	(30,914)	-	-	30,914	-	-
Share based payment	22	32	-	-	332	386
	(30,892)	32	-	30,914	(11,961)	(11,907)
Balance at 31 December 2020	34,510	74,883	31,938	30,914	(77,231)	95,014

	Called up share capital £000	Share premium £000	Other reserve £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	34,510	74,883	31,938	30,914	(77,231)	95,014
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(39,564)	(39,564)
Actuarial loss on defined benefit pension scheme	-	-	-	-	3,613	3,613
Deferred tax on defined benefit pension scheme	-	-	-	-	(1,229)	(1,229)
Total comprehensive loss for the period	-	-	-	-	(37,180)	(37,180)
Transition adjustment – IFRS 16	-	-	-	-	-	-
Repurchase of share capital	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
Balance at 31 December 2021	34,510	74,883	31,938	30,914	(114,411)	57,834

Notes

(forming part of the financial statements)

1 Accounting policies

Low & Bonar Limited (the “Company”) is a private company, limited by shares, which is incorporated and domiciled in Scotland. The registered number is SC008349 and the registered address is c/o Harper Macleod LLP, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD.

These financial statements are presented in Great British Pounds and are rounded to the nearest thousand.

The financial year, originally from 1 December till 30 November, is adjusted in 2020 to fit the calendar year used within Freudenberg. The 2020 financial year is therefore 13 months, starting on 1 December 2019 and ending on 31 December 2020. From 2021 onwards the financial year equals the calendar year.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking at the balance sheet date, Freudenberg SE, included the Company in its consolidated financial statements for the year ended 31 December 2021. As the Company was a wholly owned subsidiary of Freudenberg SE at 31 December 2021 the Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts. The consolidated financial statements of Freudenberg SE are prepared in accordance with International Financial Reporting Standards and are available from its registered office: 69465 Weinheim, Germany.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the effects of new but not yet effective IFRSs; and
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;

As the consolidated financial statements of Freudenberg SE include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement* and the requirements of IFRS 7 *Financial Instrument: Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the

judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgement areas for the Company include the impairment of investments in subsidiaries and intercompany receivables.

In performing the impairment reviews, the Company assesses the recoverable amount of its operating assets principally with reference to value in use, assessed using discounted cash flow models. These models are subject to estimation uncertainty and there is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined below.

The Company assesses at each reporting date whether there are any indicators that its assets and groups of cash generating units (CGUs) may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flows, are updated regularly as part of the Company's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU and are therefore indicators of impairment or impairment reversal. The judgement also takes into account the Low & Bonar Group's long-term economic forecasts, market consensus and sensitivity analysis of the discounted cash flow models used to value the Company's asset.

The impairment tests undertaken with respect to investments and intercompany receivables use commercial judgement and key assumptions and estimates including the discount rate, the long-term growth rate and the cash flow projections to be used. Estimating a value in use amount requires management to make an estimate of the future expected cash flows from each group of cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes (continued)

1 Accounting policies (continued)

1.3 Going concern

At the balance sheet date, the Company had net assets of £57,834,000 and made a loss of £39,564,000 in the period to 31 December 2021.

The purpose of the Company is as an intermediate holding entity and to provide certain central services to subsidiary companies and other companies within the former Low & Bonar Group. At the balance sheet date, the company had receivables of £43,707,000 due from entities within the Group. Although not directly impacted by COVID-19, the impacts felt by the wider Group may have an impact on the ability of receivables from the Group companies to be recovered.

The Directors are of the view that, to the best of their current knowledge, Covid-19 will not impact the Company's ability to continue as a going concern. Accordingly, the Directors have adopted the going concern basis in the preparation of these financial statements.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account

1.5 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Notes (continued)

1 Accounting policies (continued)

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

1.6 Non-derivative financial instruments (continued)

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.7 Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Depreciation and amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- leasehold improvements 3-7 years
- fixtures and fittings 3-7 years
- computer software 5 years
- HSE tool 5 years

Depreciation and amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Right of use assets under finance leases are classified within tangible fixed assets and depreciated on a straight-line basis. Refer to note 1.13.

1.8 Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For trade receivables (which do not contain a significant financing component), the Company applies a simplified approach in calculating expected credit losses ("ECLs"). The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For inter-company receivables the ECL is determined based on the recoverability of the net assets of the counterparty, adjusted for forward-looking factors specific to the debtors and economic environment.

Notes (continued)

The Company transitioned to IFRS 9 effective from 1 December 2018. The adoption of IFRS 9 fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with the forward looking ECL approach.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit pension plan is one that specifies the amount of pension benefit that an employee will receive on retirement. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a benefit to the Company, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Company determines the extent to which payments made which fulfil obligations to make future contributions to cover an existing shortfall will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the Company recognises a liability when the obligation arises.

Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes (continued)

1 Accounting policies (continued)

1.9 Employee benefits (continued)

Equity and equity-related compensation benefits

The Company and Group have applied the requirements of IFRS 2. In accordance with the exemption available within the transitional provisions of IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

Until the acquisition date in 2020, the Company operated various equity-settled and cash-settled share option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant, and the fair value determined at the grant date of these payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured taking into account market conditions and by use of the Black-Scholes model or a Stochastic model, as appropriate. Measurement inputs include share price at the measurement date, exercise price of the instrument, expected volatility (based on historic volatility patterns), the expected dividend yield and the risk-free interest rate (calculated based on UK Gilts with a term commensurate with the expected term remaining of the performance period at grant). The fair values of cash-settled payments are re-measured at each balance sheet date and the cost of these payments is recognised over the vesting period, taking into account the re-measurement of fair value at each balance sheet date.

1.10 Provisions

A provision is recognised in the balance sheet when the Company or the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to the affected parties.

1.11 Other operating income

Other operating income represents income received by subsidiary companies for central services performed by the Company on their behalf. Income is charged based on actual costs incurred plus a mark-up according to intercompany agreements and Company and Group policy, and is recognised net of any refunds and value added tax.

1.12 Expenses

Interest receivable and Interest payable

Net financing costs comprise interest payable on borrowings calculated using the effective-interest rate method, dividends on redeemable preference shares, net interest in respect of defined benefit pension assets and liabilities, interest receivable on funds invested, dividend income and gains and losses on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest rate.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

1.13 Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14 Leases

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

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

The effect of adoption of IFRS 16 as at 1 December 2019 resulted in the recognition of a £426,000 right of use asset and corresponding lease liability. As a consequence of being acquired by the Freudenberg Group the lease has been terminated as per 31 December 2020.

i) Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The Company holds only one right of use asset, a building, which was effectively depreciated over the 4 year lease term.

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

ii) Lease liabilities

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

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

Notes (continued)

1 Accounting policies (continued)

1.14 Leases (continued)

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right of use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Company applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on low-value assets are recognised as expense on a straight line basis over the lease term.

Effect on income statement

Lease costs are replaced by interest incurred on the liability, included within interest payable (2021: £Nil, 2020: £21,000) and depreciation on the asset (2021: £Nil, 2020: £426,000).

Effect on Statement of Financial Position

As per year end 2020 the lease has been terminated.

1.15 Business combinations

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

2 Loss for the financial year

Included in loss are the following:

	1-1-2021 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Net foreign exchange losses	274	584
Payments made under operating leases	-	-
Depreciation of owned fixed assets	-	124
Depreciation of right of use asset	-	426
Loss on disposal of property, plant & equipment	-	80
Amortisation of intangible assets	49	54
Non-current asset impairment losses	-	-
Staff costs (see note 3)	430	2,919
Impairment loss recognised on intercompany receivables	55,235	-
Impairment loss recognised on investments (see note 10)	(14,076)	-
Acquisition and disposal related costs	-	7,741
	<hr/>	<hr/>

Acquisition and disposal related of 2020 relate to costs incurred in relation to the takeover of the Low & Bonar Group by Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs-GmbH) and contingency planning in the event that the acquisition did not go ahead.

Notes (continued)

Auditor's remuneration:

	1-1-2021 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Audit of these financial statements	20	30

Disclosure of non-audit fees payable to the auditor is given in the consolidated financial statements of the ultimate parent company, copies of which can be obtained from the address given in note 1.

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, was 1 (2020: 14). The aggregate payroll costs of these persons were as follows:

	1-1-2021 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Wages and salaries	412	2,413
Social security costs	1	331
Pension costs	17	175
	<u>430</u>	<u>2,919</u>

4 Interest receivable and similar income

	1-1-2020 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Loan interest receivable	1,423	3,961
Net interest on pension scheme net liabilities	50	84
	<u>1,473</u>	<u>4,045</u>

Of the above amount £1,423,000 (2020: £3,961,000) was receivable from group undertakings.

Notes (continued)

5 Interest payable and similar charges

	1-1-2021 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Loan interest payable	(1,180)	(2,007)
Amortisation of bank arrangement fees	-	(37)
Write off of bank arrangement fees	-	(161)
Interest expense for leasing arrangements	-	(21)
Other interest payable	-	(276)
	<u>(1,180)</u>	<u>(2,502)</u>

Of the above amount £1,157,000 (2020: £1,786,000) was payable to group undertakings.

6 Other income / (losses)

	1-1-2021 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Profit on disposal – Low & Bonar Dundee Limited	-	909
Waiver of receivables – Low & Bonar Dundee Limited	-	(824)
Intercompany loan waivers	(55,235)	-
Adjustment valuation subsidiaries	14,113	-
	<u>41,122</u>	<u>85</u>

As a result of an internal finance restructuring program, 2 intercompany loans and accrued interest were waived. It relates to the loans to Bonar International Holdings Ltd and Bonar International SARL.

The impairment of investment Low & Bonar Euro Holdings Ltd recorded in 2019 was reversed in 2021.

Low & Bonar Dundee Limited was disposed of on 25 June 2020 for net consideration of £909,000 resulting in a profit on disposal of £909,000.

Notes (continued)

7 Taxation

Recognised in the profit and loss account

	1-1-2021 / 31-12-2021 £000	1-12-2019 / 31-12-2020 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Prior year adjustments	-	(1)
	<hr/>	<hr/>
Total current tax (charge)/credit	-	(1)
Deferred tax (note 16)	(541)	(982)
	<hr/>	<hr/>
Total tax charge on loss	(541)	(983)
	<hr/>	<hr/>

The amount of deferred tax relating to changes in tax rates is £nil (2020: £nil).

Reconciliation of effective tax rate

	1-1-2021 / 31-12-2021 £000	1-12-2019 / 31-12-2020 £000
Loss for the period	(39,023)	(9,168)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2020: 19%)	7,414	1,742
Expenses not deductible	(7,331)	(736)
Current tax losses not utilised	(377)	(2,004)
Deferred tax not credited	-	18
Prior year tax adjustments	-	(2)
Difference in tax rate recognition	(247)	-
	<hr/>	<hr/>
Total tax expense	(541)	(983)
	<hr/>	<hr/>

Notes (continued)

7 Taxation (continued)

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. These changes had not been substantively enacted at the balance sheet date and therefore no adjustment has been made to deferred taxation balances to account for this change. In any case, deferred tax recognised on the defined benefit pension scheme is recognised at 35% since this is the tax rate that would apply on the unwind of the pension asset.

Deferred tax recognised directly in other comprehensive income

	1-1-2021 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Actuarial (gains)/losses relating to post-employment benefit obligations	(1,229)	1,139

8 Dividends

	1-1-2021 / 31-12-2021	1-12-2019 / 31-12-2020
	£000	£000
Final dividend for the period ended 31 December 2021 - nil (2020: nil)	-	-

The Directors have proposed no final or interim dividend in respect of the financial period ended 31 December 2021 (2020: no interim or final dividend declared).

9 Intangible fixed assets

	Computer software £000	HSE tool £000	Total £000
Cost	227	22	249
Amortisation			
Balance at 31 December 2020	(148)	(18)	(168)
Amortisation charge for the period	(46)	(3)	(49)
Balance at 31 December 2021	(194)	(22)	(216)
Net book value			
At 31 December 2021	33	-	33
At 31 December 2020	79	3	82

Notes (continued)

10 Investment in subsidiaries

	Shares in Group undertakings £000
<i>Cost</i>	
At 31 December 2020	180,741
Disposal of subsidiary	-
At 31 December 2021	180,741
<i>Provisions</i>	
At 31 December 2020	(106,735)
Reversal of impairment investment	14,076
At 31 December 2021	(92,659)
<i>Net book value</i>	
At 31 December 2021	88,082

The Company tests assets annually for impairment, or more frequently if there are indications that the assets might be impaired. The recoverable amounts of the investments are determined using the higher of value in use (based on projected cash flows, discounted to calculate the net present value) and fair value less costs of sale.

The disposal in 2020 related to the Company's investment in Low & Bonar Dundee Limited. This investment was impaired down to nil in previous years, and was sold for £1,006,000 generating a net profit on disposal of £909,000 after expenses.

A number of other entities were struck off during 2020 resulting in the investments being disposed of. All of these entities had a net book value of nil at the time of strike off.

Subsidiaries

Name	Principal product area	Registered address	%
Low & Bonar Euro Holdings Ltd	Holding company	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100
Bonar International Holdings Ltd	Holding company	c/o Harper Macleod LLP, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD	100
LCM Construction Products Ltd	Dormant	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100
Bonar Rotaform Ltd	Dormant	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100
Low & Bonar Pension Trustees Ltd	Dormant	c/o Harper Macleod LLP, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD	100
Bonar Silver Ltd	Dormant	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100

Notes (continued)

10 Investments in subsidiaries (continued)

Entities struck off during the period to 31 December 2020

Name	Principal product area	Registered address	%
Waddington Cartons Ltd	Dormant	1 Connaught Place, London, W2 2ET	100
Low & Bonar Pension Scheme (1986) Trustee Ltd	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ	100
Lobex Ltd	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ	100
Lobo Nominees Ltd	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ	100
Low & Bonar UK Ltd (formerly Goldtide Ltd)	Dormant	1 Connaught Place, London, W2 2ET	100
Platinum Prestige Ltd	Dormant	1 Connaught Place, London, W2 2ET	100

Entities sold during the period to 31 December 2020

Name	Principal product area	Registered address	%
Low & Bonar Dundee Limited	Specialist yarns	Caldrum Works, St Salvador Street, Dundee, Tayside, DD3 7EU, Scotland	100

11 Defined benefit scheme

The defined benefit scheme is a funded pension scheme, closed to future accrual of benefits, providing benefits linked to inflation. The scheme is subject to the regulatory requirements that apply to registered UK pension schemes, and a Trustee board is responsible for ensuring it is operated in a manner compliant with the relevant regulations. The weighted duration of the expected benefit payments from the scheme is around 13 years.

The main reason for the increase in surplus in the period was an increase in discount rates between 31 December 2020 and 31 December 2021 from 1.2% to 1.8%. This was mitigated by a reduction in the life expectancies and lower than expected return on the Scheme's assets, which reduced the present value of the defined benefit obligation.

There is a risk that the Company may be required to increase its contributions into its defined benefit pension schemes to cover funding shortfalls. The funding may be affected by poor investment performance of pension fund investments, changes in the discount rate applied and longer life expectancy of members. This risk is mitigated by the main Company scheme being closed to new members and by actions taken to reduce investment risk, including the purchase of a buy-in policy. Regular dialogue also takes place with the scheme Trustee, and the Board regularly discusses pension fund strategy.

The scheme was independently valued by a qualified actuary at 31 March 2020 using the projected unit method. Following the 2020 valuation of the scheme, the Company agreed a schedule of contributions with the Trustee of the scheme under which the Company paid contributions of £3,000,000 by 30 June 2020 and then £155,000 monthly from April 2021 to March 2027 inclusive.

In applying IAS 19, the Company has considered the requirements of IFRIC 14 and whether the Company has an 'unconditional right' to a refund of surplus, in particular assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme (i.e. on the death of the last beneficiary). The Company has concluded that it does have an effective unconditional right to a refund under these circumstances, and on these grounds IFRIC 14 does not require an adjustment to the net pension asset.

Notes (continued)

Guaranteed minimum pensions

The pension scheme provides guaranteed minimum pensions (“GMPs”) in lieu of benefits under the State Earnings Related Pension Scheme (“SERPS”) in respect of contracted-out service up to 5 April 1997. As a result of the ruling on 26 October 2018 relating to Lloyds Bank’s pension schemes, the law requires our scheme (or any UK pension scheme providing GMPs) to adjust benefits to remove inequalities introduced by GMPs. In 2018, in conjunction with the Company’s pension advisors, we made an initial assessment of the additional liability this ruling would give rise to and at 30 November 2018 estimated that the additional liability would be £4m.

The estimated additional liabilities as a result of GMP inequalities are kept under review as further information becomes available. In 2020, a further ruling was handed down in November 2020 by the high court, affecting pension schemes with GMPs, and requiring payments to be made to former payments who have transferred out of the scheme. As a result of this ruling, the estimated liabilities for GMP inequalities were increased by £0.3m. This increase has been treated as a past service cost during 2020.

Financial assumptions

Management determines the assumptions to be adopted in discussion with their actuaries. The application of different assumptions could have a significant effect on the amounts reflected in the consolidated income statement, the consolidated statement of comprehensive income and the balance sheet in respect of post-employment benefits. The valuations require the exercise of judgement in relation to various assumptions, including the discount rate, future pension increases and employee and pensioner demographics.

The financial assumptions used to estimate defined benefit obligations are:

	2021 %	2020 %
Discount rate	1.80	1.20
Future pension increases (Retail Price Index “RPI”)	2.30	2.80
Inflation increase (Consumer Price Index “CPI”)	2.60	2.10

In assessing the Company’s post-employment liabilities, management monitor mortality assumptions and use up-to-date mortality tables. Allowance is made for expected future increases in life expectancy. The figures assume that a male member, currently aged 65, will survive a further 20.9 years and a female member for a further 23.6 years (2018: male – 21.7 years, female – 23.7 years). They also assume that a scheme male member currently aged 45, will survive a further 42.2 years and a female member for a further 45.0 years (2018: male – 43.1 years, female – 45.2 years). Management consider that the assumptions used are appropriate estimates of the life expectancy of scheme members in the light of scheme-specific experience and more widely available statistics. The assumptions for inflation take account of the announcement in November 2020 that the RPI inflation measure is to be brought into line with the CPIH inflation measure from 2030.

Financial impact of schemes

The total amount recognised for defined benefit schemes is as follows:

	2021 £000	2020 £000
Fair value of scheme assets	182,316	197,611
Present value of defined benefit obligations	(191,113)	(193,872)
Net asset recognised in the balance sheet	8,797	3,739

Notes (continued)

Amounts recognised as a charge to the income statement in respect of the defined benefit pension schemes are as follows:

	2021 £000	2020 £000
Current service costs	-	-
Net interest (income) / costs	(50)	(84)
Past service costs	-	300
Past service costs	-	-
Total	(50)	216

The past service cost in 2020 relates to estimated additional costs following a High Court judgement handed down in November 2020 affecting pension schemes paying Guaranteed Minimum Pensions (GMPs).

Before 2020, the scheme's administration expenses were paid directly by the Company up to a cap of £500,000. Effective 2021 all administration costs were paid directly by the company. The pension administration expenses paid directly by the Company amounted to £1.5m (2020: £ 1.5m).

Amounts recognised in Other Comprehensive Income are as follows:

	2021 £000	2020 £000
Net actuarial gain/(loss) in the period due to:	3,613	(3,253)
– Changes in financial assumptions	7,206	(18,022)
– Changes in demographic assumptions	(1,352)	5,652
– Experience adjustments on benefit obligations	79	3,168
– Actual return on scheme assets less interest on scheme assets	(2,422)	5,949
– Investment management expenses	102	-
Associated deferred tax	(1,229)	1,139

The changes in the net assets/(liabilities) recognised in the balance sheet are as follows:

	2021 £000	2020 £000
Opening balance sheet asset / (liability)	3,739	4,189
Amount recognised in income statement	50	(216)
Amount recognised in Other Comprehensive Income	3,511	(3,253)
Contributions paid	1,497	3,019
Closing balance sheet asset / (liability)	8,797	3,739

Notes (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2021 £000	2020 £000
Opening defined benefit obligation	193,872	190,698
Current service costs	-	-
Interest costs	2,280	3,824
Actuarial loss / (gain) due to:		
– Changes in financial assumptions	(7,206)	(18,055)
– Changes in demographic assumptions	1,352	5,652
– Experience adjustments on benefit obligations	(79)	3,168
Benefits paid	(7,903)	(10,185)
Past service costs	-	300
	<hr/>	<hr/>
Closing defined benefit obligation	182,316	193,872
	<hr/>	<hr/>

Changes in the fair value of scheme assets are as follows:

	2021 £000	2020 £000
Opening fair value of scheme assets	197,611	194,887
Interest on scheme assets	2,330	3,908
Actual return on scheme assets less interest on scheme assets	(2,422)	5,982
Contributions by employers	1,497	3,019
Benefits paid	(7,903)	(10,185)
	<hr/>	<hr/>
Closing fair value of scheme assets	191,113	197,611
	<hr/>	<hr/>

The fair value of the scheme assets at the balance sheet date is analysed as follows:

	2021 £000	2021 %	2020 £000	2020 %
Debt securities	8,442	4	8,425	4
Diversified growth funds	29,210	15	28,218	14
LDI funds	31,491	17	28,508	14
Insurance policy	98,057	51	107,919	56
Private credit	9,019	5	10,565	5
Cash and other	14,894	8	13,976	7
	<hr/>	<hr/>	<hr/>	<hr/>
Total	191,113	100	197,611	100
	<hr/>	<hr/>	<hr/>	<hr/>

The insurance policies are two buy-in policies that match the benefits due to a group of pensioners within the scheme, and are valued at the amount of obligations covered. The remaining assets are invested in quoted pooled funds, apart from the investment in a segregated diversified growth fund for which quoted prices are not available; the valuation of this fund is provided by the fund manager. The scheme uses Liability Driven Investment (“LDI”) funds to help manage investment risk, providing a hedge against nominal rate liabilities.

Notes (continued)

A sensitivity analysis of significant assumptions on the scheme is as follows:

	Decrease/(increase) in obligation (£000)			
	2021		2020	
Change in assumptions	-0.5%pa	+0.5%pa	-0.5%pa	+0.5%pa
Discount rate	(6,800)	7,723	(7,337)	8,378
Inflation and pension increases	4,655	(4,551)	5,320	(4,981)
	-1 year	+1 year	-1 year	+1 year
Life expectancy	3,555	(3,498)	3,686	(3,622)

Consistent with the previous year's figures, these sensitivities have been calculated to show the movement in the net liability in isolation, taking into account the effects of the obligation on the matching annuity policy, and assume no other changes in market conditions at the accounting date.

12 Debtors

	2021 £000	2020 £000
Amounts owed by Group undertakings	87,747	172,120
Expected credit losses of receivables	(44,040)	(44,040)
Net amounts owed by subsidiaries	43,707	128,080
Other debtors	9	132
Prepayments and accrued income	496	778
	<u>44,212</u>	<u>128,985</u>

Debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

13 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	24	105
Amounts owed to Group undertakings	324	3,650
Taxation and social security	-	101
Other creditors	243	630
	<u>591</u>	<u>4,486</u>

Notes (continued)

14 Provisions

	2021 £000	2020 £000
Restructuring provision	-	64
Other provisions	162	321
	<u>162</u>	<u>385</u>
	<u><u>162</u></u>	<u><u>385</u></u>
	Restructuring Provision £000	Other Provisions £000
At 31 December 2020	64	321
Created in the period	271	25
Utilised in the period	(335)	(184)
	<u>-</u>	<u>162</u>
At 31 December 2021	-	162

The restructuring provision relates to severance payable as part of the restructure of the parent Group in 2020.

15 Borrowings

	2021 £000	2020 £000
<i>Unsecured borrowings at amortised cost</i>		
Interest bearing loans and overdrafts	-	9,811
Loans from Group undertakings	84,226	90,498
Redeemable preference shares	400	400
	<u>84,626</u>	<u>100,709</u>
<i>Secured borrowing at amortised cost</i>		
Finance lease liabilities	-	-
	<u>-</u>	<u>-</u>
Total borrowings	<u><u>84,626</u></u>	<u><u>100,709</u></u>

Loans from Group undertakings are available for varying periods, dependent upon the terms of the intercompany loan agreement. Up until 31 May 2020 interest was charged either at a fixed percentage or at the weighted average of external currency rates plus 3-month currency LIBOR plus 0.2%. From 1 June 2020 interest is charged as 1.25% plus currency LIBOR (with a floor of 0% for currency LIBOR).

Notes (continued)

16 Deferred tax

The Company has not recognised any deferred tax assets (2020: £nil) as the Directors do not believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years, mainly attributable to tax losses.

The Company has the following deferred tax liabilities relating to the pension surplus.

	£000
At 30 November 2019	1,466
Recognised in Other Comprehensive Income	(1,139)
Recognised in Profit and loss	983
	<hr/>
At 31 December 2020	1,309
Recognised in Other Comprehensive Income	1,229
Recognised in Profit and loss	541
	<hr/>
At 31 December 2021	3,079

The Company has unrecognised deferred tax assets of £15,355,000 (2020: £14,501,000) in respect of tax losses, including an amount of £4,914,000 (2020: £4,914,000) in respect of capital losses. The tax losses have no expiry date.

17 Share capital

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
690,193,129 (2020: 690,193,129) Ordinary Shares at £0.05 each	34,510	34,510
Nil (2020: Nil) Deferred Shares at £0.20 each	-	-
	<hr/>	<hr/>
	34,510	34,510
	<hr/>	<hr/>

Capital reorganisation

On 11 March 2009, the Company's Ordinary Share capital was reorganised by means of a capital reorganisation involving: (i) the subdivision and reclassification of each issued Ordinary Share into one new Ordinary Share of 5 pence and one Deferred Share of 20 pence; and (ii) the subdivision of each authorised but unissued Ordinary Share into five new Ordinary Shares of 5 pence each. On completion of the capital reorganisation, each Ordinary Shareholder held one new Ordinary Share and one Deferred Share for each Ordinary Share previously held.

A Deferred Share: (i) does not entitle its holder to receive any dividend or other distribution; (ii) does not entitle its holder to receive notice of, nor to attend, speak or vote at, any general meeting of the Company; (iii) entitles its holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share after payment of (a) the amounts entitled to be paid up to holders of the Preference Shares and (b) the capital paid up on each Ordinary Share of 5 pence in the share capital of the Company and the further payment of £10m on each such Ordinary Share; and, (iv) does not entitle its holder to any further participation in the capital, profits or assets of the Company.

Notes (continued)

Acquisition by Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs GmbH)

On 12 May 2020 all Ordinary Shares of the Company were acquired by Freudenberg Performance Materials Service GmbH ("FPM Service").

Subsequent to the acquisition, in accordance with the rights set out in its articles of association, on 29 September 2020 all Deferred Shares were purchased (for an aggregate consideration of one penny) by the Company. The consent of the holders of the Deferred Shares was not required for such purposes as set out in the articles. In order to fund this purchase, one Ordinary Share was issued for a nominal value of £0.05.

Following their purchase by the Company, the Deferred Shares were immediately cancelled and accordingly there are no Deferred Shares in issue at the balance sheet date.

Shares issued during the year resulting from share option schemes

During the period ended 31 December 2020, 436,834 shares were issued to employees under the 2019 SAYE grant. As a result of the acquisition all share option schemes lapsed and no new options will be granted.

Preference shares

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
100,000 (2019: 100,000) 6% first cumulative preference stock of £1.00 each	100	100
100,000 (2019: 100,000) 6% second cumulative preference stock of £1.00 each	100	100
200,000 (2019: 200,000) 5.5% third cumulative preference stock of £1.00 each	200	200
	<hr/> 400	<hr/> 400
	<hr/>	<hr/>

Preference Shares are included within borrowings. Preference Shares have priority over Ordinary Shares on a winding-up of the Company. Provided that preference dividends remain paid in accordance with the Company's Articles of Association, Preference Shares do not carry voting rights

Share Options

On acquisition of the Company by FPM Service GmbH all remaining share options lapsed. As such, at the balance sheet date there were no options for Ordinary Shares outstanding (2020: nil) and no options outstanding granted (2020: nil).

Long-term incentive plan awards

All awards lapsed during the period as a result of the acquisition, as a consequence there are no awards outstanding (2020: nil).

18 Share premium account

	2021 £000	2020 £000
Opening balance	74,883	74,851
Premium on Ordinary Shares issued during the year	-	32
	<hr/> 74,883	<hr/> 74,883
At balance sheet date	<hr/>	<hr/>

Notes (continued)

19 Other reserves

In 2020 the Company repurchased all of the Deferred Shares in issue and subsequently cancelled these shares, resulting in the creation of a Capital redemption reserve (also refer to note 17).

During 2019, the Company raised net proceeds of £49.9m via an equity raise (consisting of £53.9m of gross proceeds less expenses of £4.0m). There was no tax impact on the fees. A cash box structure was used in such a way that merger relief was available under the Companies Act 2006, section 612. In this circumstance no share premium was recorded and the £31.9m excess of the net proceeds over the nominal value of the share capital issue was recorded as an Other reserve. The proceeds of this issue were used to reduce net indebtedness, provide working capital flexibility and to fund incremental capital expenditure across the wider Group. For amounts passed to entities in the Group by way of inter-company loans, this Other reserve is not immediately distributable. This reserve will qualify as distributable on settlement of these inter-company funding arrangements in the future.

20 Leases

As per balance sheet date the company has no lease commitments (2020: nil). During 2020 the Company transitioned to IFRS 16 'Leases' and as a result the only lease held by the Company, for the London office, was capitalised on to the balance sheet as a right-of-use asset and a corresponding lease liability was recognised. As per year end 2020 this lease was consequently terminated as a result of the closure of the London office.

Set out below are the carrying amounts of right of use asset recognised and the movements during 2020:

	London Office £000
As at 1 December 2019	-
IFRS 16 transition (note 1)	426
Depreciation	(426)
	<hr/>
At 31 December 2020	-
	<hr/>

Set out below are the carrying amounts of lease liabilities and the movements during 2020:

	London Office £000
As at 1 December 2019	-
IFRS 16 transition (note 1)	454
Interest adjustments	21
Payments	(475)
	<hr/>
At 31 December 2020	-
	<hr/>

As per December 31, 2021 and December 31, 2020 the Company has no lease liability.

Notes (continued)

20 Leases (continued)

The following are the amounts recognised in 2020 profit or loss:

	London Office £000
Depreciation expense of right of use assets	426
Interest expense on lease liabilities	21
	<hr/>
At 31 December 2020	447
	<hr/>

As of financial year 2021 the leases are not applicable anymore due too termination of the lease contract as of 31 December 2020.

21 Related parties

Other related party transactions

	2021 £000	2020 £000
Income from subsidiaries in respect of management services provided	367	3,529
Interest income from related parties	1,423	3,961
Dividend income received from related parties	2,534	-
Interest expenses to related parties	(1,157)	(1,786)
	<hr/>	<hr/>

	Receivables outstanding		Creditors outstanding	
	2021 £000	2020 £000	2021 £000	2020 £000
Subsidiaries of the Freudenberg Group	43,707	128,081	(84,550)	(112,538)

Notes (continued)

Directors' remuneration

The remuneration of executive directors of the Group was:

	2021 £000	2020 £000
Short-term benefits	-	937
Post-employment benefits	-	32
Share-based payments	-	-
Termination benefits	-	233
	<hr/>	<hr/>
Total	-	1,202
	<hr/>	<hr/>

During the year 2021 zero executive directors were remunerated by the company (2020: 3 executive directors).

The remuneration of the highest earning director is as follows:

	2021 £000	2020 £000
Short-term benefits	-	555
Post-employment benefits	-	-
Share-based payments	-	-
Termination benefits	-	233
	<hr/>	<hr/>
Total	-	788
	<hr/>	<hr/>

The Short-term benefits include a deferred consideration of GBP 333k.

22 Post balance sheet events

There are no post balance sheet events to report.

Notes *(continued)*

23 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs-GmbH), which as at 31 December 2021, held 100% of the issued share capital of Low & Bonar Limited.

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

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