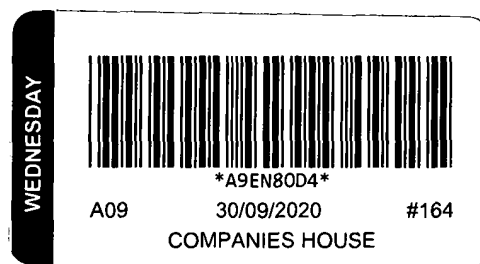


Voith Paper Limited

Annual Report and Financial Statements

Year ended 30 September 2019

Registered Number: 00110875



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Company information

Directors

R A O'Shaughnessy
S Bee

Secretary

S Bee

Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Registered Office

PO Box 8
Apex Works
Middleton
Manchester
M24 1QT

Strategic report

The directors present their Strategic report for the year ended 30 September 2019.

Principal activities and review of the business

Voith Paper Limited (the "Company") is engaged in the service and maintenance of specialist machinery to the UK Paper Industry.

The core function of the Company is to provide solutions for the customers' process requirements through product design, manufacturing consistency, application, development and innovation. This concept is shared by the Voith Paper division which is unique as a manufacturer and supplier of both paper machines and clothing.

The products, systems and services that are offered by Voith Paper and Voith's strategic partners are coordinated with one another and support the paper industry in optimising its production processes and improving paper quality.

The wider Voith Group has worldwide research and development facilities include pilot machines in São Paulo, Brazil; Ravensburg and Heidenheim, Germany. At these facilities, professional engineers experiment with the theoretical and practical aspects of paper making to develop tomorrow's technological advances in the paper machine and paper machine clothing industry.

Trading during the year decreased compared to the prior year with turnover of £7,094,275 (2018: £12,047,277), driven by the footprint decision in the UK. The Company made a profit after taxation of £436,317 (2018: loss of £1,374,005).

The Company's products continue to perform well in the field and the directors are confident that this will enhance the good standing of the Company in the domestic and overseas markets.

Closure of Stubbins Site

On the 30 April 2018, Voith announced a proposal to close the Voith Paper Limited site in Stubbins, Ramsbottom. The Group reviewed its global capacity utilization and cost structure for the Paper Division and as a result, Voith identified the need to align production with the market demand and installed a second line for Polymer Extrusion Deposition ("PED") and Nozzle Extrusion Deposition ("NED") fabrics in Florence, USA, which is closer to the end-customer. With a second line live in the USA, the production of PED and NED fabrics was moved from Stubbins to the USA. Those fabrics were the sole source of profit for the Stubbins site. Without the revenue generated by these products the operations at the Stubbins site were no longer profitable.

Key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	2019	2018
Turnover (£000)	7,094	12,047
Operating profit / (loss) (£000)	270	(1,428)
Profit / (loss) after tax (£000)	436	(1,374)
Shareholders' funds (£000)	3,738	3,302
Current assets as a % of current liabilities	179	124
Average number of employees	69	110

Strategic report (continued)

Principal risks and uncertainties

Credit risk

The Company's objective is to reduce the risk of financial loss due to counterparty's failure to honour its obligations. Appropriate credit control procedures are in place for ensuring that orders are not accepted or services provided to non-creditworthy customers. Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debt is minimal.

Liquidity risk

The Company aims to mitigate liquidity risk by managing the cash generated by its operations. Investment is carefully monitored. Approval procedures apply to all capital items purchased outright, leased, rented or subject to hire purchase agreements.

Brexit

The UK has voted to leave the European Union, and there is uncertainty surrounding the withdrawal agreement. During 2019 there has been no impact to operations and for the year ended 30 September 2020 only a limited impact is expected during the transition phase. The continuing business predominantly operates in the UK market and therefore it is anticipated that the effects of Brexit will be limited. Internal strategies have been developed to minimise any disruption caused by delays at customs.

Covid-19

The Coronavirus pandemic caused a considerable uncertainty in the markets, for our business and for every single individual. Although we were not completely unaffected by the pandemic, the effects to the Company were limited. However, the pandemic could have an impact on future orders. We continue to focus on high quality products and a high level of service for our customers.

Future developments

The directors consider that the future developments of the Company remain positive, continuing with a strong product portfolio.

On behalf of the board



S Bee
Director

Date: 28 September 2020

PO Box 8
Apex Works
Middleton
Manchester
M24 1QT

Directors' report

The directors present their Directors' report for the year ended 30 September 2019.

Research and development

There was no research and development in the year (2018: *£nil*)

Results and dividends

The profit and loss account set out on page 10 shows the profit (2018: loss) for the year.

The directors do not recommend a final dividend (2018: *£nil*).

Directors

The directors who served the company during the year and thereafter were as follows:

R A O'Shaughnessy

S Bee

Political and charitable donations

The Company made no political contributions (2018: *£nil*) and made no charitable donations (2018: *£nil*) during the year.

Equal opportunities

The Company is an equal opportunities employer. The Company's aim is that no employee receives less favourable treatment or is disadvantaged in any sphere of employment on the grounds of age, sex or marital status, race or ethnic origins.

Disabled employees

The Company gives every consideration to applications from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Employment involvement

The Company is committed to involve all employees in the performance and development of the Company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting the day to day operations of the Company. Goal agreements and employee dialogue are an integral part of the leadership concept implemented throughout the Company.

Directors' report (continued)

Treasury policies

The Company finances its activities with a combination of own cash flow and the Voith Group cash pool in the UK. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. Some of the Company's transactions are in other currencies than sterling therefore the Company operates overdrafts/positive balances in Euro and US Dollar to hedge this exposure. The Company's exposure to liquidity risk and policies adopted for its mitigation has been described above.

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 2.

On behalf of the Board



S Bee
Director

Date: 28 September 2020

PO Box 8
Apex Works
Middleton
Manchester
M24 1QT

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Voith Paper Limited

Opinion

We have audited the financial statements of Voith Paper Limited ("the Company") for the year 30 September 2019 which comprise the Profit and loss account and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



Independent auditor's report to the members of Voith Paper Limited (*continued*)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.



Independent auditor's report to the members of Voith Paper Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

A handwritten signature in black ink, appearing to read 'Antony Whittle', with a long horizontal stroke extending to the right.

Antony Whittle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Date: 28 September 2020

Profit and loss account and other comprehensive Income

For the year ended 30 September 2019

	Notes	Year ended 30 September 2019			Year ended 30 September 2018		
		Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Turnover	2	6,395,827	698,448	7,094,275	6,217,564	5,829,713	12,047,277
Cost of sales		(4,115,357)	(495,965)	(4,611,322)	(4,618,880)	(3,139,462)	(7,758,342)
Gross profit		2,280,470	202,483	2,482,953	1,598,684	2,690,251	4,288,935
Administrative expenses		(2,432,560)	(1,923,228)	(4,355,788)	(1,673,320)	(3,930,826)	(5,604,146)
Other operating income	3	486,374	1,656,365	2,142,739	457,022	73,893	530,915
Impairment of fixed assets		-	-	-	-	(643,429)	(643,429)
Operating profit / (loss)		334,284	(64,380)	269,904	382,386	(1,810,111)	(1,427,725)
Interest receivable and similar income	7	54,230	25,316	79,546	91,345	1,611	92,956
Interest payable and similar charges	8	(75,000)	-	(75,000)	(75,000)	(9,691)	(84,691)
Profit / (loss) before tax		313,514	(39,064)	274,450	398,731	(1,818,191)	(1,419,460)
Tax (charge) / credit on profit / (loss)	9	(86,095)	247,962	161,867	45,455	-	45,455
Profit / (loss) after taxation		227,419	208,898	436,317	444,186	(1,818,191)	(1,374,005)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income / (loss) for the year		227,419	208,898	436,317	444,186	(1,818,191)	(1,374,005)

The notes on pages 13 to 24 form part of these financial statements

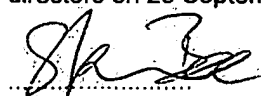
Balance sheet

At 30 September 2019

	Notes	Year ended 30 September 2019 £	Year ended 30 September 2018 £
Fixed assets			
Tangible assets	10	837,193	1,899,568
		<u>837,193</u>	<u>1,899,568</u>
Current assets			
Fixed assets held for sale	10	-	261,604
Stocks	11	504,355	1,455,108
Debtors	12	6,854,359	9,756,822
Cash at bank and in hand		8,866	770
		<u>7,367,580</u>	<u>11,474,304</u>
Creditors: amounts falling due within one year	13	<u>(4,124,575)</u>	<u>(9,280,774)</u>
Net current assets		<u>3,243,005</u>	<u>2,193,530</u>
Total assets less current liabilities		<u>4,080,198</u>	<u>4,093,098</u>
Provisions for liabilities and charges	14	(341,736)	(790,953)
Deferred taxation	15	-	-
Net assets		<u><u>3,738,462</u></u>	<u><u>3,302,145</u></u>
Capital and reserves			
Called up share capital	16	1,000,000	1,000,000
Share premium account		521	521
Profit and loss account		<u>2,737,941</u>	<u>2,301,624</u>
Shareholders' funds		<u><u>3,738,462</u></u>	<u><u>3,302,145</u></u>

The notes on pages 13 to 24 form part of these financial statements.

The financial statements on pages 10 to 24 were approved and authorised for issue by the board of directors on 28 September 2020 and were signed on its behalf by:



S Bee
Director

Statement of change in equity

At 30 September 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
Balance at 1 October 2017	1,000,000	521	3,675,629	4,676,150
Total comprehensive income for the year				
Loss for the year	-	-	(1,374,005)	(1,374,005)
Total comprehensive income for the year	-	-	(1,374,005)	(1,374,005)
Balance at 30 September 2018	1,000,000	521	2,301,624	3,302,145
Balance at 1 October 2018	1,000,000	521	2,301,624	3,302,145
Total comprehensive income for the year				
Profit for the year	-	-	436,317	436,317
Total comprehensive income for the year			436,317	436,317
Balance at 30 September 2019	1,000,000	521	2,737,941	3,738,462

The notes on pages 13 to 24 form part of these financial statements.

Notes to the financial statements

At 30 September 2019

1. Accounting policies

Voith Paper Limited (the "Company") is a company limited by shares and incorporated in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2017 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The Company's ultimate parent undertaking Voith GmbH & Co. KGaA, Heidenheim includes the Company in its consolidated financial statements. The consolidated financial statements of are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Post Box 2003, 89510 Heidenheim, Germany. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- Related party disclosures

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The entity has made a profit for the year for the year ended 30 September 2019 of £436,317 (30 September 2018: loss of £1,374,005) and the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for period of 12 months from the date of approval of these financial statements which take into account actual experience as a result of the COVID pandemic. These forecasts indicate that, taking account of severe but plausible downsides, The directors have prepared cash flow forecasts for a period 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company, J.M. Voith SE & Co. KG, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on J.M. Voith SE & Co. KG not seeking repayment of the amounts currently due to the group, which at balance sheet date amounted to £2,002,235, and providing additional financial support during the forecast period. J.M. Voith SE & Co. KG has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements

At 30 September 2019

1. Accounting policies (*continued*)

1.3 Foreign currency

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

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

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

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

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment in accordance with FRS 102.17.15E-F, Property, Plant and Equipment, with net revaluation gains recognised in OCI and net revaluation losses in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes to the financial statements

At 30 September 2019

1. Accounting policies (*continued*)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The company assesses at each reporting date whether tangible fixed assets are impaired.

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

Freehold buildings	-	4% per annum
Plant and machinery	-	8% to 25% per annum
Fixtures and fittings	-	20% per annum

No depreciation is provided on freehold land.

1.7 Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. In the case of work in progress and finished stocks, cost consists of direct materials, less trade discounts and attributable direct production costs. In the case of other stock items, cost consists of purchase price less trade discounts, calculated on a first in first out basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Progress payments received and receivable are deducted from work in progress. Where progress payments exceed the value of work in progress the excess is included in creditors.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Warranty provisions are made against certain contracts delivered to customers. The value of the provision is dependent on the technical complexity of each individual contract concerned and includes consideration of past experience on similar contracts undertaken and, where appropriate, reports commissioned by independent experts. Warranty provisions are normally held for a number of years after contract delivery, during which time any charges incurred are applied against the outstanding provision. At the end of each accounting period, the outstanding provisions are reviewed and, if the individual warranty provision is no longer required, the remaining provision is released to the profit and loss account. Any further provision that may be required is charged to the profit and loss account in the year in which identified.

1.9 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.10 Defined contribution pension

The staff and employees of the company are eligible to be members of Voith AEGON Pension Scheme, a defined contribution pension scheme. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Notes to the financial statements

At 30 September 2019

1. Accounting policies (*continued*)

1.11 Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Sale of goods

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.

Rendering of services

Revenue from paper machinery servicing is recognised upon completion of the service work or over the term of the service contract.

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

1.13 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Notes to the financial statements

At 30 September 2019

1. Accounting policies (continued)

1.13 Taxation

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Turnover

Turnover is the total amount receivable by the Company in the ordinary course of business for goods supplied as a principal and commission on sales secured for other group companies, and excludes value added tax. In respect of short term contracting work performed, the Company recognises a proportion of turnover on contracts appropriate to the stage of completion.

Commission income from group companies is accounted for on a receivable basis.

Turnover is attributable to the principal activity of the provision of services for the maintenance and upgrade of paper finishing and other specialist paper machinery, analysed as follows:

	2019	2018
	£	£
Sale of goods	6,395,827	5,829,713
Rendering of services	698,448	6,217,564
	<u>7,094,275</u>	<u>12,047,277</u>

Geographic Turnover is analysed as follows:

	2019	2018
	£	£
United Kingdom	6,155,961	5,909,031
Rest of Europe	639,330	3,741,420
North America	99,920	1,952,568
Asia	146,365	168,009
Rest of the world	52,699	276,249
	<u>7,094,275</u>	<u>12,047,277</u>

3. Other operating income

	2019	2018
	£	£
Rental income	144,455	149,406
Other	1,998,284	381,509
	<u>2,142,739</u>	<u>530,915</u>

Increase in other operating income caused by the gain on sale of land of the Stubbins site (see Note 10).

Notes to the financial statements

At 30 September 2019

4. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019	2018
	£	£
Restructuring costs	582,590	3,095,976
Operating lease costs	196,774	192,123

Auditor's remuneration:

	2019	2018
	£	£

Amounts receivable by the company's auditor and its associates in respect of:

Audit of these financial statements	60,000	40,000
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5. Staff numbers and costs

	2019	2018
	£	£
Wages and salaries	3,311,809	4,409,382
Social security costs	422,637	576,896
Other pension costs	248,860	328,616
	3,983,306	5,314,894

The monthly average number of employees (including directors) during the year was as follows:

	2019	2018
	No.	No.
Production	49	53
Administration	20	57
	69	110

Notes to the financial statements

At 30 September 2019

6. Directors' remuneration

One (2018: one) of the directors received remuneration from the Company during the year.

	2019	2018
	£	£
Remuneration	108,834	97,885
Company contributions paid to defined contribution pension schemes	13,609	13,290
	122,443	111,175

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018: 1).

Remuneration in respect of one director has been borne by other group companies without recourse. The director of the Company is also a director or officer of a number of the companies and the allocation of cost to each company would be impractical.

7. Interest receivable and similar income:

	2019	2018
	£	£
Interest receivable from group undertakings	36,849	21,410
Net foreign exchange gain	42,697	71,546
	79,546	92,956

8. Interest payable and similar charges:

Interest payable and similar charges:

	2019	2018
	£	£
Interest payable to group undertaking	75,000	75,000
Other interest payable	-	9,691
	75,000	84,691

Notes to the financial statements

At 30 September 2019

9. Tax

Total tax (credit) / expense recognised in the profit and loss account, other comprehensive income and equity

	2019	2018
	£	£
Current tax		
Current tax on income for the period	-	20,640
Adjustment in respect of prior periods	6,330	201,464
Total current tax charge / (credit)	6,330	222,104
Deferred tax:		
Origination and reversal of timing differences	(191,482)	(268,935)
Effect of changes in tax rates	20,156	28,309
Adjustment in respect of prior periods	3,129	(26,933)
Total deferred tax (credit) for the year	(168,197)	(267,559)
Total tax (credit)	(161,867)	(45,455)

Reconciliation of effective tax rate

	2019	2018
	£	£
Profit/(loss) for the year	436,317	(1,374,005)
Total tax (credit) / expense	(161,867)	(45,455)
Profit / (Loss) excluding taxation	274,450	(1,419,460)
Tax using the UK corporation tax of 19% (2018: 19.5%)	52,146	(269,697)
Profit on ineligible assets	(243,628)	21,402
Adjustments in respect of prior years	9,459	174,531
Changes in tax rate	20,156	28,309
Total tax credit included in the profit or loss	(161,867)	(45,455)

Notes to the financial statements

At 30 September 2019

10. Tangible assets

	Freehold land and building	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£
Cost				
At 1 October 2018	4,245,412	2,172,456	796,971	7,214,839
Additions	23,195	21,618	1,570	46,383
Disposals	(2,111,590)	(43,906)	(159,969)	(2,315,465)
At 30 September 2019	2,157,017	2,150,168	638,572	4,945,757
Depreciation				
At 1 October 2018	2,733,958	1,807,451	773,862	5,315,271
Charge for the year	58,852	120,679	8,611	188,142
Disposal charge	(1,207,707)	(28,645)	(158,497)	(1,394,849)
At 30 September 2019	1,585,103	1,899,485	623,976	4,108,564
Net book value at				
30 September 2019	571,914	250,683	14,596	837,193
At 1 October 2018	1,511,454	365,005	23,109	1,899,568

Notes to the financial statements

At 30 September 2019

11. Stocks

	2019 £	2018 £
Work in progress	481,643	1,176,828
Raw materials and consumables	22,712	255,513
Finished goods and goods held for resale	-	22,767
	504,355	1,455,108

12. Debtors

	2019 £	2018 £
Trade debtors	1,389,484	1,329,503
Amounts owed by fellow group undertakings	4,663,566	7,862,042
Other debtors	42,276	87,519
Prepayments and accrued income	105,758	183,777
Deferred tax asset (see note 15)	462,180	293,981
Other taxes and social security costs	191,095	-
	6,854,359	9,756,822

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	242,165	254,355
Amounts owed to fellow group undertakings	2,002,235	1,067,232
Corporation tax	183,296	647,171
Other creditors	43,647	313,368
Other taxes and social security costs	400,904	304,400
Accruals and deferred income	1,252,328	1,169,656
Short term loan from fellow group undertaking	-	5,524,592
	4,124,575	9,280,774

Notes to the financial statements

At 30 September 2019

14. Provisions

	Warranty Provision £	Redundancy Provision £	Total £
Balance at 1 October 2018	165,477	625,476	790,953
Provisions made during the year	146,975	-	146,975
Provisions used during the year	-	(596,193)	(596,193)
Balance at 30 September 2019	312,452	29,283	341,735

The warranty provision is set out in the notes to the financial statements note 1.8. It is anticipated that the warranty provision will be substantially utilised within one year from the balance sheet date. Unused amounts released consist of warranty contracts that have expired during the year.

15. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Accelerated capital allowances	(166,193)	(138,545)	-	-	(166,193)	(138,545)
Trade losses	(239,145)	-	-	-	(239,145)	-
Other	(56,842)	(155,436)	-	-	(56,842)	(155,436)
Net tax (assets) / liabilities	(462,180)	(293,981)	-	-	(462,180)	(293,981)

16. Share capital

	2019 No.	2018 No.	2019 £	2018 £
Share Capital				
<i>Authorised, allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000

Notes to the financial statements

At 30 September 2019

17. Defined contribution plans

The Company operates a number of defined contribution pension plans. Employees of the company are eligible to be members of a money purchase retirement benefit scheme, The Voith AEGON Pension Scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. No paid pension contributions were outstanding at the year-end (2018: £nil). The total expense relating to these plans in the current year was £248,860 (2018: £328,616).

18. Commitments under operating leases

As at 30 September 2019 the company had annual commitments under non-cancellable operating leases, none of which related to land and buildings, which expire as follows:

	2019	2018
	£	£
In one year or less	133,402	138,228
Between one and two years	74,715	112,849
Between two and five years	34,916	76,289
	<u>243,033</u>	<u>327,366</u>

19. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Voith Paper Auslandsbeteiligungen GmbH, Heidenheim. The company's ultimate parent undertaking is Voith GmbH & Co. KGaA. Both Voith Paper Auslandsbeteiligungen GmbH, Heidenheim and Voith GmbH & Co. KGaA are incorporated in Germany.

Copies of the group accounts of Voith GmbH & Co. KGaA are available from Post Box 2003, 89510 Heidenheim, Germany.

20. Post balance sheet events

The worldwide outbreak of COVID-19 during late 2019 and early 2020 is expected to have a significant effect on the UK and worldwide economy. Demand in the paper industry remains strong and we do not envisage any material changes in demand resulting from the pandemic. The Directors have considered COVID-19 to be a non-adjusting post balance sheet event as at 30 September 2019.