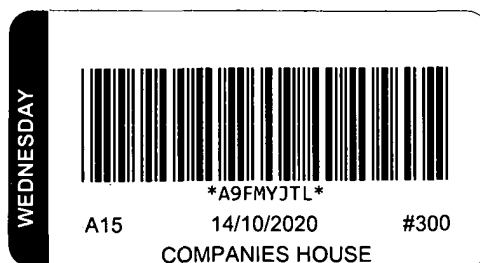


Strategic Report, Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2019
for
Saffil Limited



Saffil Limited

Contents of the Financial Statements
for the Year Ended 31 December 2019

	Page
Company Information	1
Strategic Report	2
Report of the Directors	4
Statement of Directors' Responsibilities	5
Report of the Independent Auditors	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

Saffil Limited
Company Information
for the Year Ended 31 December 2019

DIRECTORS:	J C Dandolph IV S D Horrigan
REGISTERED OFFICE:	Mill Lane Rainford St. Helens Merseyside WA11 8LP
REGISTERED NUMBER:	03646114 (England and Wales)
AUDITORS:	Ernst & Young LLP (Statutory Auditors) 1 Bridgewater Place Water Lane Leeds Yorkshire LS11 5QR

Saffil Limited

Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

REVIEW OF BUSINESS

Principal activity

The principal activity of the company in the year under review is that of the manufacture and development of alumina fibre for use in the manufacture of substrate support mats which are used by exhaust manufacturers in catalytic converters, diesel particulate filters (DPF) or selective catalytic reduction (SCR) systems. These mats are used in both passenger car, light and heavy duty commercial vehicles and in future they are likely to be used in off road and marine applications now that more demanding emission regulations are being applied to those industries.

Statement of income

Turnover decreased by £3,020,201 in the year to £32,112,750 (2018: £35,132,951). Sales decreased by 8.6% in the year, largely attributable to a reduction of inter-company sales, and the Unifrax Group initiative to control stock in quarter 4 as part of a working capital reduction project.

During the year, the Company made an operating profit of £5,543,983 (2018: £6,457,341). The result before taxation was a profit of £13,512,770 (2018: £4,677,066). This was largely due to the settlement of an insurance claim relating to a fire which occurred in one of the company's factories in 2017, this totalled £9,416,075. The result before taxation excluding the 'one off' insurance settlement was a profit of £4,096,695 (2018: £4,677,066).

Operating profit decreased by 14.1% compared to 2018. This is largely due to the margin impact from decreased sales volumes.

The Company made a profit for the financial year, net of taxation of £11,178,966 (2018: £4,529,754). The increase is attributable to the above mentioned insurance claim which is a 'one off' receipt in the year.

The Directors continue to review certain strategic initiatives around procurement, process and engineering improvements and structural reorganisation activities.

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

Saffil Limited measures its performance on a number of key performance indicators in line with all other companies in the Group, these are as follows:

	2019	2018
Gross margin	£12,011,675	£11,895,965
Gross margin %	37.4%	33.9%
EBITDA*	£17,792,609	£8,902,063
Manufacturing variances**	£63,167	(£3,412,218)

*The increase in EBITDA over 2018 is mainly attributable to the 'one off' insurance proceeds of £9,416,075 as discussed in the 'Statement of income' above.

**Manufacturing variances are the difference between the actual costs of manufacturing and the standard costs of manufacturing.

Other non-financial KPI's that the company monitors and reviews throughout the year are safety, complaints and waste.

Saffil Limited

Strategic Report
for the Year Ended 31 December 2019

FUTURE DEVELOPMENTS

The Directors have considered the effect of the UK's decision to leave the European Union and believe that in the current year's results there has been little to no adverse impact. It is the opinion of the directors that, whilst European trading agreements are yet to be set in the Brexit negotiations, there will ultimately be no significant adverse impact on the future trading of the Company.

The early part of 2020 has been very challenging in the wake of the COVID-19 pandemic. The Directors have taken the opportunity to use the Government Furlough scheme enabling the company to temporarily reduce the workforce. This helps the company to scale back operations in a period of low demand for products. Following the UK lockdown the demand for products in the UK has increased and as a result the majority of the operatives furloughed are now back, and plants are back to almost full utilisation. In addition to the furloughs the Directors have also introduced temporary reductions in working hours and pay for SG&A employees across the group. This reduction sees employees working 25% less time than their contracted hours and therefore receiving 25% less remuneration. This has been in place from April 2020 and is continuing until at least September 2020. These actions have been taken in order to help conserve global cash resources during the pandemic.

While demand is not quite up to levels of that in the 2020 plan. It is continuing to rise and is expected to be back to normal levels in the early part of 2021. The Directors have worked daily on ensuring the group has enough cash resources to steer us through the period of uncertainty, and have positioned the group strongly for when we emerge from the pandemic.

Currently the Company does not expect any impairment to the carrying value of any assets (including investments and goodwill) or revaluation of liabilities, as a result of Covid-19.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign exchange risk

The company is exposed to currency risk as a high proportion of its sales are invoiced in Euros, US dollars and Japanese yen. However, it has significant inter-company debt and purchases in these currencies with other European companies of the Unifrax group, which helps to naturally hedge this risk.

Credit risk

Risk of non-payment by any of our customers is assessed by the directors. The company aims to minimise this risk by management of credit limits and monthly review of debtor days.

Liquidity risk

The directors closely monitor the liquidity of the company. Due to the continued support of the group and the intercompany loan facilities available, the directors feel that liquidity risk is sufficiently mitigated.

Defined benefit pension risk

The company operates a defined benefit pension scheme for some of its employees. Actuarial gains and deficits could be affected by changes in interest rates, the market values of the investments held in the pension scheme and the increasing longevity of the scheme's members. Actuarial deficits could lead to an increase in costs required to meet the pension scheme's liabilities. The performance of the pension scheme is regularly reviewed by the company and the trustees of the scheme, taking actuarial advice where applicable.

Interest rate risk

Interest rates on the inter company loans are based on market conditions at the time the loan was taken out, or linked to specific rates for external loans taken out by the lender. The directors have no way of managing the interest rate risk but feel that it is not a major issue, provided that financial support is available from the group.

Brexit

The directors have considered the effect of the UK's decision to leave the European Union and believe that in the current year's results there has been a positive impact due to a number of sales being invoiced in Euros. It is the opinion of the directors that, whilst European trading agreements are yet to be set in the Brexit negotiations, there will ultimately be no significant adverse impact on the future trading of the company.

COVID-19 risk

The Directors consider Covid-19 to be a risk to the Company. With a lot of the industries impacted by the global pandemic, including both customers and suppliers, the Directors are closely monitoring the situation and steering the Group through the global pandemic, ensuring that the Company is strategically placed once the worldwide economy returns to normal. The actions and measures that the Directors have imposed within the Group and individual companies have been in the best interests of the Group and have prepared them to emerge from the pandemic a stronger company. The Group have prepared detailed forecasts and have considered a host of future potential scenarios in order to ensure the going concern of all companies within the Unifrax group. The directors feel the measure and actions that have been introduced sufficiently mitigates this risk.

ON BEHALF OF THE BOARD:

DocuSigned by:

Scott Horigan

S. Horigan, Director

Date: 09 Dec 11th 2020

Saffil Limited

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (2018: £Nil)

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

J C Dandolph IV has held office during the whole of the period from 1 January 2019 to the date of this report.

Other changes in directors holding office are as follows:

D T Liebel - resigned 4 February 2019
E D B Yardley - resigned 30 June 2019
A B Greene - resigned 30 September 2019
S D Horrigan - appointed 4 February 2019

PROFIT FOR THE YEAR

The Company made a profit for the financial year, net of taxation of £11,178,966 (2018: £4,529,754).

GOING CONCERN

The Company's Balance Sheet has net assets of £26,657k (2018: £15,964k), and at the year end reported net current liabilities of £15,948k (2018: £25,407k). Although the Company has local cash resources, the Company's cash is managed as part of the Global treasury function and so shares cash resources and intercompany loan arrangements with the global Unifrax Group. The Company's forecasts and budgets identify that it is expected to meet its liabilities as they fall due for a period of at least 12 months from the date on which these financial statements are approved. However, a key assumption in the Company's forecasts is the continuing availability of funds that are available within the global Unifrax Group and the intercompany loans provided by the global Unifrax Group to the Company and other UK based fellow subsidiaries.

Saffil Limited has received a letter of financial support from the Company's indirect parent company, Unifrax I LLC, which confirms the global Unifrax Group, if required, will provide financial support to Saffil Limited and all other UK subsidiaries for the period ending 31 December 2021 and will not recall any of the intercompany loans within this period.

The Directors of Saffil Limited have considered information regarding the global Unifrax Group's ability to provide support to the Company. This information included preparing and providing detailed cashflow forecasts and considering potential outcomes of the global pandemic. These stress tests on the Global cash flow forecasts confirmed that the global Unifrax Group has sufficient resources available in order to support the UK group of companies including Saffil Limited for at least 12 months from the date of signing the financial statements.

The Directors of Saffil Limited are also on the board of Directors of Unifrax I LLC, so are comfortable that the indirect parent company has the ability and resources to be able to support the group of UK companies including Saffil Limited.

Whilst there remains uncertainty regarding the impact of COVID-19, the Directors of the Company have concluded that the global Unifrax Group will be able to provide financial support to Saffil Limited. Accordingly, the Directors are satisfied that they have a reasonable basis upon which to conclude that the Company is able to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements and that it remains appropriate to prepare the financial statements on a going concern basis.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The board of directors made the decision to appoint new auditors for the year 2020.

POST BALANCE SHEET EVENT

In March 2020 the breakout of Covid-19 was declared an international pandemic by the World Health Organisation. For accounting purposes, the pandemic is a non-adjusting post balance sheet event so the reporting or accounting for any impacts has not been reflected in these financial statements. Companies operating in the UK have been significantly affected by the pandemic and the restrictions imposed by the government in order to try to control its impact.

Following the unprecedented shutdown of non-essential business trading in the UK, the Company's trade has experienced significant pressure during the second quarter of 2020. For a large period of the second quarter, the company did not manufacture any materials while the plant operations team were furloughed. This was a result of the automotive industry effectively shutting down for a large period across the world in their efforts to contain the spread of Covid-19. Since then the company has seen a significant rise in the level of orders coming in and at the back end of the third quarter, is almost up to the same levels as the original business plan. Throughout this period the plant management team has ensured the safety of its staff by adapting work environments, ensuring adherence to social distancing guidelines at all times. Many employees have been furloughed in the periods of no demand, while the Company took advantage of the government support. The Company is continuing to operate within its means and remains in a robust cash position. Currently the Directors do not expect any impairment to the carrying value of any assets of the Company or revaluation of liabilities, as a result of Covid-19. There has been no impairment identified as a result of the pandemic. The Directors anticipate the Company will be profitable for the year ended 31 December 2020. All signs in the third quarter and the outlook for quarter four suggests that the Company will continue into profitability in 2021 and future years. There has been no financial impact on the results at 31 December 2019.

ON BEHALF OF THE BOARD:

DocuSigned by:

Scott Horrigan
S D Horrigan CB03364E3

Date: OCTOBER 11th 2020

Saffil Limited

Statement of Directors' Responsibilities
for the Year Ended 31 December 2019

The directors are responsible for preparing the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Report of the Independent Auditors to the members of
Linsteddy Ltd

Opinion on the financial statements of Linsteddy Ltd for the year ended 31 December 2019, which comprises the Statement of Comprehensive Income, Statement of Financial Position and the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the Republic of Ireland's financial reporting framework, which is based on the financial reporting standards applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements: - give a true and fair view of the financial position of the company at the end of the year and of its performance for the year then ended; - have been prepared in accordance with the requirements of the Companies Act 2006.

Under our 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 have also complied with the ethical requirements that are set out in the Financial Reporting Council's (FRC) 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.

Opinion on the financial statements of Linsteddy Ltd for the year ended 31 December 2019, which comprises the Statement of Comprehensive Income, Statement of Financial Position and the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the Republic of Ireland's financial reporting framework, which is based on the financial reporting standards applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements: - give a true and fair view of the financial position of the company at the end of the year and of its performance for the year then ended; - have been prepared in accordance with the requirements of the Companies Act 2006.

Under our 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 have also complied with the ethical requirements that are set out in the Financial Reporting Council's (FRC) 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's opinion on the financial statements. We have not audited the other information and we do not express an opinion on it. 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 report this in our report. We have performed no procedures that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In addition to our opinion on the financial statements, we are required to report to you on the following matters: - the information given in the financial statements; and - the directors' report and directors' remuneration report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by acceptance of our duties as auditors under the Companies Act 2006. 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: - adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or - certain statements or accounts are not in agreement with the accounting records and returns; or - certain disclosures of directors' remuneration and other information 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 set out on page 5, 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, and for disclosing the results of their assessment and, if applicable, the actions they intend to take to improve the company's position, or to avert the going concern uncertainty.

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 will detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the website of the Auditing Practices Board (APB) at <http://www.frc.org.uk/apb/auditresponsibilities>. This description forms part of our auditor's report.

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 that we are required to state to them in our 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.

Linsteddy Ltd

The Audit Committee (Statutory Auditor)
1 Bridgeview Place
London
EC4A 3DF

Date: 12 OCT 2020

Saffil Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Notes	£	2019	£	£	2018	£
REVENUE	4			32,112,750			35,132,951
Cost of sales				20,101,075			23,236,986
GROSS PROFIT				12,011,675			11,895,965
Distribution costs		981,119			725,056		
Administrative expenses		5,207,162			4,996,226		
				6,188,281			5,721,282
				5,823,394			6,174,683
Other operating (expense) / income				(279,411)			282,658
OPERATING PROFIT	7			5,543,983			6,457,341
Exceptional item	9			9,416,075			-
				14,960,058			6,457,341
Interest receivable and similar income	10			22,000			-
				14,982,058			6,457,341
Interest payable and similar expenses	11			1,469,288			1,780,275
PROFIT BEFORE TAXATION				13,512,770			4,677,066
Tax on profit	12			2,333,804			147,312
PROFIT FOR THE FINANCIAL YEAR				11,178,966			4,529,754
OTHER COMPREHENSIVE (LOSS)/INCOME:							
Actuarial loss on pension				(600,000)			774,000
Income tax relating to other comprehensive (loss)/income				114,000			(147,060)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX				(486,000)			626,940
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				10,692,966			5,156,694

The notes form part of these financial statements

Saffil Limited (Registered number: 03646114)

Statement of Financial Position
31 December 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	13	215,043	154,724
Property, plant and equipment	14	44,336,668	43,499,407
Investments	15	52,301	52,301
		<u>44,604,012</u>	<u>43,705,432</u>
CURRENT ASSETS			
Inventories	16	5,990,006	6,523,373
Debtors	17	12,797,307	20,231,811
Cash at bank		950,315	903,122
		<u>19,737,628</u>	<u>27,658,306</u>
CREDITORS			
Amounts falling due within one year	18	(35,685,733)	(53,065,570)
NET CURRENT LIABILITIES		<u>(15,948,105)</u>	<u>(25,407,264)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,655,907</u>	<u>18,298,168</u>
DEFERRED TAX LIABILITY	20	(2,731,095)	(1,979,322)
PENSION ASSET/(LIABILITY)	22	732,000	(355,000)
NET ASSETS		<u>26,656,812</u>	<u>15,963,846</u>
CAPITAL AND RESERVES			
Called up share capital	21	26,656,810	15,963,844
Retained earnings			
SHAREHOLDERS' FUNDS		<u>26,656,812</u>	<u>15,963,846</u>

The financial statements were approved by the Board of Directors on October 14, 2020 and were signed on its behalf by:

DocuSigned by:

Scott Horrigan

S D Horrigan Director

Saffil Limited

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Share based payment reserve £	Total equity £
Balance at 1 January 2018	2	10,807,150	30,222	10,837,374
Changes in equity				
Profit for the year	-	4,529,754	-	4,529,754
Other comprehensive income	-	626,940	-	626,940
Total comprehensive income	-	5,156,694	-	5,156,694
Share based payments	-	-	(30,222)	(30,222)
Balance at 31 December 2018	2	15,963,844	-	15,963,846
Changes in equity				
Profit for the year	-	11,178,966	-	11,178,966
Other comprehensive income	-	(486,000)	-	(486,000)
Total comprehensive income	-	10,692,966	-	10,692,966
Balance at 31 December 2019	2	26,656,810	-	26,656,812

The notes form part of these financial statements

Saffil Limited

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. STATUTORY INFORMATION

Saffil Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements are prepared under the historical cost convention and in accordance with the applicable UK accounting standards.

Going concern

The Company's Balance Sheet has net assets of £26,657k (2018: £15,964k), and at the year end reported net current liabilities of £15,948k (2018: £25,407k). Although the Company has local cash resources, the Company's cash is managed as part of the Global treasury function and so shares cash resources and intercompany loan arrangements with the global Unifrax Group. The Company's forecasts and budgets identify that it is expected to meet its liabilities as they fall due for a period of at least 12 months from the date on which these financial statements are approved. However, a key assumption in the Company's forecasts is the continuing availability of funds that are available within the Group and the intercompany loans provided by the Group to the Company and other UK based fellow subsidiaries.

Saffil Limited has received a letter of financial support from the Group's indirect parent company, Unifrax I LLC, which confirms the Group, if required, will provide financial support to Saffil Limited and all other UK subsidiaries for the period ending 31 December 2021 and will not recall any of the intercompany loans within this period.

The Directors of Saffil Limited have considered information regarding the Group's ability to provide support to the Company. This information included preparing and providing detailed cashflow forecasts and considering potential outcomes of the global pandemic. These stress tests on the Global cash flow forecasts confirmed that the Group has sufficient resources available in order to support the UK group of companies including Saffil Limited for at least 12 months from the date of signing the financial statements.

The Directors of Saffil Limited are also on the board of Directors of Unifrax I LLC, so are comfortable that the indirect parent company has the ability and resources to be able to support the group of UK companies including Saffil Limited.

Whilst there remains uncertainty regarding the impact of COVID-19, the Directors of the Company have concluded that the Group will be able to provide financial support to Saffil Limited. Accordingly, the Directors are satisfied that they have a reasonable basis upon which to conclude that the Company is able to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements and that it remains appropriate to prepare the financial statements on a going concern basis.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

The accounts have been prepared in accordance with FRS 102. There were no material departures from that standard.

The presentational and functional currency is sterling.

Preparation of consolidated financial statements

The financial statements contain information about Saffil Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Unifrax Holding II Corporation, a company registered in the United States of America.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Turnover

Revenue is measured at the fair value of the consideration received or receivable, for the sales of goods, excluding discounts, rebates, value added tax and other sales taxes.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Acquired goodwill is capitalised on the balance sheet and amortised on a straight line basis over its estimated useful economic life up to a presumed maximum of 10 years. The carrying value is reviewed for impairment at the end of the first full year following acquisition and if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

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

Amortisation is provided on all intangible assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Computer software - over 2 to 5 years

Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Buildings - over 10 to 50 years

Plant, machinery and equipment - over 5 to 30 years

Computer equipment - over 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Saffil Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

3. ACCOUNTING POLICIES - continued

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

In the case of finished goods, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed overheads based on a normal level of activity.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined benefit pension scheme, which requires contributions to be made to a trustee administered fund. The amounts charged to operating profit, as part of staff costs, are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested, the costs are recognised over the period to which vesting occurs. The interest cost and the expected return on assets are shown net of other finance costs, or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Investments

Investment in subsidiaries is stated at cost less provision for impairment. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Interest

Interest income and expenses are recognised as interest accrues using the effective interest method.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black Scholes pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity, in the share based payment reserve..

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Equity based transactions are settled with shares issued by the ultimate parent company. These are deemed to be a capital contribution to the company, recognising in a share based payment reserve with a corresponding charge to the income statement.

Equity settled transactions

For awards granted before 7 November 2002, the group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

Saffil Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

3. ACCOUNTING POLICIES - continued

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amounts of such provisions is based on various factors such as experience with tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Significant judgements and estimates

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount if the asset or liability affected in future periods. The company bases its key assumptions and estimates on parameters available when the financial statements are prepared.

The following judgements have had the most significant effect on amounts recognised in the financial statements: Pension scheme valuation, recoverability of intercompany debtors, and inventory.

Pension scheme valuation:

The cost of the defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Reasonable checks are carried out to ensure bonds are only used where the prices supplied and yields are consistent.

Mortality rates are based on publicly available information. Future salary increases are based on 0.5% above CPI inflation. Pension increases are based on RPI subject to a maximum of 5%.

Recoverability of intercompany debtors:

The company makes a judgement on the recoverability of intercompany loans based on overall Group statement of financial positions and available cash resources compared to the estimated requirements at the end of each accounting period.

4. REVENUE

Turnover, profit before tax and net assets are in respect of the company's principal area of continuing activity, that of the sale of alumina fibre.

	2019	2018
	£	£
United Kingdom	9,141,936	9,756,709
Europe	1,178,353	1,361,078
Asia, Pacific and Africa	16,975,653	18,317,384
United States of America	4,816,809	5,697,780
	<u>32,112,750</u>	<u>35,132,951</u>

5. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	4,124,493	4,555,022
Social security costs	488,240	525,362
Other pension costs	501,400	661,916
	<u>5,114,133</u>	<u>5,742,300</u>

The average number of employees during the year was as follows:

	2019	2018
Production	79	79
Selling, distribution and administration	13	16
	<u>92</u>	<u>95</u>

This includes remuneration paid to directors of the company (note 6) of £nil (2018: £nil) including pension contributions.

At 31 December 2019 there were outstanding pension contributions of £170 (2018: £14,816).

Other pension costs include £384,000 (2018: £581,000) in respect of the defined benefit pension scheme. Further details of which can be found in Note 21.

6. DIRECTORS' EMOLUMENTS

	2019	2018
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

There was no Directors remuneration paid during the year. Also during the year no Directors participated in the company's pension schemes. The Directors of the company were also Directors of various fellow group companies during the year ended 31 December 2019. Their remuneration is paid by those fellow group companies. The directors do not believe that it is practicable to apportion this amount between their services as Directors of the company and their services as Directors of the fellow group undertakings.

7. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019	2018
	£	£
Operating leases	23,346	20,494
Depreciation - owned assets	2,832,641	2,444,722
Computer software amortisation	65,825	35,947
Foreign exchange loss/(gain)	279,411	(280,907)
Research and development expenditure	817,406	456,705
Loss on disposal of fixed assets	<u>5,640</u>	<u>223,142</u>

Share based payment expense amounts to £nil (2018: £46,073) and more information can be found in note 26.

8. AUDITORS' REMUNERATION

	2019	2018
	£	£
Fees payable to the company's auditors for other services:		
The auditing of accounts of any associate of the company	50,650	54,350
Taxation compliance services	9,108	8,260
Other non-audit services	<u>17,325</u>	<u>-</u>

Saffil Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

9. EXCEPTIONAL ITEMS

	2019 £	2018 £
Exceptional item	<u>9,416,075</u>	<u>-</u>

In April 2017 a significant fire occurred on one of the company's production lines. This resulted in a significant amount of exceptional items being recognised in the year ending 31 December 2017, made up of insurance proceeds £13,453,379 and disposal of assets £10,559,759.

Due to recognition criteria the final insurance settlement has now been recognised in the year ending 31 December 2019, made up of insurance proceeds £9,416,075. The insurance proceeds are made up of a property gain (profit on rebuild) £6,086,587 and business interruption £3,329,488.

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Retirement benefits net finance income	<u>22,000</u>	<u>-</u>

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Retirement benefits net finance charge	-	35,000
Interest payable on amounts owed to parent	<u>1,469,288</u>	<u>1,745,275</u>
	<u>1,469,288</u>	<u>1,780,275</u>

12. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	1,500,099	-
Prior year adjustment	<u>(32,068)</u>	<u>86,523</u>
Total current tax	<u>1,468,031</u>	<u>86,523</u>
Deferred tax:		
Origination and reversal of timing differences	682,218	379,708
Adjustments in respect of prior periods	271,999	(294,467)
Impact of changes in tax rate	<u>(88,444)</u>	<u>(24,452)</u>
Total deferred tax	<u>865,773</u>	<u>60,789</u>
Tax on profit	<u>2,333,804</u>	<u>147,312</u>

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	<u>13,512,770</u>	<u>4,677,066</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	2,567,426	888,643
Effects of:		
Expenses not deductible for tax purposes	14,001	26,499
R&D expenditure credit adjustment	(437)	(6,372)
Adjustments in respect of prior periods	239,931	(207,944)
Effect of change in tax rate	(88,444)	(24,452)
Group relief	<u>(398,673)</u>	<u>(529,062)</u>
Total tax charge	<u>2,333,804</u>	<u>147,312</u>

Tax effects relating to effects of other comprehensive income

	2019 Gross £	2019 Tax £	2018 Net £
Actuarial loss on pension	<u>(600,000)</u>	<u>114,000</u>	<u>(486,000)</u>
	2018 Gross £	2018 Tax £	2018 Net £
Actuarial profit on pension	<u>774,000</u>	<u>(147,060)</u>	<u>626,940</u>

Factors affecting future charge

The Finance Act 2016 enacted on 15 September 2016 reduces the main rate of corporation tax to 17% from 1 April 2020. However the reversal of the intended reduction was formally announced in the UK Budget on 11 March 2020 and substantively enacted for UK GAAP purposes on the passing of the Budget resolution on 17 March 2020. Therefore the main rate of corporation tax remains at 19% from 1 April 2020.

As this announcement was made after the year end, the deferred tax in these financial statements has been provided for at 17%.

Saffil Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

13. INTANGIBLE FIXED ASSETS

	Goodwill £	Computer software £	Totals £
COST			
At 1 January 2019	1,405,339	313,432	1,718,771
Additions	-	126,144	126,144
At 31 December 2019	1,405,339	439,576	1,844,915
AMORTISATION			
At 1 January 2019	1,405,339	158,708	1,564,047
Amortisation for year	-	65,825	65,825
At 31 December 2019	1,405,339	224,533	1,629,872
NET BOOK VALUE			
At 31 December 2019	-	215,043	215,043
At 31 December 2018	-	154,724	154,724

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Construction in progress £	Plant and machinery £	Computer equipment £	Totals £
COST					
At 1 January 2019	5,242,622	3,632,243	60,277,815	90,431	69,243,111
Additions	25,411	709,952	2,900,986	40,193	3,676,542
Disposals	-	-	(144,859)	-	(144,859)
Transfers	107,322	(3,376,567)	3,269,245	-	-
At 31 December 2019	5,375,355	965,628	66,303,187	130,624	72,774,794
DEPRECIATION					
At 1 January 2019	478,094	-	25,205,216	61,394	25,744,704
Charge for year	150,004	-	2,667,624	15,013	2,832,641
Eliminated on disposal	-	-	(139,219)	-	(139,219)
At 31 December 2019	628,098	-	27,733,621	76,407	28,438,126
NET BOOK VALUE					
At 31 December 2019	4,747,257	965,628	38,569,566	54,217	44,336,668
At 31 December 2018	4,764,528	3,632,243	35,072,599	29,037	43,498,407

15. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2019 and 31 December 2019	52,301
NET BOOK VALUE	
At 31 December 2019	52,301
At 31 December 2018	52,301

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Unifrax Japan Limited (Formerly Saffil Japan Limited)
Registered office: WBG Marive East 14F, 2-6-1 Nakase, Mihama, Chiba, 261-7114 Japan
Nature of business: Sale of alumina fibre

Class of shares: holding
Ordinary 100.00

16. INVENTORIES

	2019 £	2018 £
Raw materials	583,586	594,209
Finished goods	4,699,493	4,714,365
Engineering stock	706,927	1,214,799
	<u>5,990,006</u>	<u>6,523,373</u>

Inventory recognised as an expense in the year was £7,141,216 (2018: £10,738,461).

Inventory impaired and written off in the year was £92,300 (2018: £34,258).

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	419,858	886,001
Amounts owed by parent	429,675	2,789,989
Amounts owed by subsidiary	2,253,303	3,287,540
Amounts owed by other group companies	8,944,091	11,948,463
VAT	222,085	569,407
Corporation tax	-	435,000
Prepayments	528,295	315,411
	<u>12,797,307</u>	<u>20,231,811</u>

Saffil Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	2,471,013	4,257,080
Amounts owed to parents	28,552,705	38,462,047
Amounts owed to other group companies	1,914,441	2,474,194
Corporation tax	960,699	-
Social security and other taxes	189,196	183,050
Other creditors	29,362	44,008
Accruals and deferred income	1,568,317	7,645,191
	<u>35,685,733</u>	<u>53,065,570</u>

19. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £	2018 £
Within one year	8,560	23,346
Between one and five years	<u>10,911</u>	<u>18,816</u>
	<u>19,471</u>	<u>42,162</u>

20. DEFERRED TAX LIABILITY

	2019 £	2018 £
Deferred tax	<u>2,731,095</u>	<u>1,979,322</u>
		Deferred tax
		£
Balance at 1 January 2019		1,979,322
Accelerated capital allowances		564,436
Defined benefit pension scheme		184,847
Other timing differences		<u>2,490</u>
Balance at 31 December 2019		<u>2,731,095</u>

The deferred taxation provision comprises:

	2019 £	2018 £
Accelerated capital allowances	(2,606,597)	(2,042,161)
Provision on defined benefit pension	(124,527)	60,320
Other timing differences	<u>29</u>	<u>2,519</u>
	<u>(2,731,095)</u>	<u>(1,979,322)</u>

No provisions are expected to reverse within a year.

The deferred tax liability has been calculated at 17%. The reduction of the main rate of corporation tax from 19% to 17% from 1 April 2020 was announced in the Summer Finance Bill 2016, which was substantively enacted on 15 September 2016. However the reversal of the intended reduction of the main rate of corporation tax was formally announced in the UK Budget on 11 March 2020 and substantively enacted for UK GAAP purposes on the passing of the Budget resolution on 17 March 2020. Therefore the main rate of corporation tax remains at 19% from 1 April 2020. As the announcement was made after the year end, the deferred tax in these financial statements has been provided for at 17%.

21. CALLED UP SHARE CAPITAL

Number:	Class:	Nominal value:	2019 £	2018 £
2	Ordinary	£1	<u>2</u>	<u>2</u>

22. EMPLOYEE BENEFIT OBLIGATIONS

The Company operates a defined benefit pension scheme, the Saffil Pension Scheme ('the Scheme') which commenced on 12 September 2000. Prior to that date, employees participated in the ICI Pension Fund ('the Fund'). The Scheme is closed to new employees and the assets are held in a separate trustee-administered Scheme. Pension costs of the Scheme are charged to the statement of comprehensive income, so as to spread the cost of pensions over employees' working lives with their employers. The pension cost is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Contributions as a percentage of Pensionable Earnings are expected to increase in future years.

The most recent actuarial valuation has been updated to 31 December 2019 by an independent qualified actuary in accordance with FRS 102.

The estimated amount of total employer contributions expected to be paid to the plan during 2020 is approximately £2m (2019 - actual £2m).

Guaranteed Minimum Pension (GMP) inequalities:

On 26 October 2018, the 'Lloyds judgement' confirmed that schemes would need to undergo correction for GMP inequalities. The estimated liability impact of equalising Guaranteed Minimum Pensions is £nil (2018: £100,000), which has been calculated by the company's actuary company using the C2 methodology as set out in the Lloyds Bank High Court Case judgement. This estimated increase in the liability has been charged in the Income Statement as a past service cost - GMP equalisation.

Asset limit:

Under FRS102 a surplus can only be recognised as an asset in the Statement of Financial Position to the extent that the Company is able to recover the surplus either through reduced contributions in the future or through refunds from the Scheme. The opinion is that any surplus will be recoverable by the Company in the form of a future refund from the Scheme, so the surplus has been recognised in full.

The following table sets out additional FRS102 assumptions used for the plan regarding life expectancy.

Assumptions	2019 (p.a)	2018 (p.a)	2017 (p.a)
Life expectancy of male aged 65 at 2019	20.6	21.1	21.2
Life expectancy of male age 65 20 years after 2019	21.9	22.5	22.6

Saffil Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2019	2018
	£	£
Current service cost	384,000	481,000
Net interest from net defined benefit asset/liability	(22,000)	35,000
Past service cost	-	100,000
	<u>362,000</u>	<u>616,000</u>
Actual return on plan assets	<u>2,317,000</u>	<u>(263,000)</u>

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

	Defined benefit pension plans	
	2019	2018
	£	£
Opening defined benefit obligation	25,551,000	26,682,000
Current service cost	384,000	481,000
Past service cost	-	100,000
Contributions by scheme participants	31,000	36,000
Interest cost	688,000	685,000
Experience loss	56,000	234,000
Actuarial loss/(gain)	2,151,000	(1,921,000)
Benefits paid	(2,929,000)	(746,000)
	<u>25,932,000</u>	<u>25,551,000</u>

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

	Defined benefit pension plans	
	2019	2018
	£	£
Opening fair value of scheme assets	25,196,000	24,307,000
Contributions by employer	2,049,000	1,862,000
Contributions by scheme participants	31,000	36,000
Expected return	710,000	650,000
Actuarial gain/(loss)	1,607,000	(913,000)
Benefits paid	(2,929,000)	(746,000)
	<u>26,664,000</u>	<u>25,196,000</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2019	2018
	£	£
Actuarial loss/(gain)	600,000	(774,000)
Deferred tax (credit)/charge on actuarial loss/(gain)	(114,000)	147,060
	<u>486,000</u>	<u>(626,940)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2019	2018
Equities	20.20%	19.10%
Debt securities	42.20%	18.30%
Bonds	14.20%	34.30%
Liquidity fund	23.40%	28.30%
	<u>100.00%</u>	<u>100.00%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019	2018
Discount rate	2.20%	2.90%
Future salary increases	2.40%	2.60%
Future pension increases	2.90%	3.10%
Price inflation	3.00%	3.20%

23. ULTIMATE PARENT COMPANY

The immediate parent undertaking of the company is Saffil 2011 Limited, a company registered in England and Wales.

In the opinion of the directors Ulysses Investment Holdco, Inc. is the ultimate parent undertaking and controlling party of Saffil Limited. The parent undertaking of the largest group of undertakings for which group financial statements are prepared and of which the company is a member, is ASP Unifrax Holdings, Inc, a company incorporated in the United States of America.

The financial statements of ASP Unifrax Holdings, Inc are available from 600 Riverwalk Parkway, Suite 120, Tonawanda, NY 14150, USA.

24. CONTINGENT LIABILITIES

The company, together with two fellow Group companies, has given a composite guarantee and debenture granting a legal mortgage and equitable charge over certain property and tangible fixed assets and a fixed charge over bank deposits to the Trustees of the Saffil Pension Scheme in respect of amounts due to the Scheme up to an aggregate amount of £2,500,000.

A contingent liability exists in relation to a bank guarantee given to HMRC for deferred duty. This amounts to £60,000 as at 31 December 2019 (31 December 2018 £60,000)

25. CAPITAL COMMITMENTS

	2019	2018
	£	£
Contracted but not provided for in the financial statements	<u>114,410</u>	<u>236,443</u>

Saffil Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

26. POST BALANCE SHEET EVENTS

In March 2020 the breakout of Covid-19 was declared an international pandemic by the World Health Organisation. For accounting purposes, the pandemic is a non-adjusting post balance sheet event so the reporting or accounting for any impacts has not been reflected in these financial statements. Companies operating in the UK have been significantly affected by the pandemic and the restrictions imposed by the government in order to try to control its impact.

Following the unprecedented shutdown of non-essential business trading in the UK, the Company's trade has experienced significant pressure during the second quarter of 2020. For a large period of the second quarter, the company did not manufacture any materials while the plant operations team were furloughed. This was a result of the automotive industry effectively shutting down for a large period across the world in their efforts to contain the spread of Covid-19. Since then the company has seen a significant rise in the level of orders coming in and at the back end of the third quarter, is almost up to the same levels as the original business plan. Throughout this period the plant management team has ensured the safety of its staff by adapting work environments, ensuring adherence to social distancing guidelines at all times. Many employees have been furloughed in the periods of no demand, while the Company took advantage of the government support. The Company is continuing to operate within its means and remains in a robust cash position. Currently the Directors do not expect any impairment to the carrying value of any assets of the Company or revaluation of liabilities, as a result of Covid-19. There has been no impairment identified as a result of the pandemic. The Directors anticipate the Company will be profitable for the year ended 31 December 2020. All signs in the third quarter and the outlook for quarter four suggests that the Company will continue into profitability in 2021 and future years. There has been no financial impact on the results at 31 December 2019.

27. SHARE-BASED PAYMENTS

On December 14, 2018, the Board of Directors of Ulysses Investment Holdco, Inc. (the parent company under which the Company is a wholly owned subsidiary) adopted the Ulysses Investment Holdco, Inc. Stock Option Plan (the 2018 Plan). The 2018 Plan provides for the issuance of non-qualified stock options to key employees and key non-employees of Ulysses Investment Holdco, Inc. or its subsidiaries or affiliates. Stock options are granted at exercise prices equal to the fair market value of Ulysses Investment Holdco, Inc.'s common stock at the date of the grant. Ulysses Investment Holdco, Inc. has authorised stock of 8.0% cumulative Class A preferred shares, Class A common stock, Class B common stock, and Class C common stock. Periodically, the Board of Directors of Ulysses Investment Holdco, Inc. authorizes the granting of Class A, B and C common stock options under the 2018 Plan. Class A, B and C common stock options have an exercise price of not less than 100% of their fair market values of the common stock on the date of grant and expire ten years from their dates of grant.

The expense recognized for share-based payments in respect of employee services received during the year ended 31 December 2019 is nil (2018: expense £46,073).
No new options were granted during the year ended 31 December 2019.