

Company registration number 00267936 (England and Wales)

**SPECIALITY FIBRES AND MATERIALS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	T Menitz H Maegdefrau A Ling R Joyce W Suessle
<b>Company number</b>	00267936
<b>Registered office</b>	The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS
<b>Auditor</b>	Azets Audit Services 2 Regan Way Chetwynd Business Park Chilwell Nottingham United Kingdom NG9 6RZ

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# **SPECIALITY FIBRES AND MATERIALS LIMITED**

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# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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The directors present the strategic report for the year ended 31 December 2022.

### **Review of the business, principle risks and uncertainties**

The company's principal activities are the manufacturing of advanced wound care and surgical products, supplying innovative materials and fibres to leading advanced wound care companies. The company will continue to manufacture advanced wound care and surgical products for the medical market and seek ways to improve the current range of products and increase patient benefits. In line with its 2020 strategic decision to have legal manufacturer status for all of its fibre products, achieved in 2021, the business pursued its planned transition from the Medical Device Directive MDD 93/42/EEC (MDD) to the new EU Medical Device Regulation 2017/745MDR. The company's first MDR certificates were received, May 2022, for two of its Class IIb devices. Clinical studies were started in 2022 to support the company's Class III devices' transition to MDR, with positive interim results. In 2022, the Company successfully validated and received approval from its Notified Body for its new packaging line, which will commercially run from 2023.

As part of its R&D activities, the company, successfully developed two new devices in 2022, in partnership with customers, which will be progressed through the regulatory pathways in 2023. The R&D activities of the company are a strong differentiating factor in advanced wound care in what remains a competitive market.

Post completion of its site relocation December 2021, the Company is now operating entirely on one site. Some productive plant areas were not operational until the second quarter of 2022. In 2022, the Company incurred £194,428 of unplanned post relocation additional expenditures.

The company is committed to quality, reliability and successful innovation, as these are important performance drivers to achieve its business objectives. As such, the company complies with MDR (Regulation (EU) 2017/745), EU Medical Device Directive (MDD 93/42/EEC), EN ISO 13485:2016, 21 CFR Part 820 (US FDA), ISO 13485:2003, SOR 98-282 (Canada), TGA 1989, and Brazil GMP RDC 665/2022. It is certified to MDR (Regulation (EU) 2017/745), EU Medical Device Directive (MDD 93/42/EEC), EN ISO 13485:2016, ISO 13485:2003, and Brazil GMP.

The principal risks and uncertainties that the company faces are increased competition, internal and external market forces on healthcare delivery, government healthcare reform and the increased regulatory requirement under MDR in the EU. In addition, in 2022, the company faced challenging macro-economic conditions, with raw materials and energy costs rising, mainly driven by the ongoing conflict in Ukraine. The business put in place a mitigating procurement strategy and secured some energy contracts to contain the impact of energy and raw materials price increases.

# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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### **Review of the business, principle risks and uncertainties (continued)**

#### **Regulatory, product quality risk**

The company is subject to various regulatory requirements. Failure to achieve regulatory compliance or approval could result in the inability to supply goods in certain markets. To mitigate this risk the company has an established and experienced Regulatory Affairs and Compliance team and a strictly controlled Quality Management System. The company is regularly audited by its notified bodies as well as the US Food and Drug Administration (FDA).

#### **Development risk**

The company continues to invest in R&D as part of its growth strategy, to enhance and innovate products within its sector. Not all research leads to successful new products however the company believes that by monitoring progress against key milestones and pre-project viability assessments, it is able to avoid excessive expenditures where the outcome may be deemed unviable. Additionally, the company works closely with its customer base to identify new requirements as well as new emerging technologies through its collaboration with various universities and early stage technology companies.

#### **Currency**

GBP continued to be weak against the G-10 currencies, an outlook which is likely to remain in 2023 until interest rates rise further or inflation reduces meaningfully and an improvement in the UK's current account deficit is seen. This made the pricing of exported goods more attractive in 2022 although this would have been offset by inflationary pressures elsewhere. The Company mainly trades in USD and EUR with its customers. Overall, the Company made a gain of £30,000 through its currency accounts. Only a small proportion, 3% in 2022, of the trade payables was payable in EUR.

#### **Interest and credit risk**

Interest, liquidity and credit risk are not considered to be significant. The business satisfies its borrowing requirements mainly through a loan facility, which is provided through Group, in support of the relocation and renovation investment. Interest is set at the Bank of England base rate plus an average of 0.36%. With the increase in the Bank of England base rate in 2022, interest rates payable to group will be reviewed in 2023 to support the company. The directors believe the quality of its blue-chip customer base provides for minimal bad debt risk and with the diversification strategy in place such risks are further diluted.

# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Key performance indicators**

The directors consider sales, gross profit, operating profit, liquidity, debtor, and creditor days to be the main key performance indicators (KPI's) and these are monitored monthly, quarterly and annually.

Sales in 2022 were lower than the prior year £5.978m (2021: £7.134m), a performance well below the company's sales order book for the year, and a direct result of severe operational challenges encountered post relocation, which perdured until the third quarter of 2022. Additionally, the company was unable to build sufficient stock in 2021 (2021: £709k versus £1.668m in 2020) to meet the demand of its order book for 2022, impairing its ability to meet demand further, whilst addressing its post relocation production challenges. The final quarter saw a return to the planned output capacity, with a sharp improvement in revenues. Several new product launches were delayed into 2023 due to operational challenges.

The company reported a net loss for 2022 of £1.808m (versus net loss 2021 of £57k). Gross margins were adversely impacted by much higher energy costs, raw material price increases, unplanned post relocation costs and a much lower output for three quarters of 2022 which led to costs being under absorbed. The company invested £418k in additional plant and equipment during the year which was funded via its cash reserves in 2022. The company remained liquid with cash balances of £735k (2021: £1.883m). Group have indicated their willingness to continue to support the company through its challenging post relocation phase. No capital repayments were made against the group loan facilities in 2022.

Debtor days were 55 days in 2022 (2021: 65 days) and creditor days were 30 days (2021: 29 days).

The position of the company at the year-end was stabilised in terms of its output capacity and the backlog of orders being systematically worked through. Moving forward the company remains committed to developing enhanced and innovative products, accessing new global markets with existing and new products, through its sustained sales strategy, to support the company's growth objectives.

On behalf of the board

A Ling  
**Director**

26 September 2023

# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their annual report and financial statements for the year ended 31 December 2022.

#### **Principal activities**

The company's principal activities are the manufacturing of advanced wound care and surgical products, supplying innovative materials and fibres to leading advanced wound care companies. The company will continue to manufacture advanced wound care and surgical products for the medical market and seek ways to improve the current range of products and increase patient benefits.

#### **Results and dividends**

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

T Menitz  
H Maegdefrau  
A Ling  
R Joyce  
W Suessle

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Research and development**

As outlined in the strategic report, investment in research and development is expected to facilitate future growth. The cost invested in research and development during the year was £592,000 (2020: £976,000). The projects being undertaken are focused on the development of new wound care products.

#### **Auditor**

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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On behalf of the board

A Ling  
**Director**

W Suessle  
**Director**

26 September 2023



## **SPECIALITY FIBRES AND MATERIALS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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.

# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF SPECIALITY FIBRES AND MATERIALS LIMITED**

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#### **Opinion**

We have audited the financial statements of Speciality Fibres and Materials Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. 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.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **SPECIALITY FIBRES AND MATERIALS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF SPECIALITY FIBRES AND MATERIALS LIMITED**

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##### **Matters on which we are required to report by exception**

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

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

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

##### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

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

# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SPECIALITY FIBRES AND MATERIALS LIMITED**

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#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we 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. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- 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 bias and 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 indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. 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.

#### **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.

**Mr Mitesh Thakrar**  
**Senior Statutory Auditor**  
**For and on behalf of Azets Audit Services**

26 September 2023

**Chartered Accountants**  
**Statutory Auditor**

2 Regan Way  
Chetwynd Business Park  
Chilwell  
Nottingham  
United Kingdom  
NG9 6RZ

# SPECIALITY FIBRES AND MATERIALS LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
<b>Turnover</b>	<b>3</b>	5,977	7,134
Cost of sales		(4,091)	(4,794)
<b>Gross profit</b>		1,886	2,340
Distribution costs		(338)	(310)
Administrative expenses		(3,192)	(2,333)
Other operating income		-	3
<b>Operating loss</b>	<b>4</b>	(1,644)	(300)
Interest receivable and similar income	<b>7</b>	6	-
Interest payable and similar expenses	<b>8</b>	(94)	(31)
<b>Loss before taxation</b>		(1,732)	(331)
Tax on loss	<b>9</b>	(76)	274
<b>Loss for the financial year</b>		(1,808)	(57)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

## **SPECIALITY FIBRES AND MATERIALS LIMITED**

### **STATEMENT OF COMPREHENSIVE INCOME**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year	(1,808)	(57)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(1,808)</u>	<u>(57)</u>

# SPECIALITY FIBRES AND MATERIALS LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Goodwill	10		12		22
Other intangible assets	10		-		2
Total intangible assets			12		24
Tangible assets	11		10,360		10,614
			10,372		10,638
<b>Current assets</b>					
Stocks	12	1,576		709	
Debtors	13	1,388		1,780	
Cash at bank and in hand		735		1,883	
		3,699		4,372	
<b>Creditors: amounts falling due within one year</b>	14	(6,313)		(5,822)	
<b>Net current liabilities</b>			(2,614)		(1,450)
<b>Total assets less current liabilities</b>			7,758		9,188
<b>Provisions for liabilities</b>					
Provisions	15	23		4	
Deferred tax liability	16	455		96	
			(478)		(100)
<b>Net assets</b>			7,280		9,088
<b>Capital and reserves</b>					
Called up share capital	18		226		226
Share premium account			358		358
Profit and loss reserves			6,696		8,504
<b>Total equity</b>			7,280		9,088

The financial statements were approved by the board of directors and authorised for issue on 26 September 2023 and are signed on its behalf by:

A Ling  
Director

W Suessle  
Director

Company Registration No. 00267936

# SPECIALITY FIBRES AND MATERIALS LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium account	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	226	358	8,561	9,145
<b>Year ended 31 December 2021:</b>				
Loss and total comprehensive income for the year	-	-	(57)	(57)
Balance at 31 December 2021	226	358	8,504	9,088
<b>Year ended 31 December 2022:</b>				
Loss and total comprehensive income for the year	-	-	(1,808)	(1,808)
Balance at 31 December 2022	226	358	6,696	7,280



# **SPECIALITY FIBRES AND MATERIALS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **1 Accounting policies**

#### **Company information**

Speciality Fibres and Materials Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Broadgate Tower, Third Floor, 20 Primrose Street, London, EC2A 2RS.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Lohmann & Rauscher International GmbH & Co. KG, a company incorporated in Germany. These consolidated financial statements are available from [www.bundesanzeiger.de](http://www.bundesanzeiger.de) by searching for Lohmann and Rauscher International.

#### **1.2 Going concern**

The Directors have reviewed detailed financial projections, including both profit and loss forecasts as well as cash-flow forecasts and considered all reasonably foreseeable potential scenarios and uncertainties, they have satisfied themselves that the company will continue in operational existence for a period of at least 12 months from the signing of these financial statements and have therefore prepared the financial statement on a going concern basis and that no material uncertainty exists.

#### **1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer either on the dispatch of the goods or where goods are received by the customer (depending on individual customer contract terms).

#### **1.4 Research and development expenditure**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised by the company over its useful economic life which has been determined by the company to be 20 years based on the anticipated lifespan of profitability of relevant products.

#### 1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business combination are recognised at cost when future economic benefits are probable and the cost or value of the asset can be reliably measured. Such assets are initially measured at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% straight line
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#### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	3% straight line
Plant and equipment	10% to 20% straight line
Fixtures and fittings	10% to 20% straight line
Computers	20% to 33% straight line
Motor vehicles	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Assets under construction are carried at purchase cost less any identified impairment losses. Once ready for use they are transferred to the appropriate classification of tangible fixed asset and depreciated as above.

#### 1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Raw materials are stated at the lower of cost and net realisable value on a first in first out basis. Work in progress and finished goods are stated at the lower of costs, which includes raw material costs and an appropriate element of production overheads, other directly attributable overheads and indirect overheads, apportioned on the basis of normal activity levels, and net realisable value, on a first in first out basis.

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

#### 1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost less impairment. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.14 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **1.15 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.16 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.17 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant.

#### **1.18 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Monies receivable under the job retention scheme are recognised in the period in which the associated payroll cost is incurred.

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Key sources of estimation uncertainty

##### Tangible fixed assets

The company has invested significantly in freehold buildings and particular projects as part of continual development of its portfolio of products. Assets under construction are carried at cost less impairment until such time as they are fully operational. Allocation of costs to individual projects involves an element of judgement and estimation where costs are not directly attributable.

### 3 Turnover and other revenue

	2022	2021
	£'000	£'000
<b>Other significant revenue</b>		
Interest income	6	-
Grants received	-	3
	<u>        </u>	<u>        </u>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover analysed by geographical market</b>		
United Kingdom	2,363	2,950
Rest of Europe	2,227	2,728
Other	1,387	1,456
	<u>        </u>	<u>        </u>
	<b>5,977</b>	<b>7,134</b>
	<u>        </u>	<u>        </u>

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4 Operating loss

	2022 £'000	2021 £'000
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(32)	23
Research and development costs	226	592
Government grants	-	(3)
Fees payable to the company's auditor for the audit of the company's financial statements	19	16
Depreciation of owned tangible fixed assets	672	362
Loss/(profit) on disposal of tangible fixed assets	1	(21)
Amortisation of intangible assets	11	12
Operating lease charges	28	166
	<u>          </u>	<u>          </u>

### 5 Employees

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

	2022 Number	2021 Number
Production	33	32
Administrative and office staff	31	31
	<u>          </u>	<u>          </u>
Total	64	63
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	2,570	2,469
Social security costs	241	220
Pension costs	142	137
	<u>          </u>	<u>          </u>
	2,953	2,826
	<u>          </u>	<u>          </u>

### 6 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	189	160
Company pension contributions to defined contribution schemes	17	14
	<u>          </u>	<u>          </u>
	206	174
	<u>          </u>	<u>          </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2021 - 2).

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7 Interest receivable and similar income

	2022	2021
	£'000	£'000
<b>Interest income</b>		
Interest on bank deposits	6	-
	<u>6</u>	<u>-</u>

### 8 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest payable to group undertakings	94	31
	<u>94</u>	<u>31</u>

### 9 Taxation

	2022	2021
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	(83)	-
Adjustments in respect of prior periods	(200)	(111)
	<u>(283)</u>	<u>(111)</u>
Total current tax	<u>(283)</u>	<u>(111)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	101	(163)
Adjustment in respect of prior periods	258	-
	<u>359</u>	<u>(163)</u>
Total deferred tax	<u>359</u>	<u>(163)</u>
Total tax charge/(credit)	<u>76</u>	<u>(274)</u>



# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 9 Taxation

(Continued)

The actual charge/(credit) for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Loss before taxation	(1,732)	(332)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(329)	(63)
Tax effect of expenses that are not deductible in determining taxable profit	61	2
Unutilised tax losses carried forward	-	(139)
Adjustments in respect of prior years	58	(71)
Effect of change in corporation tax rate	24	18
Group relief	346	-
Depreciation on assets not qualifying for tax allowances	-	12
Research and development tax credit	(74)	(68)
Deferred tax adjustments in respect of prior years	-	35
Super deduction	(17)	-
Other	7	-
Taxation charge/(credit) for the year	76	(274)

### 10 Intangible fixed assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2022 and 31 December 2022	199	39	238
<b>Amortisation and impairment</b>			
At 1 January 2022	177	37	214
Amortisation charged for the year	10	2	12
At 31 December 2022	187	39	226
<b>Carrying amount</b>			
At 31 December 2022	12	-	12
At 31 December 2021	22	2	24

## SPECIALITY FIBRES AND MATERIALS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11 Tangible fixed assets	Freehold buildings £'000	Assets under construction £'000	Plant and equipment £'000	Fixtures and fittings £'000	Computers £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
At 1 January 2022	3,286	3,543	7,644	980	232	4	15,689
Additions	-	92	323	-	3	-	418
Transfers	-	(3,544)	3,544	-	-	-	-
At 31 December 2022	3,286	91	11,511	980	235	4	16,107
<b>Depreciation and impairment</b>							
At 1 January 2022	258	-	3,983	634	196	4	5,075
Depreciation charged in the year	64	-	520	75	13	-	672
At 31 December 2022	322	-	4,503	709	209	4	5,747
<b>Carrying amount</b>							
At 31 December 2022	2,964	91	7,008	271	26	-	10,360
At 31 December 2021	3,028	3,543	3,661	346	36	-	10,614

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 11 Tangible fixed assets

(Continued)

Included in the cost of freehold land and buildings is land stated at £500,000 (2021: £500,000) that is not depreciated.

### 12 Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	904	173
Work in progress	358	99
Finished goods and goods for resale	314	437
	<u>1,576</u>	<u>709</u>

### 13 Debtors

	2022 £'000	2021 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	706	1,023
Corporation tax recoverable	246	140
Amounts owed by group undertakings	175	261
Other debtors	10	42
Prepayments and accrued income	251	314
	<u>1,388</u>	<u>1,780</u>

### 14 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	429	344
Amounts owed to group undertakings	5,001	5,022
Taxation and social security	63	53
Other creditors	23	106
Accruals and deferred income	797	297
	<u>6,313</u>	<u>5,822</u>

Included in amounts owed to group undertakings is an unsecured loan of £5,000,000 (2021: £5,000,000) on which interest is paid at between 0.35% and 0.75% above the Bank of England base rate. The loan is repayable on demand.

Included in other creditors is a total of £22,000 (2021: £19,000) due in respect of pension contributions.

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 15 Provisions for liabilities

	2022 £'000	2021 £'000
Dilapidation provision	23	4
	<u>23</u>	<u>4</u>
Movements on provisions:		
		Dilapidation provision £'000
At 1 January 2022		4
Additional provisions in the year		19
		<u>19</u>
At 31 December 2022		23
		<u>23</u>

### 16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022 £'000	Liabilities 2021 £'000
<b>Balances:</b>		
Accelerated capital allowances	466	265
Tax losses	-	(163)
Provisions	(11)	(6)
	<u>455</u>	<u>96</u>
	<u>455</u>	<u>96</u>
<b>Movements in the year:</b>		2022 £'000
Liability at 1 January 2022		96
Charge to profit or loss		359
		<u>359</u>
Liability at 31 December 2022		455
		<u>455</u>

### 17 Retirement benefit schemes

	2022 £'000	2021 £'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	142	137
	<u>142</u>	<u>137</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

# SPECIALITY FIBRES AND MATERIALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 18 Share capital

	2022	2021	2022	2021
	Number	Number	£'000	£'000
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of 20p each	1,127,500	1,127,500	226	226

### 19 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£'000	£'000
Within one year	9	9
Between two and five years	12	21
	<u>21</u>	<u>30</u>

### 20 Ultimate controlling party

Speciality Fibres and Materials Limited is a wholly owned subsidiary of Rau-Be Beteiligungen GmbH, a company incorporated in Austria. Rau-Be Beteiligungen GmbH is a wholly owned subsidiary of Lohmann & Rauscher International GmbH & Co. KG a company incorporated in Germany, which is regarded as the ultimate parent undertaking and controlling party.

The parent of the smallest group to consolidate the results of Speciality Fibres and Materials Limited is Rau-Be Beteiligungen GmbH, Johann-Schorsch-Gasse 4, Vienna, Austria, A-1141. The parent of the largest group is Lohmann & Rauscher International GmbH & Co. KG Westerwaldstrasse 4, Rengsdorf, Germany, D56579.

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