

Company Registration No. 03685494 (England and Wales)

**LYDALL INDUSTRIAL FILTRATION TEXTILE  
MANUFACTURING (EMEA) LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2020**

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# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	D N Kirby A V Gibson C A McDaniel
<b>Secretary</b>	C A McDaniel
<b>Company number</b>	03685494
<b>Registered office</b>	3rd Floor 1 Ashley Road Altrincham Cheshire WA14 2DT
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Bluebell House Brian Johnson Way Preston Lancashire PR2 5PE
<b>Business address</b>	Hareholme Mill Bacup Road Rawtenstall Rossendale Lancashire BB4 7JL

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# **LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present the strategic report for the year ended 31 December 2020.

#### **Fair review of the business**

The Company continues to be a leading player supplying into the non-woven filter fabric market in the EMEA region supported by its sister company in Germany, Lydall Gutsche.

Whilst continuing to supply the company's core industrial filtration market, the company has also continued to develop its business along the previously established strategy of customer and product diversification. Although the company's core market remains strong the company has also made significant progress in uncovering and establishing innovative applications for the products that we manufacture. Through a strong understanding of customer requirements and a willingness to adapt our product offering we continue to partner with new customers operating in varied and diverse sectors of the market.

Whilst there has been a trend of increasing turnover in recent years, the turnover reported at £14.1m has decreased by just under £2.8m on the previous year (£16.9m), after having increased by just over £0.6m from 2018 to 2019. This is principally attributable to the impact of the Covid 19 pandemic and the directors expect the impact on the business to be short term and H1 has a favourable level of demand.

#### **Principal risks and uncertainties**

The directors have assessed the main risk facing the company as being price competition within the market.

We continue to mitigate this risk by:

- Being a member of the Lydall Group with access to global purchasing power.
- Broadening the customer base with innovative product offerings
- Constant monitoring and benchmarking of raw material prices

#### **Brexit**

The company is aware of and continues to monitor the current Brexit situation. The business has benefited from having no tariffs post brexit. However greater lag times in delivery have led to a backlog in customer orders being completed in the short term, however once post brexit delivery paths have been established this will be resolved.

#### **Covid-19**

The company continues to address the impact of Covid-19 on the business. Whilst the ongoing situation presents a number of challenges and uncertainties, the directors consider these on a regular basis and have prepared forecasts modelling scenarios which demonstrate that the company should be able to continue to operate as a going concern for the foreseeable future.

The pandemic has not had any significant impact on the operations of the company at the time of approving these financial statements. The directors have identified measures which could be taken to mitigate any adverse financial impact of the outbreak, at the same time as delivering against the current strategy in the most appropriate way given the current control measures introduced by government following the outbreak.

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### Key performance indicators

#### Turnover: Decreased by £2.8m to £14.1m in 2020

The decrease in turnover is primarily due to the impact from the Covid-19 pandemic. We continue to enjoy good working relationships with our customers. An on-going focus on new customer opportunities will allow the company to strengthen its position in the market further and continue to grow. By Q4 2020 business levels were returning to similar levels previously seen.

#### Gross Profit: Increased in 2020, from 17% in 2019 to 22% in 2020

We continue to place great importance on obtaining quality raw materials at good prices which is affected by currency fluctuations (most being priced in either Euros or US dollars). Our Group strength strengthens our purchasing economies and encourages sharing of market knowledge. The Covid impact on import prices was favourable, in particular those derived from oil, a trend that is anticipated to reverse in due course.

#### Profit before tax: Rose to 9.2% in 2020, from 4.4% in 2019.

Foreign exchange gains of £73k compared to losses of £250k in the prior year has helped improve the company's results for the year. Profit on disposal of fixed assets in 2020 was £Nil in the current year compared to £76k in the previous year. There were also margin gains from clearing down the intercompany loans both payable and receivable during the prior year.

### Other information and explanations

The company has significantly reduced stock at the year end. This is primarily due to a focussed approach to working capital initiative. This has also contributed to an increase in the year end cash balance.

The company continues to be fully supported by Lydall Group.

The Directors are ultimately pleased with the 2020 financial performance given the challenges faced in the year and feel confident that the performance can improve over future years.

On behalf of the board



A V Gibson  
Director

Date: 19/12/21

# **LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present their annual report and financial statements for the year ended 31 December 2020.

#### **Principal activities**

The principal activity of the company during the year was that of the manufacture of industrial felt textile products.

#### **Results and dividends**

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £1,800,000. The directors do not recommend payment of a further dividend.

#### **Directors**

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

D N Kirby  
A V Gibson  
C A McDaniel

#### **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.

#### **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, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



A V Gibson  
Director

Date: 19/8/21

# **LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED**

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### **Opinion**

We have audited the financial statements of Lydall Industrial Filtration Textile Manufacturing (EMEA) Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows 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 FRS 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 the 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED (CONTINUED)**

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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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED (CONTINUED)**

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As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and inspecting correspondence with local tax authorities.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations including a discussion with the Operations Director of the Lydall UK group.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and testing a sample of revenue transactions around the year-end to ensure cut-off had been correctly applied.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. 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 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.

*RSM UK Audit LLP*

Anthony Steiner FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Bluebell House  
Brian Johnson Way  
Preston  
Lancashire, PR2 5PE

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24 August 2021

# **LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Turnover	3	14,135,926	16,871,906
Cost of sales		(10,974,786)	(13,936,835)
<b>Gross profit</b>		<b>3,161,140</b>	<b>2,935,071</b>
Distribution costs		(1,007,679)	(1,051,029)
<b>Analysis of administrative expenses:</b>			
Profit or loss on foreign exchange		73,357	(249,863)
Other administrative expenses		(998,533)	(861,415)
Administrative expenses		(925,176)	-
Other operating income	4	75,078	-
<b>Operating profit</b>	<b>7</b>	<b>1,303,363</b>	<b>772,764</b>
Interest receivable and similar income	8	-	83,459
Interest payable and similar expenses	9	(4,462)	(111,274)
<b>Profit before taxation</b>		<b>1,298,901</b>	<b>744,949</b>
Tax on profit	10	(290,535)	(108,675)
<b>Profit for the financial year</b>		<b>1,008,366</b>	<b>636,274</b>

**LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA)  
LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Tangible assets	13		2,158,573		2,486,994
<b>Current assets</b>					
Stocks	14	703,117		1,373,253	
Debtors	15	3,190,883		3,437,923	
Cash at bank and in hand		2,995,808		1,871,873	
		<u>6,889,808</u>		<u>6,683,049</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(2,623,993)</u>		<u>(1,953,492)</u>	
<b>Net current assets</b>			<u>4,265,815</u>		<u>4,729,557</u>
<b>Total assets less current liabilities</b>			<u>6,424,388</u>		<u>7,216,551</u>
<b>Provisions for liabilities</b>	17		<u>(118,392)</u>		<u>(118,921)</u>
<b>Net assets</b>			<u><u>6,305,996</u></u>		<u><u>7,097,630</u></u>
<b>Capital and reserves</b>					
Called up share capital	20	5,000,000		5,000,000	
Profit and loss reserves	21	1,305,996		2,097,630	
<b>Total equity</b>			<u><u>6,305,996</u></u>		<u><u>7,097,630</u></u>

19/08/2021

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



A V Gibson  
Director

# **LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2019</b>		5,000,000	1,461,356	6,461,356
<b>Year ended 31 December 2019:</b>				
Profit and total comprehensive income for the year		-	636,274	636,274
<b>Balance at 31 December 2019</b>		5,000,000	2,097,630	7,097,630
<b>Year ended 31 December 2020:</b>				
Profit and total comprehensive income for the year		-	1,008,366	1,008,366
Dividends	11	-	(1,800,000)	(1,800,000)
<b>Balance at 31 December 2020</b>		5,000,000	1,305,996	6,305,996

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	22	3,185,626		1,886,832	
Interest paid		(4,462)		(111,274)	
Income taxes paid		(45,409)		(125,104)	
<b>Net cash inflow from operating activities</b>		<b>3,135,755</b>		<b>1,650,454</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(211,820)		(213,654)	
Proceeds on disposal of tangible fixed assets		-		94,716	
Proceeds on disposal of tangible fixed assets (insurance proceeds)		-		147,085	
Interest received		-		83,459	
<b>Net cash (used in)/generated from investing activities</b>		<b>(211,820)</b>		<b>111,606</b>	
<b>Financing activities</b>					
Repayment of borrowings		-		(2,004,310)	
Dividends paid		(1,800,000)		-	
<b>Net cash used in financing activities</b>		<b>(1,800,000)</b>		<b>(2,004,310)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,123,935</b>		<b>(242,250)</b>	
Cash and cash equivalents at beginning of year		1,871,873		2,114,123	
<b>Cash and cash equivalents at end of year</b>		<b>2,995,808</b>		<b>1,871,873</b>	

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

#### Company information

Lydall Industrial Filtration Textile Manufacturing (EMEA) Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

The company's principal activities are disclosed in the Directors' Report. The principal place of business is Rawtenstall, Lancashire.

#### 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, including the provisions of the large and medium sized companies and groups (Accounts and Reports Regulations) 2008.

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 £.

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

Lydall Industrial Filtration Textile Manufacturing (EMEA) Limited is a wholly owned subsidiary of Lydall Inc. and the results of Lydall Industrial Filtration Textile Manufacturing (EMEA) Limited are included in the consolidated financial statements of Lydall Inc. which are available from One Colonial Road, Manchester, Connecticut, USA, 06042-2307.

#### Going concern

The company had adequate cash resources. Support from group companies is available, but it is not currently expected to be required.

In assessing the ability of the company to continue to operate as a going concern for the foreseeable future, the directors have considered scenarios which have involved a degree of judgement based upon experience of the sector, forecast activity and the cash resources available to ensure that the financial statements can be prepared on the going concern basis. Since the significance of the economic impacts of the COVID-19 outbreak have become apparent, the directors have reviewed in detail the company's position and the appropriate basis on which to prepare the financial statements.

Even with the overall disruption caused by the virus and the financial impact it has had on the business there has been no significant impact on the company's operating model as a result of the working guidelines introduced by government following the outbreak of the virus. Whilst the directors recognise that 2021 will be another challenging year, on the basis of the experience to the date of approval of the financial statements and consideration of the possible future impact on the customer base, they consider that it remains appropriate to prepare the financial statements on a going concern basis. Any further impact of the COVID-19 outbreak cannot presently be estimated with any certainty, but the stress testing of the company's financial position has satisfied the directors that it has adequate reserves and mitigation strategies available to deal with any further impacts of the outbreak.

#### Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised 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 of assets less their residual values over their useful lives on the following bases:

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

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

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

Freehold property	2% straight line
Plant and machinery	10% straight line
Fixtures, fittings and equipment	15-20% straight line
Motor vehicles	25% 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.

#### **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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

#### **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.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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. Reversals of impairment losses are also recognised in profit or loss.

#### **Cash and cash equivalents**

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

#### **Financial instruments**

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

Financial instruments are recognised 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 trade and other debtors, and amounts due from fellow group companies and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

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

Financial assets, other than those held at fair value through profit and loss, 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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.



# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

#### ***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, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### ***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.

#### ***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors, and loans from fellow group companies, are initially recognised at transaction price.

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

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

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

#### ***Equity instruments***

Equity instruments issued by the company are recorded at the fair value of 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.

#### ***Taxation***

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

#### Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

#### Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### 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 lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 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.

The government grant income received during the period ended 31 December 2020 related to the Government's Coronavirus Job Retention Scheme which was utilised by the company.

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.

#### Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

All translation differences are taken to 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.

The Directors consider there to be no judgements of significance to note.

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### Key sources of estimation uncertainty

##### *Stock provision*

There is a provision against stock of £43,511 (2019: £190,555). The provision is based on both old, and obsolete stock.

##### *Useful economic life of tangible fixed assets*

The useful lives of the company's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

### 3 Turnover

A geographical analysis of turnover is not disclosed as the directors are of the opinion that such disclosure would be seriously prejudicial to the interests of the company.

### 4 Other operating income

The other operating income of £75,078 (2019: £nil) is in relation to the UK government's Coronavirus Job Retention Scheme grant.

### 5 Employees

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

	2020 Number	2019 Number
Production staff	67	66
Distribution staff	8	8
Administrative staff	6	6
Total	81	80

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,876,814	2,817,155
Social security costs	303,762	313,624
Pension costs	118,992	111,544
	3,299,568	3,242,323

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 6 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	205,299	182,608
Company pension contributions to defined contribution schemes	6,898	6,898
	<u>212,197</u>	<u>189,506</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	106,932	N/A
Company pension contributions to defined contribution schemes	6,898	N/A

As total directors' remuneration was less than £200,000 in the prior year, no disclosure is provided for that year.

### 7 Operating profit

	2020 £	2019 £
Operating profit 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	(73,357)	249,863
Government grants	(75,078)	-
Fees payable to the company's auditor for the audit of the company's financial statements	19,000	18,000
Depreciation of owned tangible fixed assets	540,241	534,594
Profit on disposal of tangible fixed assets	-	(76,613)
Operating lease charges	92,228	114,758

### 8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	-	3,642
Interest receivable from group companies	-	79,817
Total income	<u>-</u>	<u>83,459</u>

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 8 Interest receivable and similar income (Continued)

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	-	83,459
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The other interest figure in the prior year is in relation to interest receivable on group loans which have now been repaid.

### 9 Interest payable and similar expenses

	2020 £	2019 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	4,462	2,516
Other interest on financial liabilities	-	108,758
	<u>4,462</u>	<u>111,274</u>

The other interest figure in the prior year is in relation to interest payable on group loans which have now been repaid.

### 10 Taxation

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	213,629	165,000
Adjustments in respect of prior periods	24,920	(64,363)
Group tax relief	52,515	-
Total current tax	<u>291,064</u>	<u>100,637</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(14,520)	(15,350)
Changes in tax rates	13,991	-
Adjustment in respect of prior periods	-	23,388
Total deferred tax	<u>(529)</u>	<u>8,038</u>
Total tax charge	<u>290,535</u>	<u>108,675</u>

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	1,298,901	744,949
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	246,791	141,540
Tax effect of expenses that are not deductible in determining taxable profit	361	591
Effect of change in corporation tax rate	13,992	-
Group relief	(52,515)	-
Under/(over) provided in prior years	24,920	(64,363)
Fixed asset differences	4,471	5,713
Deferred tax rate changes	-	25,194
Payments/(receipt) for group relief	52,515	-
Taxation charge for the year	290,535	108,675

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 21. Deferred tax has been calculated at 19% which was the tax rate substantively enacted at 31 December 2020. The effect of remeasuring deferred tax to 25% would increase recognised deferred tax liabilities at 31 December 2020 to £162,122 and increase recognised deferred tax assets at 31 December 2020 to £6,344.

### 11 Dividends

	2020 £	2019 £
Final paid	1,800,000	-

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Intangible fixed assets

	Software £
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	79,597
<b>Amortisation and impairment</b>	
At 1 January 2020 and 31 December 2020	79,597
<b>Carrying amount</b>	
At 31 December 2020	-
At 31 December 2019	-

### 13 Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2020	628,338	7,363,093	272,389	28,500	8,292,320
Additions	39,306	144,078	28,436	-	211,820
At 31 December 2020	667,644	7,507,171	300,825	28,500	8,504,140
<b>Depreciation and impairment</b>					
At 1 January 2020	158,614	5,365,941	252,271	28,500	5,805,326
Depreciation charged in the year	23,534	495,459	21,248	-	540,241
At 31 December 2020	182,148	5,861,400	273,519	28,500	6,345,567
<b>Carrying amount</b>					
At 31 December 2020	485,496	1,645,771	27,306	-	2,158,573
At 31 December 2019	469,724	1,997,152	20,118	-	2,486,994

### 14 Stocks

	2020 £	2019 £
Raw materials and consumables	388,958	657,421
Work in progress	78,586	50,969
Finished goods and goods for resale	235,573	664,863
	703,117	1,373,253

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 15 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	2,491,216	2,678,474
Amounts owed by group undertakings	578,838	623,297
Other debtors	-	3,001
Prepayments and accrued income	120,829	133,151
	<u>3,190,883</u>	<u>3,437,923</u>

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

	2020	2019
	£	£
Trade creditors	1,330,841	1,224,177
Amounts owed to group undertakings	396,870	243,869
Corporation tax	343,068	97,413
Other taxation and social security	132,099	99,309
Other creditors	25,993	21,988
Accruals and deferred income	395,122	266,736
	<u>2,623,993</u>	<u>1,953,492</u>

### 17 Provisions for liabilities

	Notes	2020	2019
		£	£
Deferred tax liabilities	18	<u>118,392</u>	<u>118,921</u>

### 18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020	Liabilities 2019
Balances:	£	£
Accelerated capital allowances	123,213	121,980
Short term timing differences	<u>(4,821)</u>	<u>(3,059)</u>
	<u>118,392</u>	<u>118,921</u>



# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 18 Deferred taxation (Continued)

	2020 £
<b>Movements in the year:</b>	
Liability at 1 January 2020	118,921
Credit to profit or loss	(529)
Liability at 31 December 2020	<u>118,392</u>

### 19 Retirement benefit schemes

	2020 £	2019 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>118,992</u>	<u>111,544</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.

### 20 Share capital

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

### 21 Reserves

#### Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

# LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 22 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	1,008,366	636,274
<b>Adjustments for:</b>		
Taxation charged	290,535	108,675
Finance costs	4,462	111,274
Investment income	-	(83,459)
Gain on disposal of tangible fixed assets	-	(76,613)
Depreciation and impairment of tangible fixed assets	540,241	534,594
<b>Movements in working capital:</b>		
Decrease in stocks	670,136	140,238
Decrease in debtors	247,040	1,509,654
Increase/(decrease) in creditors	424,846	(993,805)
<b>Cash generated from operations</b>	<b>3,185,626</b>	<b>1,886,832</b>

### 23 Analysis of changes in net funds

	1 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	1,871,873	1,123,935	2,995,808

### 24 Financial commitments, guarantees and contingent liabilities

At the year end, the company had a bond of £40,000 in favour of HMRC and a bond of €Nil (2019: €33,272) in favour of LAB S.A. There is also a right of set off on bank balances between the company and its fellow subsidiary, Lydall Industrial Filtration (EMEA) Limited.

### 25 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:

	2020 £	2019 £
Within one year	129,945	131,422
Between one and five years	220,593	321,644
	<b>350,538</b>	<b>453,066</b>

# **LYDALL INDUSTRIAL FILTRATION TEXTILE MANUFACTURING (EMEA) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **26 Related party transactions**

The company has taken advantage of the exemption under FRS102, not to disclose transactions during the year with other group undertakings on the grounds that it is a wholly owned subsidiary where the ultimate parent company prepares group accounts.

### **27 Ultimate controlling party**

At 31 December 2020 the directors consider that there is no ultimate controlling party.

The directors consider that the ultimate parent undertaking is Lydall Inc, a company incorporated in the USA. The immediate parent company is Lydall UK Limited.

On 21 June 2021, Lydall, Inc. entered into an Agreement and Plan of Merger ("Merger Agreement") among Unifrax Holding Co. and other parties named therein. Subject to certain conditions contained in the Merger Agreement (including approval of Lydall, Inc.'s shareholders and regulatory approvals/clearances), upon the completion of the transaction, Ulysses Investment Holdco Inc, a company incorporated in the USA, will become the ultimate parent undertaking and ultimate controlling party.